

# CERPAC Receivables Funding SPV Plc

*€1.25 Billion 14.5% Series 3 Fixed Rate Bonds Due 2028  
under the €40 Billion Medium Term Note Programme*

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2021 Structured Finance Final Rating Report

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 **Agusto&Co.**

*Research, Credit Ratings, Credit Risk Management*

# CERPAC RECEIVABLES FUNDING SPV PLC

## Securitisation of Combined Expatriate Residential Permit & Alien Cards (CERPAC) Receivables - ₦1.25 Billion 14.5% Series 3 Fixed Rate Bonds Due 2028 under the ₦40 Billion Medium Term Note Programme

### Issue Rating

**A+<sup>sf</sup>**

Good quality debt issue with low to moderate credit risk; strong capacity to pay returns and principal on local currency debt in a timely manner.

**Outlook:** Stable  
**Issue Date:** 2 November 2021  
**Expiry Date:** 30 September 2022

*The final Issue rating is subject to annual renewals on the anniversary of the Bond.*

**Sponsor Rating: Bbb-**  
**Expiry Date: 30 June 2021**

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## RATING RATIONALE

- Agusto & Co. hereby assigns an “A+<sup>sf</sup>” rating to the CERPAC Receivables Funding SPV Plc’s (“CRFS”, “the Issuer” or “SPV”) ₦1.25 billion 14.5% Series 3 Fixed Rate Bond Due 2028 (“the Issue”, “Series 3” or “the Bond”) Future Flow Receivables Backed Securitization of Combined Expatriate Residential Permit & Alien Cards (CERPAC) Issuance. The assigned rating is underlined by the strong cash-generating capacity of the securitized receivables (CERPAC cards issued for the identification and tracking of foreign national residents in Nigeria) as well as credit enhancement structures (cash reserve account, over-collateralization, cash accumulation and acceleration triggers) which provide additional protection that the Bond obligations ought to be met as and when due.
- Continental Transfert Technique Limited (“the Sponsor”, “the Seller”, “CTTL” or “the Company”) is the sole company in Nigeria with the mandate to produce the Combined Expatriate Residence Permit and Alien Card (CERPAC) for and on behalf of the Nigerian Immigration Service based on a 1999 contract awarded by the Federal Government of Nigeria (“FGN”) through the Ministry of Internal Affairs (now Ministry of Interior). The Company is a member of the Contec Global Group (“Contec Global” or “the Group”) with business interests covering the Agro, Power, Oil & Gas, Hospitality, Fintech and Energy Sectors. In May 2017, CTTL sponsored the incorporation of a special purpose vehicle, CERPAC Receivables Funding SPV Plc to raise money in connection with the funding program through the purchase of current and future receivables of the Company.
- As at 31 January 2021, the SPV had issued bonds totalling ₦18.97 billion in three tranches with an outstanding Bond principal of ₦9.96 billion as at the same date. The Joint Trustees Report as at 31 January 2021 shows that ₦16.2 billion had been paid to the Discrete, Series 1 & 2 Bondholders covering total coupon payment and principal repayments due. CRFS issued ₦1.25 billion 14.5% Series 3 Bond in September 2021 under the same operating terms and conditions as the existing Bonds in issue and thus amended the Bond programme size to ₦40 billion from the erstwhile ₦25 billion to accommodate the new Series 3 issuance.

*This Rating Report should be read in conjunction with Agusto & Co.’s 2020 Corporate Rating Report for Continental Transfert Technique Limited*

## TRANSACTION PARTIES

### Issuer:

CERPAC Receivables Funding SPV Plc

### Sponsor/Service/Seller:

Continental Transfert Technique Limited

### Issuing House/Book Runner:

DLM Advisory Limited

### Solicitors to the Issue:

Perchstone & Graeys

### Bond & Security Trustees:

DLM Trust Company Limited  
ARM Trustees Limited

### Registrars:

Africa Prudential Plc

### Auditor to the Issuer:

Crowe Dafinone

### Company Secretary:

Vatad Solicitors

### CERPAC Sales Proceed Bank:

Polaris Bank Limited

### Account Bank:

Zenith Bank Plc

### Receiving Bank:

Sterling Bank Plc

## KEY TRANSACTION STRUCTURE

### Bond Tenor:

7-years with semi-annual payment of coupon and principal. However, the principal is subject to a three-year lockout period from the issue date.

### Early Redemption Option:

The Issuer reserves the right to an optional early redemption option (Call Option) from the 48th month after bond closing. However, this option is subject to 1.05% of principal outstanding of the Bonds together with interest accrued from the 48th month up to, but excluding the 60th month and 1.025% of principal outstanding of the Bonds together with interest accrued from the 60th month up to, but excluding the Maturity Date.

- As part of the transaction structure, the Series 3 coupon rate (to be determined through a book-building process) will be paid semi-annually over seven years, while the principal will be amortised bi-annually after a three-year lockout period commencing from the issue date. Also, the Issuer reserves the right for an early redemption option (Call Option) after 48 months from bond issuance date subject to terms and conditions as noted in the Trust Deed.
- Similar to the structure of the existing Bonds in issue, the proceeds of the Series 3 Bond will be used to purchase the rights of the Seller as it continues to deliver on the CERPAC scheme<sup>1</sup> and thereby generate the receivables required to service the Bond obligations. In turn, CTTL plans to utilize about 85% of the Series 3 proceeds to finance related parties' Agro projects, while the balance will be used fund technology infrastructure for the new contracts such as E-Move<sup>2</sup> and SITA<sup>3</sup> (9%), funding the Minimum Reserve Account (4%) and cover cost of issue (2%).
- Pursuant to the assignment of rights to all future receivables by the Seller to the Issuer per the terms of the Receivables, Sale and Purchase Agreement (3<sup>rd</sup> addendum); the Seller has further notified the Sales Proceeds Bank by way of the Notice of True Sale to continuously on a weekly basis, pay directly into the Transaction Collection Account (TCA) the share of daily sale proceeds of CERPAC forms due to the Seller. Also, the CERPAC receivables will be administered by the Seller in its capacity as a Servicer under the terms of the Servicing Agreement wherein a weekly deduction amount (as notified by the Trustees) will be transferred from the TCA into a Bond Collection Account maintained with the Trustees - DLM Trust Company Limited and ARM Trustees Limited - to meet the existing and Series 3 Bond obligations as and when due.
- The Bonds will constitute direct, unconditional, unsubordinated secured obligations of the Issuer and shall rank pari passu at all times without any preference among themselves. The Bonds shall be the obligation of the Issuer and will be repaid from the portion of the cash flow that accrues to the SPV from the sale of the CERPAC forms.
- Based on the terms of the CERPAC contract (4th amendment dated 15 December 2014), CTTL is expected to produce and supply CERPAC cards up to a maximum of 900,000. In December 2018, the FGN, through the Ministry of Interior reviewed the CERPAC fees upwards by 100% to \$2,000 effective 1 January 2019 and also revised the sharing formula to now allocate 55% of the total CERPAC card sales to CTTL compared to the former 65%. As at 31 January 2021, the Company had cumulatively produced a total of 456,684 cards with approximately 443,316 cards left to be sold. Augusto & Co notes positively that based on the average number of cards sold per

<sup>1</sup> The aim of the CERPAC Scheme is to provide new and highly secure documents and cards for the identification and tracking of foreign nationals' residents in Nigeria

<sup>2</sup> The E-Move is a contract awarded by the FGN to CTTL which involves the deployment and issuance of travel card for citizens of ECOWAS countries to aid free movement within the region.

