MOODY'S
RATINGS

Rating Action: Moody's Ratings upgrades ratings of notes issued by Bayfront Infrastructure Capital III Pte. Ltd.

28 Jun 2024

Singapore, June 28, 2024 -- Moody's Ratings (Moody's) has today upgraded the ratings on the Class B and Class C Notes issued by Bayfront Infrastructure Capital III Pte. Ltd.

The affected ratings are as follows:

Issuer: Bayfront Infrastructure Capital III Pte. Ltd.

....US$33.4 million Class B Senior Secured Floating Rate Notes due 2044, Upgraded to Aaa (sf); previously on Sep 23, 2022 Definitive Rating Assigned Aa1 (sf)

....US$43.0 milllion Class C Senior Secured Floating Rate Notes due 2044, Upgraded to Baa1 (sf); previously on Aug 17, 2023 Upgraded to Baa2 (sf)

A comprehensive review of all credit ratings for the transaction has been conducted during a rating committee.

Bayfront Infrastructure Capital III Pte. Ltd. is a project finance collateralized loan obligation (CLO) cash flow securitization. As of the end of May 2024, the CLO was backed by a US$311 million portfolio, encompassing 26 bank-syndicated senior project finance and infrastructure loans to 24 projects across Asia Pacific, the Middle East, and South America, and US$1.7 million cash.

RATINGS RATIONALE

The rating upgrade on the Class B and Class C Notes are mainly prompted by an increase in the credit enhancement available to the notes and the broadly stable credit quality of the portfolio of project finance loans since last rating action in August 2023. The rating upgrade on the Class C Notes also considered the portfolio concentration in projects located in Brazil compared to the credit enhancement available to these notes.

No action was taken on the remaining rated classes in the deal as credit enhancement for these classes remain commensurate with the current ratings.

After the payment date in April 2024, the effective subordination available to the Class B Notes has increased to 22.9% from 17.7% at deal close. The effective subordination available to the Class C Notes has increased to 9.1% from 7.4% during last rating action in August 2023. The assets comprised of project and infrastructure loans, and cash currently held which will be distributed in October 2024. The cash comes from principal and interest payments from the project and infrastructure loans since the last notes payment date in April 2024.

The portfolio concentration in projects located in Brazil, which has a long-term foreign-currency (FC) country ceiling of Baa2, has increased to 8.6% from 7.7% since the last rating action in August 2023. However, the credit enhancement available to the Class C Notes is now greater than the exposure to projects located in Brazil. Class C's rating is now above Brazil's FC country ceiling.

The pool credit quality has remained stable. The current weighted average rating factor (WARF) of the portfolio after applying the credit estimate notching adjustments is 1038, and without adjustments is 873. At the last rating action in August 2023, the WARF with notching adjustments was 1078, and without adjustments was 936.

We use a loan-by-loan Monte Carlo simulation framework in Moody's CDOROM™ to model the portfolio loss distribution for this CLO.

The key model inputs we use in our analysis, such as par, rating factor, and the recovery rate assumptions, are based on our published methodology and could differ from the trustee's reported numbers. In our base case, the underlying loan portfolio has a performing par of US$311 million, a WARF of 1038 after applying the credit estimate notching adjustments over a weighted average life of 5.2 years and a weighted average recovery rate upon default of 72% (inclusive of external credit support for covered loans).

RATING METHODOLOGY

The principal methodology used in this rating was "Project Finance and Infrastructure Asset CLOs methodology" published in February 2024 and available at https://ratings.moodys.com/rmc-documents/415304 . Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

Factors that would lead to an upgrade or downgrade of the ratings:

This transaction is subject to the performance of the underlying portfolio and the credit quality of the external credit support providers and counterparties of the participation agreements, which in turn is subject to a high level of macroeconomic uncertainty.

The CLO manager's investment decisions and management of the transaction will also affect the performance of the rated securities.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions .

The analysis relies on an assessment of collateral characteristics to determine the collateral loss distribution, that is, the function that correlates to an assumption about the likelihood of occurrence to each level of possible losses in the collateral. As a second step, Moody's evaluates each possible collateral loss scenario using a model that replicates the relevant structural features to derive payments and therefore the ultimate potential losses for each rated instrument. The loss a rated instrument incurs in each collateral loss scenario, weighted by assumptions about the likelihood of events in that scenario occurring, results in the expected loss of the rated instrument.

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