



GCR Accords an Indicative Rating to Primero BRT Securitisation SPV's Series 1 Fixed Rate Bonds.

Lagos Nigeria, 15 April 2019 — Global Credit Ratings (“GCR”) has assigned an indicative public national scale long-term rating of ‘BBB_{(NG)(sf)}’ to Primero BRT Securitisation SPV Plc’s proposed N21.5bn Series 1 Fixed Rate Bonds, under its N100bn Infrastructure Bond Programme (“Programme”), with the outlook accorded as Stable. The Programme is not rated; only the proposed Series 1 Bonds are. The indicative rating expires in August 2019.

RATING RATIONALE

GCR has accorded the above credit rating to Primero BRT Securitisation SPV Plc’s (“the Issuer” or “the SPV”) proposed N21.5bn Series 1 Fixed Rate Bonds based on the following key criteria:

Primero BRT Securitisation SPV PLC is a special purpose vehicle incorporated to issue securities and raise funds to facilitate the purchase of bus ticket receivables under a funding arrangement. Its Sponsor, Primero Transport Services Limited (“PTSL”), is engaged in the principal activity of passenger transportation business. PTSL operates the Bus Rapid Transit Scheme route (Ikorodu to Race Course) under an exclusive franchise with the Lagos State Government, spanning around 35.5 kilometres. PTSL currently has a fleet of 434 Mass Transit Buses. GCR accorded a final national scale long-term rating of B+(NG) to the Sponsor in April 2019.

The Issuer is in the process of issuing Bonds into the Nigerian capital market, under a N100bn Infrastructure Bond Programme (“Programme”). The Series 1 Receivables Backed Securities will constitute direct, unconditional, unsubordinated secured obligations of the Issuer. All payment obligations under the Issue (except otherwise provided for by applicable laws) rank equal with all other present or future unsubordinated payment obligations of both the Issuer and a Guarantor.

The Seller (“PTSL”) shall enter into an Operating Assets and Receivables Sale and Purchase Agreement with Primero Asset Lodging Company (the “Purchaser”), transferring its operating assets and right to receivables from bus ticket sales to the Purchaser. Thereafter, the Issuer and the Purchaser will enter into an Assignment of Contract Agreement, under which the Purchaser will assign to the Issuer all its rights, title, and interest in all the future receivables due from bus ticket sales to the Issuer.

Pursuant to the Deed of Guarantee to be entered into by the Issuer, Sterling and the Trustees in relation to the Series 1 Bonds, Sterling, in its capacity as Guarantor, irrevocably and unconditionally guarantees to pay the principal amount outstanding, accrued interest and Other Obligations (within 10 Business Days) upon the occurrence of an Event of Default. GCR affirmed Sterling Bank Plc’s long-term national scale rating of ‘BBB(NG)’ in June 2018, with a Stable outlook.

The Issuer will be over-collateralised by the purchase of more Receivables than are needed to cover the payment of the Bonds issued under the Programme. Based on the forecast provided, a total



receivable of N103.5bn is expected to accrue to the Issuer over the seven-year bond tenor, translating to a receivables cover of 2.7x. Furthermore, stress tests carried out by GCR indicate the bus roll-out rate will have to drop significantly to 30% (around 130 buses) for the Debt Service Coverage Ratio (“DSCR”) to reduce below 1x. Accordingly, in most of the stressed scenarios, the DSCR may remain at comfortable levels throughout the tenor of the Bonds.

The indicative, public, national scale long-term credit rating accorded to the Series 1 Fixed Rate Bonds is fully supported by the Guarantor’s credit rating, as Sterling Guarantee offers full coverage of all payments due to the bondholders. A downgrade in the rating of the Guarantor and/or relevant risk presenting entities will affect the rating of the Series 1 Bonds, but not necessarily in the same quantum.

GCR has received draft legal opinions from the Solicitors which inter alia indicate that the provisions of the Lagos State Public-Private-Partnership Law, 2011, which require the State House of Assembly to approve concession does not affect PTSL’s franchise agreement.

The indicative rating accorded to the Series 1 Fixed Rate Bonds relates to ultimate payment of interest and principal (as opposed to timely, akin to an expected loss rating, which is a function of probability of default and loss severity).

NATIONAL SCALE RATINGS HISTORY

Initial/new rating (April 2019)
Series 1 Fixed Rate Bonds: BBB_{(NG)(sf)}
Rating outlook: Stable

Last rating: n/a

ANALYTICAL CONTACTS

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APPLICABLE METHODOLOGIES AND RELATED RESEARCH

Global Master Criteria for Rating Corporate Entities, updated February 2018,
Global Master Structured Finance Rating Criteria (September 2018)



Global Summary Structurally Enhanced Corporate Bonds Rating Criteria (November 2018),
Primero Transport Services Limited Issuer rating report, April 2019
Sterling Bank Plc Issuer rating reports (June 2018)
Glossary of terms/ratios, February 2018.

RATING LIMITATIONS AND DISCLAIMERS

ALL GCR CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS, TERMS OF USE OF SUCH RATINGS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS, TERMS OF USE AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://GLOBALRATINGS.COM.NG/UNDERSTANDING-RATINGS](http://GLOBALRATINGS.COM.NG/UNDERSTANDING-RATINGS). IN ADDITION, RATING SCALES AND DEFINITIONS ARE AVAILABLE ON GCR'S PUBLIC WEB SITE AT [HTTP://GLOBALRATINGS.COM.NG/RATINGS-INFO/RATINGS-SCALES-DEFINITIONS](http://GLOBALRATINGS.COM.NG/RATINGS-INFO/RATINGS-SCALES-DEFINITIONS). PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. GCR'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE AT WWW.GLOBALRATINGS.COM.NG

SALIENT FEATURES OF ACCORDED RATINGS

GCR affirms that a.) no part of the rating process was influenced by any other business activities of the credit rating agency; b.) the rating was based solely on the merits of the rated entity, security or financial instrument being rated; c.) such rating was an independent evaluation of the risks and merits of the rated entity, security or financial instrument; and d.) the Bond indicative rating expires in April 2019.

The Issuer and the Lead Issuing House participated in the rating process via face-to-face management meetings, teleconferences and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible.

The Bond rating has been disclosed to the Issuer.

The information received from the Arranger, Guarantor and Other reliable third parties to accord the Bond rating included:

- 2017 Audited Financial Statement of the Sponsor (plus two years of comparative numbers)
- Full year 2018 management accounts, as at December 31, 2018
- Transaction Cashflow model
- Draft Programme Prospectus
- Draft Series 1 Pricing Supplement
- Primero BRT Securitisation SPV PLC incorporation documents
- Primero Asset Lodging Company Limited incorporation documents



- Draft Programme Trust Deed
- Draft Series 1 Trust Deed
- Draft Deed of Guarantee
- Draft Legal Opinions
- Draft Account Bank Agreement
- Draft Operating Assets and Receivables Sale & Purchase Agreement
- Draft Deed of Debenture
- Draft Servicing Agreement
- Draft Liquidity Facility Agreement
- Draft Security Trust Deed
- Collection Bank Agreement
- Issuer Security Deed
- Share Trust Deed

The rating above was solicited by, or on behalf of, the rated client, and therefore, GCR has been compensated for the provision of the rating.