<sup>3</sup> This is a collaboration with SITA Advanced Travel Solutions Limited to create a framework for processing passengers' information at airports, seaport and land borders as well as the issuance of travel, tourism and health-related cards.

**Source of Repayment:**

The portion of the cash flow that accrues to the SPV from the sale of the CERPAC forms.

**Use of Bond Proceeds:**

The net proceeds will be used by the Issuer for the payment of the subsequent purchase price to the Seller. The Seller shall in turn use the proceeds to finance infrastructure for the new technology contracts and agro-related investments in the country.

**Bond Status:**

Direct, unconditional, unsubordinated secured obligations of the Issuer and shall at the least rank equal to any other existing Bond obligations of the Issuer. The Series 3 Bonds shall rank pari passu at all times and without any prejudice among themselves.

**Credit Enhancements:**

The bond shall have the benefit of a cash reserve account, over-collateralization, cash accumulation and acceleration triggers.

**Listing:**

The Bond will be listed on either FMDQ Exchange or NSE and may consider dual listing on both FMDQ Exchange and NSE.

annum over the last decade, it will take about 8 years for the outstanding CERPAC cards to be issued.

- Agusto & Co. has reviewed the Issuer's forecast and the total cash flow that is accruable to the SPV (based on a 55% sharing formula to the SPV) from the sale of CERPAC forms over seven-years is estimated at ₦173.6 billion. This will be sufficient to cover the total existing bonds (Discrete, Series 1 & 2 bonds) and proposed Series 3 Bond obligations resulting in a total bond coverage ratio of 12.1 times, which we consider to be good.
- Based on the above, Agusto & Co. attaches a **stable** outlook to the Series 3 Bond premised on the continued honouring of the CERPAC contract by FGN.

**Table 1: Rating Triggers**

Positive Trigger
<ul style="list-style-type: none"> <li>• Increase in the number of CERPAC cards sold beyond estimated levels</li> </ul>
Negative Triggers
<ul style="list-style-type: none"> <li>• Drop in the sale of CERPAC cards below 2,500 cards per month leading to non-compliance with the minimum debt service coverage ratio</li> <li>• Unfavorable monetary and fiscal policies as well as foreign policy which can affect expatriates living and working in Nigeria</li> <li>• Insolvency of the Originator, Servicer or selected Account Bank</li> <li>• Should the Federal Government of Nigeria change the documentation and process for residency and work permits being issued to expatriates</li> <li>• Force majeure</li> </ul>

**Table 2: Transaction Key Risk Assessment**

Risk	Description of Risk	Agusto & Co. Opinion
<b>Service Contract Termination</b>	This is the risk that either the Federal Government of Nigeria (FGN) or CTTL will terminate the service contract. The success of the Seller and indirectly the Issuer depends on the FGN honouring the terms of its agreement with CTTL as the Company acts as the Sponsor, Originator, Servicer and sole contractor for the CERPAC cards in Nigeria.	Agusto & Co. notes that the Company signed a long-term contract with the FGN in 1999 and this contract is strengthened by an existing judgment debt settlement in favour of CTTL in 2011, which provides for the production of not more than 900,000 CERPAC cards. As at 31 January 2021, a total of 443,316 cards were unsold and it will take about 8 years to be fully sold based on the historical yearly average. Agusto & Co. views this level of risk as medium, given that the FGN can still review the contract terms.
<b>Revenue Shortfall</b>	This is the risk that revenue from the sale of CERPAC forms will fall below estimated levels. Thus, the ability of the Issuer to meet its obligations on the existing bonds and proposed Series 3 Bond will be constrained	Agusto & Co. recognizes that the Issuer will be over-collateralised 13.9 times by the purchase of outstanding CERPAC receivables required to repay all the existing bonds in issue including the Series 3 Bond. Also, the residual Interest structure gives priority to the senior payments

	<p>due to insufficient receipt of funds in respect of the current and future Receivables.</p>	<p>(Bondholders) on cash receipts available to the Issuer to meet its payment obligations.</p> <p>Agusto &amp; Co. notes that the risk of revenue shortfall is low, except there is a consistent significant drop in CERPAC forms sold (to below 2,500 cards per month), which is unlikely given that the average monthly number of cards sold historically is circa 4,300. However, should there be an increase in demand and volume of CERPAC cards sold, a Cash Accumulation Account will be triggered in line with the Shelf prospectus to warehouse the excess of the CERPAC cards (above 5,500 cards monthly) sold to repay the Bonds before maturity.</p>
<p><b>Performance Risk (Originator)</b></p>	<p>This is the risk that CTTL as an originator, will not be able to provide the consumables and technology required to generate future receivables, which can impair the ability of the SPV to repay the Series 3 Bond obligations.</p>	<p>Agusto &amp; Co. notes that CTTL operates a Build, Operate and Transfer (BOT) contract with the FGN, which it has operated since 1999 and is obliged to perform, otherwise a breach of contract ensues. In our opinion, this risk is low, given CTTL's good track record over the last 21 years.</p>

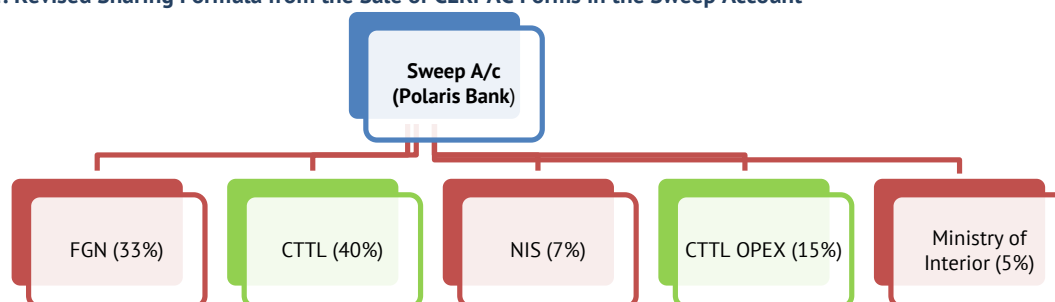
## OVERVIEW OF THE CERPAC SCHEME

In 1999, the Federal Government of Nigeria (FGN) and Continental Transfert Technique Limited (“CTTL” or “the Company”) entered a contract, wherein the latter invested in information technology infrastructure (hardware and software) to support the operation of the Combined Expatriate Residence Permit and Alien Cards (CERPAC) issued to expatriates working in Nigeria. Subsequently, the FGN failed to honour its terms of the contract (and addendums) and the Company took legal action against the FGN. In 2011, CTTL obtained a final judgment against the Federal Government of Nigeria in the Supreme Court of the Federal Republic of Nigeria, in the High Court of London, United Kingdom and in the District Court of the United States of America. One of the key Terms of Settlement of the Judgment Debt of 2011 was an extension of the CERPAC scheme for a term of 3 years or sale of 900,000 CERPAC forms, whichever is the latter. Also, as a component of the Judgement Debt Settlement, an E-PASS scheme (implementation by CTTL began in 2015) was developed wherein E-PASS stickers were issued to foreigners who visit the country and decide to extend their stay beyond the 55 days limit.

