

CREDIT RATING ANNOUNCEMENT**enX Corporation Limited R102m Partially Guaranteed Notes – Final, public ratings accorded**

Johannesburg, 24 April 2018 -- Global Credit Ratings ("GCR") has accorded a *final, public* long-term credit rating of 'A_{-(ZA)}' (A minus) with a 'Stable' Outlook to the following Senior Unsecured Notes, partially backed by a Put Undertaking (the "Partially Guaranteed Notes") provided by Rand Merchant Bank ("RMB"), issued by enX Corporation Limited ("enX" or the "Issuer"), on 23 April 2018 (the "Transaction"):

- R102m, Partially Guaranteed Notes, Stock Code: ENX01S (Wrapped), 3M JIBAR+245bps..... maturing 23 April 2021.

The *final, public* rating accorded to the Partially Guaranteed Notes relate 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). The rating accorded to the Partially Guaranteed Notes is separate from the Corporate Credit Rating accorded to enX Leasing Investments (Pty) Ltd ('enX Leasing').

The rating accorded above, relates solely to the Partially Guaranteed Notes and is a factor of the recoveries on the Put Undertaking and the unsecured recoveries received in a Post-Enforcement Scenario. GCR garnered comfort with respect to the unsecured recoveries, noting the absence of covenants, from the varying sensitivity analyses conducted. enX also performed an audit of a select sample of Industrial Equipment ('IE') and Fleet Management and Logistics ('FML') assets from which GCR drew further comfort.

RATING RATIONALE

From an underlying corporate perspective, enX Group appears to have successfully bedded down the large Eqstra transaction. Positively, all key management have been retained and remain incentivised to deliver growth going forward, leveraging off the improved access to capital afforded by the transaction. enX Group is predominately characterised by its two largest operating entities Industrial Equipment and Fleet Management and Logistics, housed under enX Leasing, the parent guarantor. Industrial Equipment's business is built on its exclusive distribution of Toyota Forklifts in South Africa and many Sub-Saharan African countries, and a leading local market share of c.35%. IE's strength is its control of the entire value chain, with the c.60% annuity earnings (through rentals and value added services). Traditional leasing remains core to Fleet Management and Logistics ('FML'), but its key competitive advantage is its value-add products, in particular its proprietary fleet management system, Quest (initiated during FY17). Whilst most income is annuity based (rentals and service fees), FML does assume risk on the residual value and maintenance of vehicles.

Prior to the Eqstra transaction and in order to fund the transaction, enX restructured the debt in the now renamed enX Corporation Limited. enX is partly a financing subsidiary and the primary vehicle through which debt funding is raised for the South-African based businesses of enX Leasing. All debt is fully guaranteed by the material operational entities of enX Leasing (Saficon Industrial Equipment, Eqstra TA Equipment and Eqstra NH Equipment (dormant)). Parent guarantees are provided by enX Leasing Investment and enX Group Limited (the listed entity). The guarantees are meant to place noteholders (and other creditors, as stipulated by the various guarantees) in the same position they would be if enX Leasing Investments would be the Issuer or debtor. Accordingly, enX can be considered to bear the same credit rating as enX Leasing Investments, the rated entity.

In this particular Transaction, the Issuer and FirstRand Bank ("FRB"), through its RMB division, has entered into a Put Undertaking pursuant to which FRB, in its capacity as Put provider, irrevocably and unconditionally commits to purchase 50% of the Partially Guaranteed Notes at par value should a Put Event occur. Aggregate payments under the Put Undertaking are limited to a maximum of R51m (50% of the principal outstanding of the Notes). The Put Undertaking will remain in effect until all the relevant Notes are redeemed or the Put Provider's obligations under the Put Undertaking are discharged. Payment is expected within 7 business days of a Put Event. FRB is rated at 'AA_{+(ZA)}' by GCR on the long-term national scale with a 'Stable' outlook.

Therefore, the rating of the Partially Guaranteed Notes was derived by applying a notching up approach, starting from the long-term senior unsecured corporate credit rating of the enX Leasing, Parent Guarantor to the Issuer, 'BBB_(ZA)' with a 'Stable' outlook. The Issuer's corporate credit rating was affirmed by GCR in November 2017. The credit quality of the Put Provider and the mechanics of the Put Undertaking determined the appropriate number of notches to be applied. The FRB Guarantee, which provides for a 50% cover of the principal outstanding of the Partially Guaranteed Notes, along with the Unsecured Recoveries garnered from the Issuer, resulted in a 'Good Recovery Prospects' band as per GCR's Enhanced Corporate Bond Criteria, hence a 2 notch uplift from enX Leasing senior unsecured corporate credit rating. In quantifying the unsecured recoveries, GCR applied multiple analyses across numerous stress scenarios utilising its Global Consumer Asset Backed Securitisation (ABS) Rating Criteria in valuing the Trade Receivable and Leasing Asset Recoveries. GCR calculated the unsecured recoveries in conjunction with its Corporate Ratings Team. GCR garnered comfort with respect to the unsecured recoveries, noting the absence of covenants, by performing varying sensitivity analyses.

