



Credit Rating Announcement

GCR downgrades enX Corporation's Partially Guaranteed Notes' rating to BBB+(ZA)(EL); Rating Watch Negative

Rating Action

Johannesburg, 11 September 2020 – GCR Ratings ("GCR") has downgraded the long-term issue rating assigned to the Partially Guaranteed Notes issued by enX Corporation Limited ("enX", or the "Issuer") under the Issuer's R4bn Domestic Medium-Term Note Programme (the "Programme") to BBB+(ZA)(EL) from A-(ZA)(EL). The rating has been placed on Rating Watch Negative.

Rated Entity / Issue	Rating class	Rating scale	Rating*	Outlook/Watch
Partially Guaranteed ENX01S Notes	Issue Long Term	National	BBB+(ZA)(EL)	Rating Watch Negative

* The rating assigned to the Partially Guaranteed Notes is based on an estimate of the expected loss in the event of an issuer default and is a function of the estimated probability of default of the issuer and the potential losses that may be incurred. As such, these rating carries an "(EL)" suffix.

Rating Rationale

The Rating Watch Negative is a consequence of the group's weaker financial position following the failure of the transaction to sell the FML business to Bidvest Bank Limited. GCR views the refinancing risk associated with the group's short-term debt maturities to be elevated amidst the uncertainties of the COVID-19 pandemic.

The Issuer and FirstRand Bank Limited ("FRB") through its RMB division, entered a put undertaking pursuant to which FRB 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 agreement are limited to a maximum of R51m (50% of the principal outstanding). 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 'AA+(ZA)' by GCR on the long-term national scale with a 'Negative' Outlook.

The Partially Guaranteed Notes' rating is primarily a function of the estimated recoveries from the Put Guarantee and unsecured recoveries. The unsecured recoveries are determined by analysing multiple stressed scenarios in respect of the issuer's asset portfolio.

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 realised from the Issuer, qualify as 'Good Recovery Prospects' according to GCR's Criteria for Rating Structured Bonds. GCR performed various sensitivity analyses to get comfort with the unsecured recoveries. The rating of the Partially Guaranteed Notes may change if the estimated stressed value of the underlying collateral materially changes.

Outlook Statement

The Rating Watch Negative reflects the elevated refinancing risk facing the group, which may potentially impact the unsecured recovery analysis.

Rating Triggers

Negative rating action may result from a material reduction in the value of the underlying collateral. Upward rating migration is unlikely in the current environment.

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Related Criteria and Research

Criteria for the GCR Ratings Framework, May 2019

Criteria for Rating Structured Bonds, November 2018

GCR Ratings Scales, Symbols & Definitions, May 2019

Credit Spotlight: Issuer Credit Ratings, Issue Credit Ratings and Expected Loss Ratings, June 2020

Ratings History

Rating class	Review	Rating scale	Rating	Outlook/Watch	Date
Partially Guaranteed ENX01S Notes	Initial	National	A-(ZA)	Stable	Apr 2018
	Last	National	A-(ZA)(EL)	Rating Watch Evolving	Aug 2019

*Structured bond ratings are based on an estimate of the expected loss in the event of an issuer default and are a function of the estimated probability of default of the issuer and the potential losses that may be incurred. As such, the ratings carry an 'EL' suffix. The ratings are derived by applying a notching approach, starting from the issuer long term rating. Should the issuer rating or the estimated recovery rate calculated by GCR change, the ratings assigned to the Senior Secured Notes may also change. Prior to the publication of GCR's Rating Scales, Symbols and Definitions in May 2019, structured bond ratings did not carry the 'EL' suffix. For further details, see the research piece titled Credit Spotlight: Issuer Credit Ratings, Issue Credit Ratings and Expected Loss Ratings, published in June 2020.

Glossary

Agreement	A negotiated and usually legally enforceable understanding between two or more legally competent parties.
Asset	A resource with economic value that a company owns or controls with the expectation that it will provide future benefit.
Bond	A long term debt instrument issued by either a company, institution or the government to raise funds.
Collateral	Asset provided to a creditor as security for a loan or performance.
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 7 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.
Expected Loss	Losses that a bank expects to bear over a certain period (generally a year). These losses are a consequence of doing business, namely the bank's role as financial intermediary.
Guarantee	An undertaking in writing by one person (the guarantor) given to another, usually a bank (the creditor) to be answerable for the debt of a third person (the debtor) to the creditor, upon default of the debtor.
Issuer	The party indebted or the person making repayments for its borrowings.
Loss	1. A tangible or intangible, financial or non-financial loss of economic value. 2. The happening of the event for which insurance pays (insurance).
Notching	A movement in ratings.
Obligation	The title given to the legal relationship that exists between parties to an agreement when they acquire personal rights against each other for entitlement to perform.
Principal	The total amount borrowed or lent, e.g. the face value of a bond, excluding interest.
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
Rating Watch	See GCR Rating Scales, Symbols and Definitions.
Recovery	The action or process of regaining possession or control of something lost. To recoup losses.
Security	One of various instruments used in the capital market to raise funds.
Stock Code	A unique code allocated to a publicly listed security.
Structured Bond Ratings	See GCR Rating Scales, Symbols and Definitions.
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.

SALIENT POINTS OF ACCORDED ASSESSMENT

GCR affirms that a.) no part of the ratings 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; and c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

The credit ratings have been disclosed to enX Corporation Limited. The ratings above were solicited by, or on behalf of, the rated entity, and therefore, GCR has been compensated for the provision of the ratings.

enX Corporation 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 information received from enX Corporation Limited and other reliable third parties to accord the credit ratings included:

- The unaudited interim financial statements of the issuer at 29 February 2020
- The 2019 integrated report
- Pool cut for the Industrial Equipment portfolio at 30 June 2020
- Pool cut for the Fleet Management and Logistics portfolio at 30 June 2020

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