The CERPAC form which is sold to foreigners living in Nigeria is quoted in dollars and payable in Naira at the prevailing exchange rate at the Investors’ and Exporters’ Foreign Exchange window. The form is processed by the Nigerian Immigration Service using CTTL consumables and technology platform, to generate a CERPAC card, which is valid for one year. Proceeds from the sale of the CERPAC forms are paid into a sweep account currently domiciled with Polaris Bank Limited (formerly Skye Bank Plc). CTTL operates 36 CERPAC centres spread across the country, which are manned by officers of the Nigerian Immigration Service, who utilise CTTL’s highly secured technology systems to produce the CERPAC cards.

Over the last decade, circa 52,000 CERPAC cards were sold annually, However, Agusto & Co. notes that due to the adverse impact of the COVID-19 pandemic (especially in April 2020), CTTL’s total CERPAC sales reduced to 46,061 cards in 2020 – the lowest in the last 8 years. As at 31 January 2021, CTTL had cumulatively produced 456,684 cards with about 443,316 cards left to be sold out of the 900,000 cards based on the Terms of Settlement of Judgement Debt. Furthermore, the sale of the total outstanding cards will translate to circa ₦363.5 billion, while the portion due to CTTL based on the revised sharing formula of 55%<sup>4</sup>, will amount to ₦199.9 billion. Agusto & Co notes positively that based on the average number of cards sold per annum over the last decade, it will take about 8 years for the outstanding CERPAC cards to be issued. The FGN, through the Ministry of Interior, approved a 100% upward review of the CERPAC fees to \$2,000 per card and also revised the sharing formula for proceeds from the sale of CERPAC cards effective 1 January 2019 to CTTL (40%), FGN (33%), Nigeria Immigration Service (7%), CTTL expenses (15%) and Ministry of Interior (5%).

**Figure 1: Revised Sharing Formula from the Sale of CERPAC Forms in the Sweep Account**



Source: Amended Tripartite Agreement between FGN, CTTL and Polaris Bank Limited dated 19 December 2018

<sup>4</sup> In December 2018, the Federal Government of Nigeria, through the Ministry of Interior approved a review of the CERPAC fees to \$2,000 from \$1,000, effective 1 January 2019 for three years before another review is due. Under the previous sharing formula, CTTL collected 65% of the CERPAC card sales.

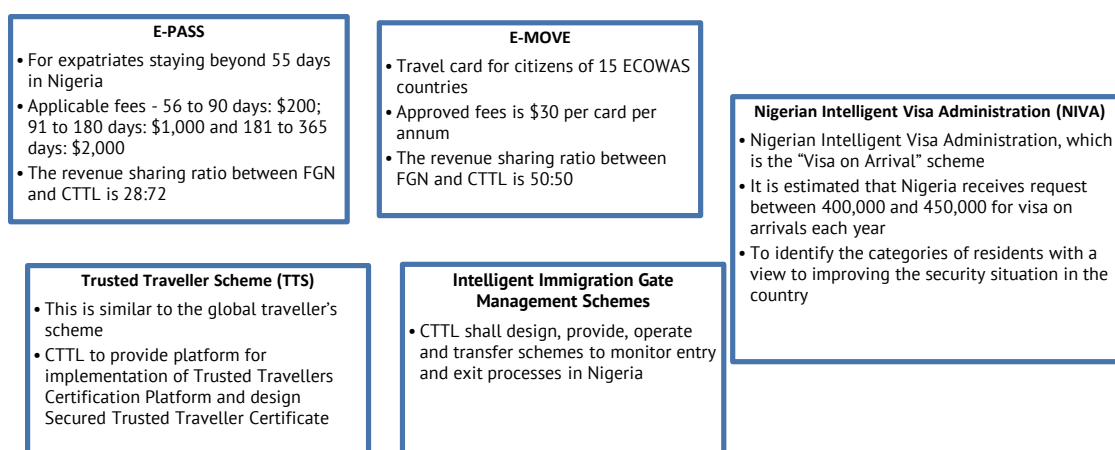
**Table 3: Historical CERPAC Cards Sales**

Historical CERPAC Card Sales Volume (2011 – 2019)										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
January	3,699	2,619	4,172	4,215	5,127	5,191	4,406	4,906	4,901	4,994
February	4,323	4,972	4,124	4,604	4,677	4,723	4,121	4,506	4,066	4,790
March	5,047	4,741	4,045	6,108	5,243	4,995	4,995	4,915	5,608	4,878
April	3,545	3,720	4,134	5,585	4,449	5,377	3,931	4,967	5,189	460
May	4,916	3,000	4,397	5,252	4,816	4,980	4,723	5,438	5,883	4,123
June	4,715	3,000	3,823	4,611	5,644	4,998	4,004	4,807	4,493	3,980
July	4,370	3,000	4,207	4,439	5,385	4,192	4,110	4,680	5,233	3,540
August	4,344	3,111	3,518	4,300	4,901	4,486	4,028	4,251	4,486	3,394
September	4,448	4,258	4,199	5,258	4,620	3,988	3,850	4,087	4,434	3,563
October	4,072	4,266	4,087	4,737	5,686	4,181	4,388	5,406	4,933	3,196
November	4,068	4,719	4,345	5,373	5,203	4,724	4,902	5,318	4,746	4,976
December	3,399	2,931	3,229	3,964	4,486	3,426	3,575	3,253	4,004	4,297
<b>Total</b>	<b>50,946</b>	<b>44,337</b>	<b>48,280</b>	<b>58,446</b>	<b>60,237</b>	<b>55,261</b>	<b>51,033</b>	<b>56,534</b>	<b>57,976</b>	<b>46,170</b>
<b>Average</b>	<b>4,245</b>	<b>3,695</b>	<b>4,023</b>	<b>4,870</b>	<b>5,020</b>	<b>4,605</b>	<b>4,253</b>	<b>4,711</b>	<b>4,831</b>	<b>3,848</b>

Source: Continental Transfert Technique Limited Presentation

As part of the 2011 Judgement Settlement, further collaboration was birthed between FGN and CTTL for ancillary services for e-immigration including the provision of a technology hub for visa administration (Nigerian Intelligent Visa Administration (NIVA) and Intelligent Immigration gate management schemes incorporating a Trusted Travellers Scheme (TTS). These collaborations have led to the origination and award of various schemes such as E-PASS, E-Move, NIVA and TTS.

