



## Credit Rating Announcement

GCR downgrades Trustco Group's rating to  $SD_{(NA)}$  on the back of interest and capital standstill. Subsequently, the rating was revised to  $CCC_{-(NA)}$  following resolution of debt restructuring; Outlook Evolving

### Rating Action

Johannesburg, 30 October 2020 - GCR Ratings ("GCR") has downgraded the Namibian long and short-term issuer ratings of Trustco Group Holdings Limited to  $SD_{(NA)}$  respectively, from  $B+_{(NA)}$  and  $B_{(NA)}$  respectively. This follows an evidenced event of selective default on the core funding from international lenders.

Rated Entity / Issue	Rating class	Rating scale	Rating	Outlook / Watch
Trustco Group Holdings Limited	Long Term issuer	National	$SD_{(NA)}$	n.a.
	Short Term issuer	National	$SD_{(NA)}$	

Subsequently, due to the resolution of the debt restructuring, Trustco Group Holdings Limited's Namibian long and short-term issuer ratings have been revised to  $CCC_{-(NA)}$  and  $C_{(NA)}$  respectively, with an Evolving outlook.

Rated Entity / Issue	Rating class	Rating scale	Rating	Outlook / Watch
Trustco Group Holdings Limited	Long Term issuer	National	$CCC_{-(NA)}$	Evolving Outlook
	Short Term issuer	National	$C_{(NA)}$	

### Rating Rationale

The rating actions follow the commencement of debt restructuring negotiations with key international lenders on 23<sup>rd</sup> June 2020 and subsequent resolution thereof on 25<sup>th</sup> September 2020. During the debt restructuring negotiation, there was a standstill on interest and principal repayments on existing debt from international funders and this was the underpinning factor for the rating downgrade to  $SD_{(NA)}$ .

Management indicated that the debt restructuring process was concluded on the 25<sup>th</sup> September 2020. The resolution thereof allowed GCR to move the rating off  $SD_{(NA)}$  and up to  $CCC_{-(NA)}$ .

As part of the restructuring, an additional USD20m of funding was made available to Trustco Group Holdings Limited ("Trustco Group"), with servicing of interest to be done on quarterly intervals starting in December 2020 and capital being repayable in 18 varying quarterly instalments from December 2021. There is a 12-month grace period on international debt capital and interest payments, with varying terms per lender thereafter.

In October 2020, TrustCo secured two facilities for the development and expansion of its resource subsidiary (Meya Mining). One of the facilities was a general term facility of USD50m from a private equity fund, while the second term sheet was an export credit facility in the amount of USD35.8m. The term sheets contain warranties and due diligence processes which need to be finalised prior to a definitive agreement being signed.

Trustco Group has changed its financial year end from 31 March to 30 September during the year and final audited accounts are only expected to be available by 31 December 2020. There is also an ongoing transaction involving JSE-listed Conduit Capital Limited (the holding company of Constantia Insurance Company Limited), which creates some uncertainty about the Group's future operating structure and can only be adequately assessed once the transaction

is finalised. GCR has therefore placed the national scale Long-Term Issuer rating of CCC<sub>(NA)</sub> on Evolving Outlook, until we can get a settled view of the consolidated group structure and the debt payment profile.

## Outlook Statement

The Evolving outlook reflects the high level of uncertainty surrounding the short-term credit profile of the entity in view of the impending corporate transaction, profitability and changes to the group's operating structure. Should GCR receive consistent financial information and is able to form a settled view of the group's operating structure, there could be potential for upward rating movement as GCR will be better placed to provide forward looking assumptions on the group's credit profile. However, short term risks remain, including a deteriorating operating environment and changes in the operating structure, which cast doubt on the group's ability to service long-term obligations. Any rise in refinancing risks would bring down the ratings.

## Rating Triggers

Upward rating action could follow the settling of the group's operating structure (which could be supported by the completion of the corporate transaction involving South African insurer, Constantia Insurance Company Limited, and successful integration thereof), consistent audited financial statements, and more saliently, a demonstrated trend of positive cash flows. Should there be any indications of financial distress, GCR will lower the ratings.

## Analytical Contacts

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## Related Criteria and Research

Criteria for the GCR Ratings Framework, May 2019  
 Criteria for Rating Financial Services Companies, May 2019  
 Criteria for Rating Corporate Entities, May 2019  
 GCR Ratings Scale, Symbols & Definitions, May 2019  
 GCR Country Risk Scores, May 2020  
 GCR Financial Institutions Sector Risk Score, August 2020

## Ratings History

Trustco Group Holdings Limited					
Rating class	Review	Rating scale	Rating class	Outlook	Date
Long Term Issuer	Initial	National	BBB <sub>(NA)</sub>	Stable	July 2012
	Last	National	B <sub>(NA)</sub> <sup>+</sup>	Positive	September 2019
Short Term Issuer	Initial	National	A3 <sub>(NA)</sub>	N/a	July 2012
	Last	National	B <sub>(NA)</sub>	N/a	September 2019

## RISK SCORE SUMMARY

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Risk score summary not applicable at current rating levels.

### Glossary

Balance Sheet	Also known as Statement of Financial Position. A statement of a company's assets and liabilities provided for the benefit of shareholders and regulators. It gives a snapshot at a specific point in time of the assets the company holds and how they have been financed.
Capital	The sum of money that is invested to generate proceeds.
Cash	Funds that can be readily spent or used to meet current obligations.
Debt	An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.
Diversification	Spreading risk by constructing a portfolio that contains different exposures whose returns are relatively uncorrelated. The term also refers to companies which move into markets or products that bear little relation to ones they already operate in.
Exposure	Exposure is the amount of risk the holder of an asset or security is faced with as a consequence of holding the security or asset. For a company, its exposure may relate to a particular product class or customer grouping. Exposure may also arise from an overreliance on one source of funding. In insurance, it refers to an individual or company's vulnerability to various risks
Income	Money received, especially on a regular basis, for work or through investments.
Interest	Scheduled payments made to a creditor in return for the use of borrowed money. The size of the payments will be determined by the interest rate, the amount borrowed or principal and the duration of the loan.
Issuer	The party indebted or the person making repayments for its borrowings.
Leverage	With regard to corporate analysis, leverage (or gearing) refers to the extent to which a company is funded by debt.
Liquidity	The speed at which assets can be converted to cash. It can also refer to the ability of a company to service its debt obligations due to the presence of liquid assets such as cash and its equivalents. Market liquidity refers to the ease with which a security can be bought or sold quickly and in large volumes without substantially affecting the market price.
Long Term Rating	See GCR Rating Scales, Symbols and Definitions.
Margin	A term whose meaning depends on the context. In the widest sense, it means the difference between two values.
Market	An assessment of the property value, with the value being compared to similar properties in the area.
Maturity	The length of time between the issue of a bond or other security and the date on which it becomes payable in full.
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Short Term Rating	See GCR Rating Scales, Symbols and Definitions.
Short Term	Current; ordinarily less than one year.

## SALIENT POINTS OF ACCORDED RATINGS

GCR affirms that a.) no part of the ratings 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 Trustco Group Holdings 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.

Trustco Group Holdings Limited participated in the rating process via teleconference management meetings, and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from the entities and other reliable third parties to accord the credit ratings included:

- Debt restructuring summaries; and
- Cash flow projections;

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