

E-cash becomes Elektra

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A ubiquitous sector in Latin America's cross-border arena has gone local. In a deal that signals the return of a structured finance pioneer, a unit of Mexican retail giant Grupo Elektra is securitizing fees on electronic money transfers.

Digital cash is old hat among Brazilian banks tapping U.S. dollars, but it's untouched in Mexico's peso market. Dinero Express, which zaps money between 813 branches, has a Ps2.6 billion (US\$232 million) program of eight-year paper in the works. The program covers existing and future receivables. Monterrey-based investment bank Value is the placement agent, and financial consultancy Axan is the structurer. Irurita Abogados provided legal counsel.

While participants are tight-lipped about the program until it receives the final nod, a prospectus on the website indicated that the targeted rating is AA+' on the national scale. A reserve fund equal to 7.69% of the issue is also planned.

Dinero Express holds a market share of 9% in the e-money business, dwarfed by its leading rival, Telecom-Telegrafos, which covers 88% of the sector. Dinero Express is the commercial name of Intra Mexicana. According to the website of parent company Elektra, the company handled 2.72 million transactions in 2002, from 2.11 million in 2001.

A stream of deals backed by diversified payment rights - basically digital money - has flowed out of Brazil this year in the cross-border market. The Dinero Express transaction is a first for the sector in the Mexican domestic market, yet it departs from the Brazilian transactions in that the underlying assets are fees on e-money and not the transfers themselves.

Elektra inaugurated the Mexican securitization market in 1997 with a deal backed by accounts receivables. Ending in 2002, the company issued 10 structured bonds for a total of Ps4.31 billion (US\$384 million). After Elektra snapped up Banco Azteca, the new unit took charge of generating receivables in late 2002. Since then, the group has found no need to go to market with this product. "The bank has plenty of funding from its deposits," said Rolando Villarreal, director of investor relations for the conglomerate.

Elsewhere in the Mexican market, a new deal is brewing in the sub-sovereign class.

Rumored to be eyeing the market since September, the northwest Mexican state of Sinaloa has registered a Ps1.5 billion (US\$134 million) securitization program with regulators. Using the standard collateral of federal co-participation revenues, the sub-sovereign will be splitting the program into two issues, said a source familiar with the deal. IXE Casa de Bolsa will place the deal. Fausto Garcia & Asociados and Intefin, a pioneer in the realm of public finance, structured the deal. Fitch Ratings rates the state, so it will probably assess the program as well. Only two months ago, the agency upped Sinaloa a notch on the national-scale to A-(mex)', citing a falling level of indebtedness. The state has a population of 2.6

million and its economy hit US\$11.8 billion at the end of 2002, according to Fitch. Dependent on natural resources, the state's per capita income is 3/4 the national average, at US\$4,493. Sinaloa borders the Pacific, with 390 miles of coastline.