**Figure 2: Ancillary Schemes to be operated by CTTL based on Terms of Settlement of Judgment Debt 2011**



In May 2017, Continental Transfert Technique Limited sponsored the incorporation of a special purpose vehicle, CERPAC Receivables Funding SPV Plc ("CRFS", "the Issuer" or "SPV") to raise money solely in connection with the funding program through the purchase of receivables. CERPAC Receivables Funding SPV Plc has an authorised share capital of ₦1 million divided into one million ordinary shares of ₦1 each, which has been issued and fully paid. The nominee directors of the Issuer are Messer's Ololade Ajibose and Omesì Mamedu, who are both employees of the Corporate Service Provider. The Issuer has no employees and is a special purpose company set up as a separate and distinct entity from the Seller. Since incorporation, the SPV had issued a total of ₦18.97 billion bonds (Discrete, Series 1 & 2) and ₦2.78 billion commercial paper (CP). However, the total outstanding principal as at 31 January 2021 stood at ₦9.96 billion following repayment of the CP as well as the amortised portion of bonds in issue.



## TRANSACTION STRUCTURE

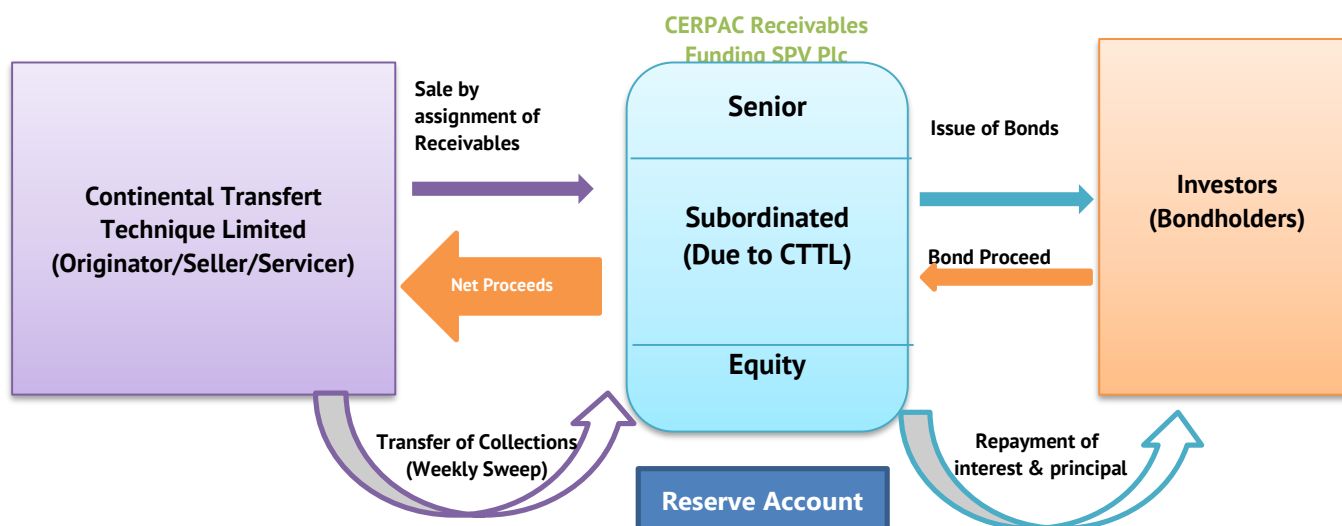
### Overview

CERPAC Receivables Funding SPV Plc issued ₦1.25 billion out of a planned ₦15 billion as a Series 3 issuance in September 2021, in addition to earlier ₦18.97 billion Bond previously raised from the debt capital market under the discrete, series 1 & 2 bond issuances. The proceeds of the Series 3 Bond issuance will be utilised by the SPV for the purchase of the Seller's share of future receivables (Purchased Receivables) from the sale of CERPAC forms. The Seller shall in turn use the proceeds mainly to finance related parties Agro investments in the country and infrastructure for technology-related projects (9%). The Series 3 Bond coupon rate (to be determined through a book-building process) will be paid semi-annually over seven years, while the principal will be amortised bi-annually after a three-year lockout period commencing from the issue date.

The Issuer reserves the right to an early redemption option (Call Option) after 48 months from the Bond issuance date. However, this option is subject to 1.05% of principal outstanding of the Bonds together with interest accrued from the 48th month up to, but excluding the 60th month and 1.025% of principal outstanding of the Bonds together with interest accrued from the 60th month up to, but excluding the maturity date. Also, this Call Option is subject to a 90 days redemption notice period. In our view, the Call Option allows the issuer to redeem the bond before maturity if the aggregate sale of CERPAC cards occurs quicker than anticipated.

The Seller (Continental Transfert Technique Limited) and the Issuer (CERPAC Receivables Funding SPV Plc) entered into a Receivables, Sale and Purchase Agreement ("RSPA") dated 29 January 2018 and a 3rd Addendum to the RSPA, under which the Seller shall sell and assign to the Issuer all its rights, title and interest in all its future receivables due to the Seller from the sales of the CERPAC forms.

**Figure 3: Overview of the Transaction Structure**



Source: Agusto & Co – (adapted from various communication and management presentations)

Pursuant to the assignment of rights to all future receivables by the Seller to the Issuer per the terms of the Receivables, Sale and Purchase Agreement entered into by the relevant parties; the Seller has further notified the Sales Proceeds Bank (by way of the Notice of Sale) to, on a weekly basis, pay directly into the Transaction Collection Account the share of daily sale proceeds of CERPAC forms due to the Seller.

The CERPAC receivables will be administered by the Seller in its capacity as a Servicer under the terms of the Servicing Agreement with the Issuer. The Collections from the Sales Proceeds Account will be deposited in the Transaction Collections Account and then the Weekly Deduction Amount will be transferred into a Bond Collection Account maintained with the Trustees – DLM Trust Company Limited and ARM Trustees Limited.



## Bond Structure

The proceeds of the Series 3 Bond shall be utilised to purchase the rights of the Seller to its share in the current and future receivables of the CERPAC Scheme. In turn, Continental Transfert Technique Limited plans to utilize the Bond proceeds for financing related parties Agro projects (85%) while the balance will be used to fund technology infrastructure for the E-Move and SITA projects (9%), minimum Reserve Account Balance (4%) and cost of issue (2%). Furthermore, CTTL's management disclosed that the Contec Global Group is pursuing a diversification strategy by reploughing funds from cash-generating entities into greenfield Agro-related investments with high growth potential in the future. We note the risk related to greenfield agro projects in the country. Nevertheless, our concern is muted by the fact that the payment of the Bond is from the sale of expatriate cards.

