

EuroRating has downgraded the credit rating assigned to the company Audacia Capital (Ireland) plc from 'BBB+' to 'BBB'

RATING ACTION

Warsaw, 27 October 2022 – The EuroRating credit rating agency has downgraded the credit rating assigned to the company Audacia Capital (Ireland) plc from 'BBB+' to 'BBB'. The rating outlook is stable.

RATING ACTION RATIONALE

The main reason for the downgrade of the credit rating for Audacia Capital (Ireland) plc ("Audacia") is much slower than previously expected development of the company's activities and therefore also lower income, as well as a default of two bond series issued by one of the bond obligors.

The company's balance sheet total increased in the last financial year (ended in June 2022) only by 3.2 percent (this means a slowdown against the already relatively low rate of 12 percent in the previous year). The interest receivable and similar income together with other income increased only by 2.5 percent (vs. 38 percent in the previous year). The stagnation in the development of the business scale is due to the fact, that Audacia did not manage to attract new significant issuers in recent quarters, thanks to which it could utilise the approved bond programme of an aggregated nominal amount of up to €250 million.

In the above context, EuroRating also negatively assesses the fact, that in August 2022 the Audacia's third largest bond obligor (Nao Group DMCC) failed to settle overdue payments to Audacia under the securitization bonds in the amount of £555.4 thousand (bond series 4) and \$254.8 thousand (bond series 8), together with other sums owing to the Audacia by way of fees. The Nao Group's amount of bonds principal outstanding was, as of 30 June 2021, £4,054.3 thousand (series 4) and \$1,860.8 thousand (series 8). The above default of one of the Audacia's largest clients means, that it should be expected that the company's balance sheet will deteriorate slightly in the coming quarters.

EuroRating takes into account, that the above event will not have direct impact on Audacia's own financial situation, because the company (as a bond platform) is not liable for any obligations arising out of the operations of the underlying bond obligors businesses and the claims of the bondholders against Audacia are limited only to the collateral of the relevant series which is held by the company. However, this event, in EuroRating's opinion, can potentially negatively affect the company's future development.

STABLE RATING OUTLOOK

The stable outlook attributed to the rating means, that according to current estimates of the EuroRating credit rating agency the rating should most probably remain unchanged in the horizon of the next 12 months.

MAIN FACTORS THAT COULD LEAD TO A RATING CHANGE

The following factors could have a positive impact on the credit risk assessment of the Audacia Capital (Ireland) plc: acquiring new clients (bond obligors) and a significant increase of new bonds issuance; significant increase in revenue and profit; substantial increase of the company's equity; growing the cash reserves and maintaining a good liquidity position; as well as improvement of the sentiment in global financial markets.

To the factors that could lead to a further downgrade of the Audacia's credit rating EuroRating includes: a potential default of the company's other client; a significant decrease in new bond sales; continuation of the current stabilization of the company's assets and revenues in the following quarters (or even more so – their possible significant decline); an increase of the company's own liabilities and/or no increase in equity; as well as a prolonged increased geopolitical risk and/or the occurrence of a strong recession in the economy.

ADDITIONAL INFORMATION NOTE

EuroRating is formally registered by the European Securities and Markets Authority (ESMA) as a credit rating agency authorized to issue public credit ratings throughout the European Union, in accordance with the Regulation of the European Parliament and of the Council No. 1060/2009 on credit rating agencies and is under direct supervision of ESMA.

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REGULATORY DISCLOSURES

Methodology

The presented credit rating assigned to the company Audacia Capital (Ireland) plc is a general assessment of the creditworthiness of the rated entity and it only relates to the credit risk of its own unsecured and unsubordinated financial obligations and does not apply to any of the bond series issued through Audacia's bond platform by the bond obligors (see also: "Key rating assumptions" below).

The methodology used for this rating is the methodology for corporations, available on the EuroRating's website: <https://www.eurorating.com/en/ratings/methodology/credit-risk-assessment-methodology>

The rating definitions and the rating scale used by EuroRating are published on the agency's website at: <https://www.eurorating.com/en/ratings/rating-scale>

Historical default rates of the EuroRating credit rating agency can be viewed in the rating performance report at: <http://www.eurorating.com/en/ratings/statistics>

EuroRating's definition of default as well as definitions of rating notations can be found in the agency's website at: <http://www.eurorating.com/en/ratings/methodology/definition-of-default>

The presented credit rating is a public rating. The date of the first publication of the rating, the current rating level and the full rating history are published free of charge on the EuroRating credit rating agency website in the section "Credit ratings", in the appropriate tab on the rated security/entity. EuroRating is not responsible for information on the current rating provided by the rated entity or any third party.

Prior to the issuance of the rating or outlook action, the rated entity was given the opportunity to review the rating and/or outlook and the principal grounds on which the credit rating and/or outlook is based. Following that review, the rating was not amended before being issued.

Solicitation and key sources of information

The presented credit rating is solicited by the rated entity. EuroRating received remuneration for the assigning and subsequent monitoring of the rating. The rated entity and/or its agents have participated in the rating process by providing the EuroRating credit rating agency documents, information and explanations concerning its economic and financial situation.

The main sources of information used in the rating process were quarterly and annual financial statements and financial forecasts of the rated company, information on the bonds issued through Audacia bond platform, as well as other data, information and explanations provided by the rated company and/or its agents.

EuroRating considers the scope and quality of available information on the rated entity as sufficient to issue a reliable credit rating. EuroRating takes all necessary measures to ensure that obtained information used in the rating process is of proper quality and is derived from sources deemed by the agency as reliable. Nevertheless, EuroRating does not have a possibility to verify or to confirm in each case the correctness and authenticity of obtained data and information used in the rating process and/or presented in this report.

Key rating assumptions

In the rating process EuroRating took into account the main assumption, that Audacia Capital (Ireland) plc is a contract issuer of limited recourse debt securities (bonds) issued for third parties. As Audacia Capital (Ireland) plc operates as a bond issuance platform for other companies (bond obligors), the company is not liable for any obligations arising out of the operations of the underlying bond obligors businesses and the claims of the bondholders against Audacia are limited only to the collateral of the relevant series which is held by the company. Thus, the company as a bond platform and at the same time a formal issuer of the bonds is not liable for any obligations arising out of the operations of the underlying bond obligors' businesses.

EuroRating indicates, that the credit rating for the company Audacia Capital (Ireland) plc only relates to the credit risk of its own unsecured and unsubordinated financial obligations and does not apply to any of the bond series issued through Audacia's bond platform by other companies (bond obligors). The credit risk of those bonds would require a separate assessment for each individual series.

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