The *final, public* ratings accorded to the Partially Guaranteed Notes relate 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). The ratings exclude an assessment of the ability of the Issuer to pay any (early repayment) penalties. The rating accorded to the Partially Guaranteed Notes is separate from the Corporate Credit Rating accorded to enX Leasing. If the rating accorded to the Issuer or the rating accorded to FRB as the Put Provider changes, the rating of the Partially Guaranteed Notes may also change, but not necessarily in the same scale. The rating of the Partially Guaranteed Notes may also change if the estimated stressed value of the underlying collateral materially changes. For more information on the Transaction, please refer to GCR's enX Corporation Limited R102m Partially Guaranteed Notes – New Issuance Report published on 24 April 2018.

RATINGS HISTORY

Stock Code
ENX01S

Latest Rating
23 April 2018

LT Rating
A-(ZA)

ST Rating
n.a

Outlook
Stable

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APPLICABLE METHODOLOGIES AND RELATED RESEARCH

- Global Master Structured Finance Rating Criteria, (February 2017),
- Global Structurally Enhanced Corporate Bonds Rating Criteria (November 2017),
- Global Master Criteria for Rating Corporate Entities (February 2018),
- Global Consumer Asset Backed Securitisation (ABS) Rating Criteria, (May 2017),
- enX Leasing Investments Proprietary Limited Rating Report (November 2017),
- FirstRand Bank Limited Financial Institutions Report (November 2017).

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

Arranger	Usually an Investment bank that advises and constructs a transaction and acts as a conduit between the transaction parties: Client, Issuer, Credit Rating Agency, Investors, Legal Counsel and Servicers.
Bond	A long term debt instrument issued by either: a company, institution or the government to raise funds.
Collateral	An asset pledged as security in event of default.
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	A contractual agreement in which a borrower receives something of value now, and agrees to repay the lender at some date in the future, generally with interest. The term also refers to the borrowing capacity of an individual or company
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.
Default	A default occurs when: 1.) The Borrower is unable to repay its debt obligations in full; 2.) A credit-loss event such as charge-off, specific provision or distressed restructuring involving the forgiveness or postponement of obligations; 3.) The borrower is past due more than X days on any debt obligations as defined in the transaction documents; 4.) The obligor has filed for bankruptcy or similar protection from creditors.
Domestic Medium Term Note Programme	A debt issuance programme that allows an Issuer the continued and flexible issuance of several types of securities in accordance with the programme terms and conditions.
Floating Rate Notes	Debt securities that have a periodic interest rate reset in relation to the reference rate, i.e. JIBAR.
International Scale Rating LC	International local currency (International LC) ratings measure the likelihood of repayment in the currency of the jurisdiction in which the issuer is domiciled. Therefore, the rating does not take into account the possibility that it will not be able to convert local currency into foreign currency or make transfers between sovereign jurisdictions.
Issuer	The party indebted or the person making repayments for its borrowings.
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.
Loss	A tangible or intangible, financial or non-financial loss of economic value.
Market	An assessment of the property value, with the value being compared to similar properties in the area.
Principal	The total amount borrowed or lent, e.g. the face value of a bond, excluding interest.
Property	Movable or immovable asset.
Rating Outlook	A Rating outlook indicates the potential direction of a rated entity's rating over the medium term, typically one to two years. An outlook may be defined as: 'Stable' (nothing to suggest that the rating will change), 'Positive' (the rating symbol may be raised), 'Negative' (the rating symbol may be lowered) or 'Evolving' (the rating symbol may be raised or lowered).
Recovery	The action or process of regaining possession or control of something lost. To recoup losses.
Refinance	The issue of new debt to replace maturing debt. New debt may be provided by existing or new lenders, with a new set of terms in place.
Repayment	Payment made to honour obligations in regards to a credit agreement in the following credited order: 3.) Satisfy the due or unpaid interest charges; 4.) Satisfy the due or unpaid fees or charges; and 5.) To reduce the amount of the principal debt.
Security	An asset deposited or pledged as a guarantee of the fulfilment of an undertaking or the repayment of a loan, to be forfeited in case of default.
Senior	A security that has a higher repayment priority than junior securities.
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.
Stock Code	A unique code allocated to a publicly listed security.
Transaction	A transaction that enables an Issuer to issue debt securities in the capital markets. A debt issuance programme that allows an Issuer the continued and flexible issuance of several types of securities in accordance with the programme terms and conditions.
Ultimate Payment	A measure of the principal debt, interest, fees and expenses being repaid over a period of time determined by recoveries.
Under Review	Failure to carry out a full review of a rated entity within the designated timeframe, either through lack of information or delays in finalisation, i.e. review is ongoing.

SALIENT FEATURES OF ACCORDED RATINGS

GCR affirms that a.) no part of the rating 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 validity of the rating is for a maximum of 12 months, or earlier as indicated by the applicable credit rating document.

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

The ratings above were solicited by the Issuer of the Transaction; GCR has been compensated for the provision of the ratings.

The credit ratings have been disclosed to the Issuer and the Arranger with no contestation of the ratings.

The information received from the Issuer and other reliable third parties to accord the credit ratings included:

- Unaudited Balance Sheet extract, dated 28 February 2018.
- Audited Financial Statements of the Issuer for the financial years 2016, 2017.
- A final, signed Put undertaking.
- A final, signed Applicable Pricing Supplement.
- A final, signed legal opinion, prepared by Transaction Counsel.
- A final, signed Audit Opinion relating to the IE and FML Leasing Assets.
- A final, signed Programme Memorandum, incorporating the amendments relating to the Partially Guaranteed Notes.

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