**Table 4: Utilization of Proceeds Schedule – ₦1.25 billion Series 3 Bond**

S/N	Particulars	Amount (₦)	% of proceeds
1	Bio Input factory set up for Kwali and Eruwa	627,248,167	50%
2	Mining for carrier agents for Bio Input Factories	156,812,042	13%
3	Upgrade of existing factories at Madala and Katsina	156,812,042	13%
4	Upgrade of Agri Research labs at Abuja and Eruwa	39,203,010	3%
5	Research facility and storage setup at Qatar	78,406,020	6%
6	E-Move, SITA and other related projects	117,609,031	9%
7	Minimum Reserve Account Balance (50%)	45,312,500	4%
8	Cost of Offer	28,597,187	2%
<b>Total</b>		<b>1,250,000,000</b>	<b>100%</b>

Source: CERPAC Receivables Funding SPV Plc's ₦1.25 billion Series 3 Fixed Rate Bond Pricing Supplement

The Bond will constitute direct, unconditional, unsubordinated secured obligations of the Issuer and shall rank pari passu at all times without any prejudice among themselves. The Bond shall be the obligation of the Issuer and not obligations of or guaranteed by, any of the other parties to the Transaction. The Bond obligation will be repaid from the portion of the cash flow that accrues to the SPV from the sale of the CERPAC forms. The rights to the portion of this cash flow has been assigned to the Issuer through the Receivables Sales and Purchase Agreement (3<sup>rd</sup> Addendum). The Series 3 Bond shall be listed on either the FMDQ OTC Securities Exchange or the Nigerian Stock Exchange (NSE).

In line with the pricing supplement, the fixed coupon rate on the Series 3 Bond will be payable semi-annually over the seven-year period, while the principal will be redeemed in line with the amortization schedule (table 3 below) on a half-yearly basis following a three-year principal lockout period commencing from the issue date.

**Table 5: Series 3 Bond Amortisation Schedule**

Period	Semi-annual Payment	Interest <sup>5</sup>	Principal Repayment	End Balance
<b>0</b>				1,250,000,000.00
<b>1</b>	71,065,647.48	71,065,647.48	0	1,250,000,000.00
<b>2</b>	90,625,000.00	90,625,000.00	0	1,250,000,000.00
<b>3</b>	90,625,000.00	90,625,000.00	0	1,250,000,000.00
<b>4</b>	90,625,000.00	90,625,000.00	0	1,250,000,000.00
<b>5</b>	90,625,000.00	90,625,000.00	0	1,250,000,000.00
<b>6</b>	90,625,000.00	90,625,000.00	0	1,250,000,000.00
<b>7</b>	211,367,266.62	90,625,000.00	120,742,266.62	1,129,257,733.38
<b>8</b>	211,367,266.62	81,871,185.67	129,496,080.95	999,761,652.43
<b>9</b>	211,367,266.62	72,482,719.80	138,884,546.82	860,877,105.62
<b>10</b>	211,367,266.62	62,413,590.16	148,953,676.46	711,923,429.15
<b>11</b>	211,367,266.62	51,614,448.61	159,752,818.00	552,170,611.15
<b>12</b>	211,367,266.62	40,032,369.31	171,334,897.31	380,835,713.84
<b>13</b>	211,367,266.62	27,610,589.25	183,756,677.37	197,079,036.47
<b>14</b>	211,367,266.62	14,288,230.14	197,079,036.47	- 0.00
<b>Total</b>	<b>2,215,128,780.43</b>	<b>965,128,780.43</b>	<b>1,250,000,000.00</b>	

<sup>5</sup> Coupon rate is 14.5%

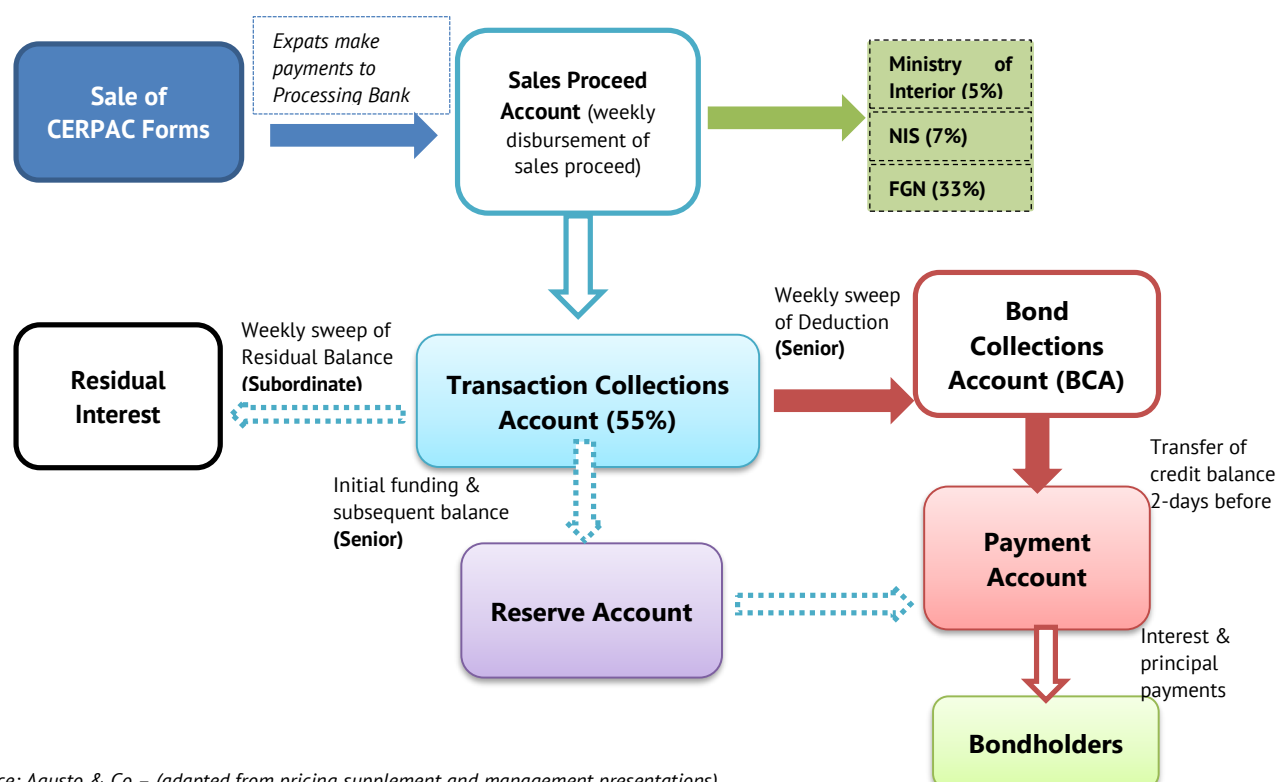
### Transaction Collection Account Process

The Bond will be repaid from the portion of cash flow that accrues to the SPV from the sale of the CERPAC forms. The rights to the portion of this cash flow will be assigned to the Issuer through the Receivables Sales and Purchase Agreement (as amended). Therefore, the Seller shall instruct the Collection Bank to, on a weekly basis, pay directly into the TCA the share of sale proceeds of CERPAC forms due to the Seller. The Servicer shall ensure that every week, payments from all Collections due to CTTL shall without set-off or counter-claim against the Issuer, the Bond Trustees or any other Person, are made into the Transaction Collection Account from the CERPAC Sales Proceeds Account. There will be a direct assignment by the Seller of all collections from sales of cards to the Transaction Collections Account.

