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CREDIT RATING ANNOUNCEMENT

GCR affirms enX Leasing Investments Proprietary Limited's rating of BBB_(ZA); Outlook Stable

Johannesburg, 30 Nov 2017 -- Global Credit Ratings has today affirmed the national scale Issuer rating assigned to enX Leasing Investments Proprietary Limited (formerly Eqstra Investments Proprietary Limited) at BBB_(ZA) in the long term and A3_(ZA) in the short term; with the outlook accorded as Stable.

SUMMARY RATING RATIONALE

Global Credit Ratings ("GCR") has accorded the above credit ratings to Leasing Investments Proprietary Limited's ("enX Leasing Investments") based on the following key criteria:

enX Group Limited ("enX"), enX Leasing Investments' ultimate holding company, appears to have successfully bedded down the large Eqstra transaction, with the group's scale now underpinned by the large Industrial Equipment ("IE") and Fleet Management and Logistics ("FML") businesses. The sustainability of IE and FML's annuity income is supported by their high quality client bases, comprising predominantly of blue chip groups. Positively, all key management have been retained and remain incentivised to deliver strong growth going forward, leveraging off the improved access to capital afforded by the transaction.

Both IE and FML are leading players in their respective industries. IE's business is built on its exclusive distribution of Toyota Forklifts in South Africa, and a leading local market share of c.35%. Its strength is its control of the entire value chain, with the c.60% in annuity earnings (through rentals and value added services) sustaining performance amidst the slowdown in local demand. IE is projecting firmer growth going forward as the rental fleet is expanded, driven by improved market demand and a strong push to raise its market share to c.40%. Although traditional leasing remains core to FML, its key competitive advantage is the value-add products it offers, and in particular its proprietary fleet management system, Quest, which was implemented during FY17. Whilst most income is annuity based (finance income and service fees), FML does assume risk on the residual value and maintenance of vehicles.

The financial performance of IE and FML, as well as enX's overall earnings in FY17 were largely in line with projections. Notwithstanding some increased pressure amidst the current weak economy, both businesses report low bad debt write-offs of around 1% of revenue.

Prior to the Eqstra transaction, enX restructured the debt in the now renamed enX Corporation Limited ("enX Corporation") (formerly Eqstra Corporation Limited), a wholly owned subsidiary of enX Leasing Investments. The restructuring saw debt maturities extended and a more balanced funding structure implemented, as well as standby facilities being secured. Debt redemptions progressed as forecast, with R473m settled during FY17. While R612m in bonds are set to mature in April 2018, enX Leasing Investments has already begun putting in place facilities to meet the required redemption through a syndicated loan. In addition, the issuance of a new R70m 5-year bond in July and September 2017 indicates that enX has a renewed ability to tap funding from the banking and debt capital markets.

As at FY17, enX Corporation complied with all debt covenants, with sufficient headroom. GCR has viewed cash flow models that indicate cash flows will be sufficient to meet debt obligations in FY18, as well as substantial capex for the IE and FML businesses. Moreover, credit metrics should widen further over covenant levels.

Following the conversion of debt and preference share facilities loans to eXtract Group Limited ("eXtract") into ordinary equity, and the subsequent unbundling of the eXtract shareholding, enX no longer has a relationship with eXtract. While enX will not benefit further from cash inflows from the eXtract interest and preference dividend payments, which were projected to be fairly large, it will receive R250m in debt repayments (R100m by March 2018 and R150m by FY19).

GCR views the enX guarantee issued in favour of enX Corporation's debt as providing added protection to creditors, but the value of the guarantee is limited by the relatively small size of the other enX operations. The advantage of the guarantee is enX's access to external capital, either through its core shareholders or via a public share issuance.

Upward rating movement is premised on the demonstrated ability to expand the underlying business. Such earnings growth will also serve to strengthen credit metrics. Negative rating action is a possibility in the event there is a shortfall in cash

generated relative to budget, which would necessitate additional debt to meet redemption and investment needs. This could see gearing metrics weaken and hamper future growth.

