

Announcement: Moody's: NCIG remains on review for downgrade following status update of proposed capital restructure

Global Credit Research - 20 Apr 2016

Sydney, April 20, 2016 -- Moody's Investors Service is continuing its review for downgrade of Newcastle Coal Infrastructure Group Pty Ltd's (NCIG) Baa3 senior secured rating and the Ba2 senior unsecured rating of its parent NCIG Holdings Pty Ltd (NCIGH, together, the group).

The ratings were placed on review on 21 December 2015 to reflect the escalating risks in the coal market, which are in turn causing heightened counterparty risks as the financial pressures on terminal's mine counterparties rise.

NCIGH, owned by six coal companies (shipper shareholders or counterparties), is NCIG's holding company. NCIG has economic ownership of, and operates the NCIG Coal Export Terminal under a long-term lease with Port of Newcastle (unrated).

The terminal is located on a 173-hectare site on Kooragang Island at the Port of Newcastle in New South Wales. It has a coal handling capacity of 66 million tonnes per annum.

RATINGS RATIONALE

The continuation of the review follows NCIG's reaffirmation of its commitment to a proposed refinancing and capital simplification transaction on 19 April 2016.

The proposed transaction centers on the refinancing of NCIG's existing S-class loan by a new A-class loan, and the removal of the current ring-fencing of S-class shippers.

Accordingly, all NCIG's shippers will share in counterparty risk across the shipper group. Such a development will materially increase the resilience of NCIG's shipper base and raise the likelihood of NCIG successfully socializing lost revenue following default of an existing shipper among its remaining counterparties, if it is unable to source replacement tonnage.

The proposed transaction remains subject to the successful procurement of the required funding as well as existing financier review and approval, and is proposed for completion by the end of June 2016.

Moody's expects to confirm NCIG's Baa3 senior secured rating and NCIGH's Ba2 rating with a stable outlook if the transaction is completed on the basis presented to Moody's.

RATINGS AFFECTED

The following ratings remain on review for downgrade:

..Issuer: Newcastle Coal Infrastructure Group Pty Ltd

.... Foreign Currency Backed Senior Secured Rating, on Review for Downgrade, currently Baa3

.... Foreign Currency and Local Currency Backed Senior Secured Bank Credit Facility Rating, on Review for Downgrade, currently Baa3

..Issuer: NCIG Holdings Pty Ltd

.... Foreign Currency Senior Unsecured Rating, on Review for Downgrade, currently Ba2

The principal methodology used in these ratings was Generic Project Finance Methodology published in December 2010. Please see the Ratings Methodologies page on www.moody's.com for a copy of this methodology.

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