On the relevant date, withdrawals representing the Weekly Deduction Amount, as determined by the Bond Trustees and notified to the Servicer, shall be made by the Account Bank from the Transaction Collection Account and paid into the Bond Collection Account held by the Account Bank in accordance with the irrevocable standing instructions of the Bond Trustees. Also, withdrawals representing Residual Claims (the balance of funds) standing to the credit of the TCA, which do not constitute part of the Weekly Deduction Amount; if any, shall be made available to the Residual Interests, which are subordinated claims on the TCA, but available for CTTL's use.

Two business days before the payment date of interest and principal, the Account Bank shall transfer from the BCA based on the instruction of the Joint Trustees into a payment account, all payments due by the Issuer to service the Bond obligations and other payment obligations under the transaction. The joint trustees responsible for managing the TCA are also responsible for managing the BCA per the duly executed Trust Deed. ARM Trustees Limited and DLM Trust Company Limited are responsible for managing the TCA and MRA in line with the provisions of the duly executed Trust Deed for the benefit of the bondholders.

**Figure 4: Overview of Transaction Collection Account Process**



Source: Agusto & Co – (adapted from pricing supplement and management presentations)

## Credit Enhancement

In line with the Series 3 Bond Pricing Supplement, the Seller and Issuer have created the following credit enhancement structures to secure the bondholders under the proposed Combined Expatriates Residential Permit and Alien Cards (CERPAC) ₦1.25 billion Series 3 Fixed Rate Bonds Due 2028.

### Reserve Account

The Issuer and Joint Trustees based on the Account Bank Agreement as well as the Trust Deed<sup>6</sup> will create a Series 3 Bond Reserve Account (in the Joint name of the Issuer and the Joint Trustees), which is expected to be funded with an amount equal to one-time semi-annual interest and principal obligations. The Reserve Account will be funded on the bond closing date from the Bond proceeds to cover up to 50% of one semi-annual payment obligations and then ramp up over the lockout period to fully cover one-time semi-annual interest and principal payment obligations.

### Overcollateralisation

In line with the RSPA (and addendums) and Trust Deed, the Issuer is required to sell more Receivables than are needed to cover the payment of the Bond, thus the surplus Receivables above the aggregate value of the Bond is funded by the Residual Interests. This ensures that the Bond has a senior claim and provides strong credit protection. The current value of CERPAC card receivables represents the 55% portion due to CERPAC SPV from the proceeds of outstanding 443,316 CERPAC cards yet to be sold as at 31 January 2021 at an average rate of \$2,000 per card and an estimated exchange rate of ₦410/\$, resulting in ₦199.9 billion. Also, the outstanding liabilities include the coupon and principal outstanding on the Discrete, Series 1 & 2 bonds in issue as well as the proposed Series 3 Bond obligations is estimated at ₦14.4 billion. Therefore, the overcollateralisation coverage ratio (current value of CERPAC Card receivables divided by outstanding liabilities including the Series 3 Bond) of 13.9 times is considered good in our opinion.

In line with the Trust Deed and Account Bank Agreement, the Issuer shall be obliged to make payments to the Residual Interests only to the extent that the funds standing to the credit of the BCA are sufficient to cover the Bond obligations. The Residual Interests shall not have any claim against the Issuer for any amounts owing and no further recourse shall be available against the Issuer, because the residual Interests is fully subordinated to the rights of the bondholders, who are secured obligations of the Issuer.

### Acceleration Trigger

Acceleration Triggers are designed to enhance the transaction's credit quality by directing all cash flows of the Seller to repay investors in case an event occurs that could potentially threaten the performance of the transaction. In line with the Shelf Prospectus, the following events constitute an Acceleration Trigger (also known as Early Amortisation Event) - Debt Service Coverage shortfall, litigation or proceeding instituted against the Seller that could have a material adverse effect, Servicer default, or Insolvency of the Seller. Upon the occurrence of an Early Amortisation Event, cash flows will be paid out in accordance with the Post Acceleration Priority of Payments in line with the Prospectus. Agusto & Co. recognizes that whilst a strong set of early amortisation events reinforces the credit enhancement of the Bonds, an early amortisation event can trigger an unexpectedly early return of investor principal. However, this is meant to protect the investors principal.

### Cash Accumulation Trigger

In line with the Shelf Prospectus, if the number of CERPAC cards sold in any given month exceeds a monthly threshold of 5,500 cards, this will result in a Cash Accumulation Trigger, wherein the excess cash accruing to the

<sup>6</sup> The Programme Trust Deed was amended to increase the programme size to ₦40 billion from the erstwhile ₦25 billion programme

Seller from each additional unit of CERPAC card sold, over the additional weekly threshold of 1,375 cards will be transferred from the Transaction Collections Account and deposited into a Cash Accumulation Account to further improve the credit protection to the bondholders in the transaction structure.

### Security

The Series 3 Bonds will have the benefit of security under a Security Deed to be duly executed between the Issuer and the Security Trustees<sup>7</sup>. In line with the Security Trust Deed, the Issuer will grant to the Security Trustees a fixed charge over the cash proceeds in the TCA (amongst other security interests over its other assets) for the benefit of the bondholders. Other security considerations pledged by the Issuer include:

- A floating charge over all of the Issuer's rights, title, benefits and interest present and future, in, to and under the Receivables, which have been assigned to the Issuer pursuant to the terms of the Receivables Sale and Purchase Agreement. Security over the receivables shall be registered under the Secured Transactions in Moveable Assets Acts of 2017.
- A first ranking fixed charge (by way of assignment) of the Issuer's rights under the Transaction Documents to which the Issuer is a party.
- A fixed charge over the Issuer's rights, title, interest and benefit, present and future, in, to and under the Transaction Accounts and any amounts deposited therein.
- A first ranking floating charge over the whole of the assets and undertaking of the Issuer not already subject to any fixed charge.
- A first ranking floating charge over all proceeds, substitutions and replacements of any of the foregoing, including all accounts, instruments, general intangibles, investment property, goods, documents and monies relating to or arising out of the security described above, as more particularly set out in the Series 3 Trust Deed.