NATIONAL SCALE RATINGS HISTORY

Initial/last rating (November 2016)
 Long term: BBB_(ZA); Short term: A3_(ZA)
 Outlook: Stable

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APPLICABLE METHODOLOGIES AND RELATED RESEARCH

Global Master Criteria for Rating Corporate Entities, updated February 2017
 Eqstra Investments Propriety Limited rating report, 2016

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GLOSSARY OF TERMS/ACRONYMS USED IN THIS DOCUMENT AS PER GCR'S CORPORATE GLOSSARY

Debt	A bad debt is an amount owed by a debtor that is unlikely to be paid due, for example, to a company going into liquidation. There are various technical definitions of what constitutes a bad debt, depending on accounting conventions, regulatory treatment, and the individual entity's own provisioning and write-off policies.
Bond	A long term debt instrument issued by either a company, institution or the government to raise funds.
Budget	Financial plan that serves as an estimate of future cost, revenues or both.
Capital	The sum of money that is invested to generate proceeds.
Cash Flow	The inflow and outflow of cash and cash equivalents. Such flows arise from operating, investing and financing activities.
Covenant	A provision that is indicative of performance. Covenants are either positive or negative. Positive covenants are activities that the borrower commits to, typically in its normal course of business. Negative covenants are certain limits and restrictions on the borrowers' activities.
Credit Rating	An opinion regarding the creditworthiness of an entity, a security or financial instrument, or an issuer of securities or financial instruments, using an established and defined ranking system of rating categories.
Debt	An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.
Dividend	The portion of a company's after-tax earnings that is distributed to shareholders.
Equity	Equity is the holding or stake that shareholders have in a company. Equity capital is raised by the issue of new shares or by retaining profit.
Gearing	With regard to corporate analysis, gearing (or leverage) refers to the extent to which a company is funded by debt and can be calculated by dividing its debt by shareholders' funds or by EBITDA.
Interest	Scheduled payments made to a creditor in return for the use of borrowed money. The size of the payments will be determined by the interest rate, the amount borrowed or principal and the duration of the loan.
Long-Term Rating	A long term rating reflects an issuer's ability to meet its financial obligations over the following three to five year period, including interest payments and debt redemptions. This encompasses an evaluation of the organisation's current financial position, as well as how the position may change in the future with regard to meeting longer term financial obligations.
Preference Share	Preference or preferred shares entitle a holder to a first claim on any dividend paid by the company before payment is made on ordinary shares. Such dividends are normally linked to an interest rate and not determined by company profits. Preference shares are normally repayable at par



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	value in the event of liquidation. They do not usually carry voting or pre-emptive rights. Preference shares can be redeemable or perpetual.
Redemption	The repurchase of a bond at maturity by the issuer.
Shareholder	An individual, entity or financial institution that holds shares or stock in an organisation or company.
Short-Term Rating	A short term rating is an opinion of an issuer's ability to meet all financial obligations over the upcoming 12 month period, including interest payments and debt redemptions.
Syndicated Loan	A large loan arranged by a group of funders, usually international banks that form a syndicate, headed by a lead manager.

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 ratings were based solely on the merits of the rated entity, security or financial instrument being rated; c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security or financial instrument; and d.) the validity of the ratings is for a maximum of 12 months, or earlier as indicated by the applicable credit rating document.

enX Leasing Investments Proprietary Limited 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 credit ratings have been disclosed to enX Leasing Investments Proprietary Limited with no contestation of the ratings.

The information received from enX Leasing Investments Proprietary Limited and other reliable third parties to accord the credit ratings included:

- Financial Statements for the years to 31 August 2015, 31 August 2016 and 31 August 2017
- Financial forecasts for IE and FML
- Cash flow forecasts for enX Group
- enX Corporation syndicated loan information documents
- Full details of the refinancing and new funding facilities
- JSE SENS announcement regarding eXtract
- Relevant analyst presentations

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

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