

CERPAC Receivables Funding SPV PLC

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

Final 2025 Structured Finance Rating Review Report

 **Agusto&Co.**

Research, Credit Ratings, Credit Risk Management

CERPAC RECEIVABLES FUNDING SPV PLC's

₦1.25 billion 14.5% Series 3 Fixed Rate Bond Due 2028 under the ₦40 Billion Medium Term Note Programme

Issue Rating:

A⁺sf

Good quality debt issue with low to moderate credit risk; strong capacity to pay returns and principal on the debt obligation in a timely manner relative to all other Issues in the country.

Outlook: Stable

Issue Date: 3 June 2025

Expiry Date: 31 January 2026

The Issue rating for the Series 3 Bond will be subject to annual monitoring and review

Previous Issue Rating: A⁺sf

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RATING RATIONALE

Agusto & Co. hereby affirms the “A⁺sf” rating assigned to the CERPAC Receivables Funding SPV PLC's (“CERPAC”, “SPV” or “the Issuer”) ₦1.25 billion 14.5% Series 3 Fixed Rate Bond Due 2028 (“the Issue” or “the Bond”) Future Flow Receivables Backed Securitisation of Combined Expatriate Residential Permit & Alien Cards (CERPAC) Issuance. The affirmed rating reflects the good cash-generating capacity of the securitised receivables (CERPAC cards issued for identifying and tracking foreign national residents in Nigeria), pledged as the sole source of repaying the Bond obligations. This is in addition to the satisfactory cash available cover of 1.13x for the next coupon payment and principal repayment and the continued honouring of the Combined Expatriate Residence Permit and Alien Cards (CERPAC) contract awarded to Continental Transfert Technique Limited (“the Sponsor”, “the Seller”, or “CTTL”) by the Federal Government of Nigeria (FGN). Furthermore, Agusto & Co. notes positively that the strong credit enhancement structures in the Series 3 Bond (cash reserve account, over-collateralisation, cash accumulation and acceleration triggers) provide comfort that the Issuer will continue to meet the obligations as and when due.

Continental Transfert Technique Limited 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). As at 31 January 2025, CTTL had produced and sold 644,592 cards out of the 900,000 based on the 2011 Judgement Debt¹. Thus, it will take about five and half years for the outstanding 255,408 cards to be sold and the estimated cash accruable to CTTL in line with the existing sharing formula (CTTL – 55% and FGN & Agencies – 45%) would amount to ₦432.4 billion based on the prevailing exchange rate of ₦1,539 as at 27 March 2025. This is higher than the earlier estimate of ₦157 billion due to sustained Naira depreciation since CERPAC cards are indexed in United States Dollars (USD) and paid at the official exchange rate. Agusto & Co. believes this further demonstrates Continental Transfert Technique Limited's capacity to meet the bond obligations given that the rights to the cash receipts from the sale of the CERPAC cards have been fully assigned to the SPV.

¹ 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 cards, whichever is the latter. This final judgment settlement was obtained 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.

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

CERPAC Sales Proceed Bank:

Polaris Bank Limited

Account Bank:

Zenith 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 the 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.

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 is listed on the FMDQ Exchange.

As at 31 January 2025, Continental Transfert Technique Limited had paid approximately ₦735.6 million to the Bondholders, comprising six coupon payments and one principal repayment. As at the same date, the balance in the Minimum Reserve Account stood at ₦238.6 million, sufficient to cover the next coupon and principal payments of ₦211.4 million in July 2025 in the unlikely event of a shortfall in the Bond Collection Account.

The continued remittance of the weekly CERPAC card sales into the designated Transaction Collection Account (TCA) underscores the Seller's ability to generate adequate cash flows to meet the Bond obligations. This steady inflow of funds reinforces the Sponsor's capacity to generate sufficient cash flows to meet the Bond obligations. The Sponsor has also demonstrated a strong repayment track record, evidenced by the successful redemption of the Discrete, Series 1 and Series 2 Bonds evidencing its robust cash reserve balances and continuous revenue generation from CERPAC card sales. Given these factors, we believe the Sponsor is well-positioned to fulfil its debt obligations under the Series 3 Bond. Thus, we attach a **stable** outlook to the CERPAC Receivables Funding SPV PLC's Series 3 Bond.

BOND STRUCTURE & UTILISATION OF PROCEEDS

In September 2021, CERPAC Receivables Funding SPV PLC (“the Issuer” or “the SPV”) issued a ₦1.25 billion 14.5% Future Flow Receivables Backed Securitisation Bond Due 2028 (Series 3 Bond) under the ₦40 billion Bond issuance programme. The net proceeds from the Bonds were used to acquire the rights of the Seller/Sponsor (Continental Transfert Technique Limited) to existing and future receivables associated with the CERPAC Scheme under the Receivables Sales and Purchase Agreement (RSPA). CTTL, in turn, allocated the Bond proceeds to finance various projects, as detailed in the table below.