### Details of Indebtedness

In January 2018, CERPAC Receivables Funding SPV Plc issued a ₦4.87 billion bond (Discrete Bond) to purchase the future receivables accruing from Combined Expatriate Residence Permit and Alien Card Scheme (CERPAC Scheme) that is due to Continental Transfer Technical Limited (CTTL). The bond was issued at an interest rate of 18.25%. Subsequently, the SPV issued Series 1 and 2 bonds of ₦12.5 billion and ₦1.6 billion respectively under the same terms and conditions as the Discrete Bond. The Series 1 and 2 bonds were issued at interest rates of 15.25% and 15.5% respectively. Thus, the total bonds issued by the SPV under the Future Flow Receivables Backed Securitization of Combined Expatriate Residential Permit & Alien Cards till date stands at ₦18.97 billion.

As at 31 January 2021, CERPAC Receivables Funding SPV Plc's total indebtedness stood at ₦9.96 billion (FYE 2019: ₦17.97 billion) following repayment of the Series 1 commercial paper in June 2020 and amortized portion of bonds due in the period. Table 6 below shows the details of the SPV's indebtedness as at 31 January 2021.

**Table 6: Status of Indebtedness of the Company as at 31 January 2021**

Liabilities	31 January 2021 (₦' Billion)	FYE 2019 (₦' Billion)
Discrete Bond	2.46	3.82
Series 1 Bond	6.53	9.99
Series 2 Bond	0.94	1.36
Commercial Paper	-	2.78
<b>Total</b>	<b>9.96</b>	<b>17.97</b>

*Source: CERPAC Receivables Funding SPV Plc's management presentation & Joint Trustees Report as at 31 January 2021*

<sup>7</sup> ARM Trustees Limited and DLM Trust Company Limited are the Security Trustees to the Security Deed

## Legal Opinion

The legal opinion on the proposed Combined Expatriates Residential Permit and Alien Cards (CERPAC) Future Flow Receivables Backed Securitization Issuance up to ₦15 billion Fixed Rate Bond (“the Bond” or “the Issue”) under the ₦40 Billion Medium Term Note Programme was provided by Perchstone & Graeys, Solicitors to the Issue.

The legal opinion covers a review of transaction documents such as Receivable Sales and Purchase Agreement (RSPA), 3<sup>rd</sup> Addendum to the RSPA, Series 3 Trust Deed, Vending Agreement, Addendum to the Subordinated Bond Agreement and Series 3 Programme Upscale Board Resolution.

Excerpts of the legal opinion on the legality and enforceability of the transaction are as follows:

- CERPAC Receivables Funding SPV Plc (“CRFS”, “SPV” or “the Issuer”) is bankruptcy remote.
- All transaction parties have been duly incorporated and are of good standing.
- All transaction parties have the power and capacity to perform their obligations.
- Transaction Parties have obtained necessary valid licenses, consents and authorizations.
- All transaction documents are governed by Nigerian Law, including the applicable principles of English Common Law and the decisions of the various Courts of Nigeria, and constitute legal, valid and binding obligations on the parties thereto, which are enforceable per the terms therein.
- The transfer under the RSPA effectively transfers all the beneficial interests of the Seller to the Issuer, hence a True Sale has occurred.
- By the 3<sup>rd</sup> Addendum to the RSPA, the Seller, the Issuer (as Purchaser) and other relevant parties to the RSPA made provision for the Issuer to make payments of up to ₦40,123,000,000.00 (Forty billion, one hundred and twenty-three million naira) as the subsequent purchase price to be paid in instalments.
- The Board of Directors of the Issuer passed a resolution on 1 September 2020, authorizing the upscale of the ₦25 billion programme to ₦40 billion to enable the Issuer raise additional finance through the issuance of Bonds and/or any other debt instruments. The Issuer also authorised the issuance of Series III Bond having an aggregate nominal value of up to ₦15 billion under the ₦40 billion programme. It is the intention of the Issuer that the proceeds of the Bond issuance will be applied by the Issuer towards the settlement of a portion of the subsequent purchase price.
- All the transaction documents and the agreements of the parties therein have been duly authorized, represent the intentions of the transaction parties and do not contravene the provisions of the existing agreements between the parties.
- Subject to bankruptcy and insolvency laws generally applicable to Nigerian companies, in bankruptcy or insolvency proceedings involving the Issuer, the obligations of the Issuer under the transaction documents will remain valid, binding and enforceable.
- Upon the maturity of the Bond, if the Issuer is unable to discharge any of its obligations to the Bondholders, the unsatisfied Bondholders as senior creditors of the Issuer are entitled to apply for the winding up of the Issuer on the ground of the Issuer’s inability to pay its debts.
- The Bond will be secured and security interests will be created in favour of the Bondholders by the transaction documents. As such, in the event of insolvency, the Noteholders will be treated as secured creditors of the Issuer for all intents and purposes.

In our view, the legal opinion is unqualified and does not in any known way affect the legality and enforceability of the proposed Series 3 Bond Issuance.

## FINANCIAL FORECAST

Given that the Issuer is a special purpose vehicle set up as a separate and distinct entity from the Seller, CTTL shall sell and assign to the Issuer all its rights, title, and interest in all its current and future receivables due from the sales of the CERPAC forms in line with the 3rd RSPA as amended. Therefore, the Series 3 Bond obligations alongside the existing Bonds in issue will be repaid from the portion of the cash flow that accrues to the SPV from the sale of CERPAC forms by CTTL.

Agusto & Co. notes that the expected income based on the assigned rights of receivables represents the SPV's available cash flow. We have adopted the Issuer's estimates on the number of CERPAC cards to be sold annually over the Bond tenor on account of its reasonableness. However, we note that this assumption will be subject to modifications periodically as changes to the macroeconomic environment or terms of the contractual agreement between CTTL and the FGN occurs over the life of the Bond.

As at 31 January 2021, a total of 443,316 CERPAC cards out of the total 900,000 cards were outstanding and yet to be sold. Based on the Issuer's estimate, a total of 384,874 cards will be sold over the seven years period of the Bond, which will translate into cumulative revenue from the sale of CERPAC forms of \$769.7 million (equivalent to ₦315.6 billion).

Furthermore, the net accruable cash due to CTTL (now sold to CERPAC SPV in line with the RSPA) under the existing sharing formula of 55%, which will be unconditionally transferred to a Transaction Collection Account (to be managed by the Joint Trustees) will amount to ₦173.6 billion over the bond tenor. In our view, this will be sufficient to cover the total existing bonds (Discrete, Series 1 & 2) and proposed Bond obligations resulting in a total bond coverage ratio of 12.1 times, which is good. Furthermore, the total receivables sold to the SPV as True Sale will result in an overcollateralisation (receivables coverage ratio) of 13.9 times, which we consider to be good.

**Table 7: Cash Flow Forecast**

Year	Year 1 (₦' mns)	Year 2 (₦' mns)	Year 3 (₦' mns)	Year 4 (₦' mns)	Year 5 (₦' mns)	Year 6 (₦' mns)	Year 7 (₦' mns)	Total (₦' mns)
Number of CERPAC forms to be sold	52,075	54,678	53,345	58,680	55,746	56,045	54,305	384,874
Price per form (\$)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Value of form sales (\$' mns)	104.1	109.3	106.6	117.3	111.4	112.0	108.6	769.7
Average exchange rate	410	410	410	410	410	410	410	
Total value of form sales	42,701	44,835	43,742	48,177	45,711	45,956	44,530	315,596
Total available cash flow to CERPAC SPV (55%)	23,485	24,659	24,058	26,464	25,141	25,276	24,291	173,578
Outstanding coupon – Discrete, Series 1 & 2	797.3	1,091.4	326.7					2,215
Series 3 Bond coupon (14.5%)	162	181	181	172	135	92	42	965
Outstanding principal – Discrete, Series 1 & 2	2,033.9	4,571.3	3,350.8	-	-	-	-	9,956
Series 3 Bond principal				250	288	331	380	1,250
Net cash flow due to CTTL		18,815	20,200	26,042	24,718	24,853	23,869	159,192
Interest Coverage ratio								54.5
Total Bond Coverage ratio								12.1

**Table 8: Receivables Cover Schedule**

Description	₦
Total number of CERPAC forms left to be sold (31 January 2021)	443,316
Value of forms left to be sold (\$) at an average of \$2,000	886,632,000
Value of forms left to be sold (₦) at an average exchange rate of ₦410/\$	363,519,120,000
<b>Amount Due to CERPAC SPV (55%) (₦)</b>	<b>199,935,516,000</b>
Outstanding Bond obligations (Discrete, Series 1 & 2 Bonds)	12,171,731,357
Estimated Series 3 Bond obligations	2,215,128,780
<b>Total outstanding obligations (including Series 3 bond)</b>	<b>14,386,860,137</b>
<b>Net balance due to CTTL</b>	<b>185,548,655,863</b>
<b>Overcollateralization / Receivables Cover (times)</b>	<b>13.9</b>

## OUTLOOK

CERPAC Receivables Funding SPV Plc issued ₦1.25 billion 14.5% Series 3 Fixed Rate Bond Due 2028 under the Future Flow Receivables Backed Securitization of Combined Expatriate Residential Permit & Alien Cards (CERPAC) Receivables Issuance in September 2021. The Issue will attract a fixed coupon rate payable half-yearly over seven years, while the Bond principal will be amortised semi-annually after a three-year lockout period commencing from the issue date over the bond tenor. As part of the transaction structure, the Issuer can exercise an early redemption option (Call Option) from the 48 month after bond issuance date subject to terms and conditions as noted in the Trust Deed.

The proceeds of the Series 3 Bond shall be used to purchase the rights of the Seller to its share in the current and future receivables of the CERPAC Scheme. In turn, CTTL plans to utilize the net Bond proceeds to finance related parties Agro investments and infrastructure for technology-related projects. Agosto & Co. notes that in line with the operating structure of the existing bonds in issue, the Series 3 Bond obligations will be repaid from the portion of the cash flow that accrues to the SPV from the sale of the CERPAC forms. The rights to the portion of this cash flow will be assigned to the Issuer through the duly executed Receivables Sales and Purchase Agreement (3<sup>rd</sup> Addendum).

The Bonds will constitute direct, unconditional, unsubordinated secured obligations of the Issuer and shall rank pari passu at all times and without any preference among themselves. In line with the Trust Deed, a designated Transaction Collection Account (TCA) will be created, where the Seller shall instruct the Collection Bank to weekly pay directly into the TCA the share of sale proceeds of CERPAC forms due to the Seller. The funds standing to the credit of the TCA will be utilized to meet the Bond obligations as and when due. In addition, a Cash Reserve Account (CRA) will be created on the closing date of the bond issuance and funded from the Bond proceeds to cover 50% of the semi-annual payment obligation. Thereafter, the CRA will be funded periodically over the lockout period to fully cover one-time semi-annual interest and principal payment obligation.

As at 31 January 2021, Continental Transfert Technique Limited had cumulatively produced and sold a total of 456,684 cards with approximately 443,316 cards left to be sold. Based on the average number of cards sold per annum circa 52,000 over the past decade, Agosto & Co estimates that it will take about 8 years for the outstanding CERPAC cards to be issued. The sale of the total outstanding CERPAC cards will translate to c. \$886.6 million (equivalent to ₦363.5 billion), while the portion due to CERPAC in local currency based on the revised sharing formula of 55%, will amount to ₦199.9 billion. This translates to overcollateralisation of 13.9 times when compared to the SPV's total debt obligation (outstanding balance on existing Bonds) plus the proposed Series 3 Bond issuance.

Based on the review of the Issuer's forecast, we estimate that the total cash available to the SPV from the sale of CERPAC forms will amount to ₦173.5 billion over the seven years. This amount will be sufficient to cover the projected Series 3 Bond obligations as well as the outstanding balance on the existing Bonds in issue (Discrete Bond, Series 1 & 2 Bonds), thus resulting in a Bond coverage ratio of 12.1 times, which is considered to be good in our view.

Based on the aforementioned, Agosto & Co attaches a **stable** outlook to the Series 3 Bond contingent on the continued honoring of the CERPAC contract by the Federal Government of Nigeria.



## RATING DEFINITIONS

<b>Aaa<sup>sf</sup></b>	Highest quality debt issue with minimal credit risk; strongest capacity to pay returns and principal on local currency debt in a timely manner.
<b>Aa<sup>sf</sup></b>	High quality debt issue with very low credit risk; very strong capacity to pay returns and principal on local currency debt in a timely manner.
<b>A<sup>sf</sup></b>	Good quality debt issue with low to moderate credit risk; strong capacity to pay returns and principal on local currency debt in a timely manner.
<b>Bbb<sup>sf</sup></b>	Satisfactory quality with moderate credit risk; adequate capacity to pay returns and principal on local currency debt in a timely manner.
<b>Bb<sup>sf</sup></b>	Below average quality with moderate to high credit risk; speculative capacity to pay returns and principal on local currency debt in a timely manner.
<b>B<sup>sf</sup></b>	Weak quality with high credit risk; speculative capacity to pay returns and principal on local currency debt in a timely manner.
<b>C<sup>sf</sup></b>	Very weak capacity to pay returns and principal. Debt instrument with very high credit risk.
<b>D<sup>sf</sup></b>	In default.

### Rating Category Modifiers

A "+" (plus) or "-" (minus) sign may be assigned to ratings from 'Aa' to 'C' to reflect comparative position within the rating category. Therefore, a rating with + (plus) attached to it is a notch higher than a rating without the + (plus) sign and two notches higher than a rating with the - (minus) sign.

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