Table 1: Schedule of Utilization of Series 3 Bond Proceeds as at 31 January 2025

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	E-Move, SITA and other related projects	117,609,031	9%
5	Research facility and storage setup at Qatar	78,406,020	6%
6	Upgrade of Agri Research labs at Abuja and Eruwa	39,203,010	3%
7	Minimum Reserve Account Balance (50%)	45,312,500	4%
8	Issue Cost	28,597,187	2%
Total		1,250,000,000	100%

The Bond coupon is being paid semi-annually over the seven-year tenor of the Series 3 Bond, while the principal repayment commenced in July 2024 after the expiration of a three-year moratorium from the issue date. As per the terms of the Series 3 Trust Deed, the Issuer retains the option for early redemption (Call Option) on the Bond. However, the call option is subject to 1.05% of the principal outstanding of the Bond, 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. Considering Nigeria’s current high-interest environment, it is unlikely that the Issuer will exercise the early redemption clause on the Bond. In line with the existing contractual agreements, CERPAC card sales are deposited into the CERPAC Sales Escrow Account held with the Collection Bank (Polaris Bank Limited) weekly, based on an existing standing instruction from the Bond Trustees - DLM Trust Company Limited and ARM Trustees Limited.

The 55% share of the CERPAC sale proceeds due to the Seller/Sponsor is transferred from this Escrow Account into a designated Transaction Collection Account (TCA) held with the Account Bank (Zenith Bank PLC). Also, the weekly deduction amount expected to accrue to cover the Bond obligations (based on an existing standing instruction from the Bond Trustees) is transferred first from the TCA into a Bond Collection Account (BCA) to meet the existing Bond obligations. The balance (if any) is then transferred to the residual claim holders (CTTL and equity investors in the form of dividends). Agosto & Co. notes that the Bond Trustees have only viewing rights over the CERPAC Sales Escrow Account but are responsible for managing and controlling the operations of the TCA and BCA on behalf of the Series 3 Bondholders. In line with the RSPA, the Series 3 Bond obligations are being paid from the portion of the weekly cash flows that accrue to the BCA from the sale of the CERPAC forms as the rights to this cash flow have been assigned through a True Sale to the Issuer in line with the Receivables Sales and Purchase Agreement (1st and 2nd addendums).

As at 31 January 2025, the Sponsor had paid approximately ₦735.6 million to the Series 3 Bondholders, comprising six coupon payments and one principal repayment. As at the same date, the balance in the Minimum Reserve Account stood at ₦238.6 million, sufficient to cover the next coupon and principal payments of ₦211.4 million in July 2025.

OUTLOOK ON THE SERIES 3 BONDS REPAYMENT

As at January 31 2025, 255,408 cards remain unproduced and unsold out of the total 900,000 allocated to Continental Transfert Technique Limited (CTTL) under the CERPAC scheme. Based on the current issuance and sales trajectory, Agusto & Co. estimates that the remaining CERPAC cards will take *circa* five and a half years to be produced and sold. This projected timeline extends beyond the legal final maturity of the Series 3 Bond in July 2028. Consequently, the Issuer remains well-positioned to meet the Bond obligations (coupon and principal). This assessment is also supported by the Sponsor's track record of timely redemption of the Discrete, Series 1, and Series 2 Bonds, demonstrating consistent adherence to repayment schedules. Similarly, the sustained revenue and cash inflow from the CERPAC card sales, coupled with the structured amortisation framework, also supports the Issuer's ability to meet the Bond obligations as and when due.

Agusto & Co. notes that there is still protracted litigation at the Court of Appeal between Femi Falana SAN and the Minister of Interior and two others (Comptroller General of Immigration and Continental Transfert Technique Limited) challenging the increment in CERPAC fees. However, the Solicitors (Olaniwun Ajayi LP) have provided a favourable opinion to the Bond Trustees that the Bondholders will continue to receive payments from the sale of CERPAC cards until a judgment is obtained from the Court of Appeal for which a date is yet to be determined. However, Agusto & Co. recognises that the continued fulfilment of the Series 3 Bond obligations is hinged principally on the Federal Government of Nigeria honouring the contract with Continental Transfert Technique Limited for producing and selling the CERPAC Cards in Nigeria. Notwithstanding, we note that the adherence to the performance covenants and continued maintenance of credit enhancement structures in the review period also supports the Issuer's ability to meet the Bonds' obligations as and when due.

Therefore, we attach a **stable** outlook to the CERPAC Receivables Funding SPV PLC's Series 3 Bond.

RATING DEFINITIONS

Aaa^{sf}	Highest quality debt issue with minimal credit risk; strongest capacity to pay returns and principal on the debt obligations in a timely manner, relative to all other Issues in the country.
Aa^{sf}	High quality debt issue with very low credit risk; very strong capacity to pay returns and principal on the debt obligations in a timely manner relative to all other issues in the country.
A^{sf}	Good quality debt issue with low to moderate credit risk; strong capacity to pay returns and principal on the debt obligations in a timely manner, relative to all other issues in the country.
Bbb^{sf}	Satisfactory quality debt with moderate credit risk; adequate capacity to pay returns and principal on the debt obligations in a timely manner, relative to all other issues in the country.
Bb^{sf}	Below average quality debt with moderate to high credit risk; speculative capacity to pay returns and principal on the debt obligations in a timely manner, relative to all other issues in the country.
B^{sf}	Weak quality debt with high credit risk; speculative capacity to pay returns and principal on the debt obligations in a timely manner, relative to all other issues in the country.
C^{sf}	Very weak capacity to pay returns and principal. Debt instrument with very high credit risk, relative to all other issues in the country.
D^{sf}	In default.

Rating Category Modifiers

A "+" (plus) or "-" (minus) sign may be assigned to ratings from 'Aa' to 'C' to reflect a 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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