Caribbean Information &
Credit Rating Services Limited

RATINGS ROUND-UP

- A SUMMARY OF RECENT RATING ACTIONS TAKEN BY CARICRIS

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COVID-19: Economic Effects will be Severe

As the global COVID-19 pandemic continues, governments are attempting to salvage their respective economies through the carefully managed lifting of restrictions imposed to minimise spread of the virus. The impact is projected to be severe and the IMF forecasts that Latin America and the Caribbean will contract 9.4% in 2020 (World Economic Outlook Update, June 24, 2020). Balancing economic resumption and virus containment is difficult, especially for the tourism-dependent regional economies. Negative economic effects will persist for some time in all but the most resilient regional economies. "Island economies that rely heavily on tourism and economies that are driven by oil exports are also likely to face long-lasting challenges." (IMF's World Economic Outlook Update, June 24, 2020, pg 9). It is against this backdrop that, in the second quarter of 2020, CariCRIS took the following rating actions:

NEW RATINGS ASSIGNED

Issue Rating Assigned to JMMB International Limited's US $120 million Bond Issue, Outlook Stable

CariCRIS assigned a foreign currency rating of *jm***A**, with a stable outlook, to JMMB International Ltd.'s US $120 million bond issue. The rating reflects the Company's affiliation with the JMMB Group, which supports its growth and sustainability. JMMBIL has also shown good financial performance, characterised by good asset returns which have driven adequate debt service coverage, and has a favourable resource base with adequate capitalisation. These strengths are tempered by JMMBIL's exposure to downside risks of the economies of Jamaica and Trinidad and Tobago. The stable outlook is based on CariCRIS' expectation of continued good financial performance over the next 12 to 15 months, buttressed by dividend income from the addition of 22.5% of Sagicor Financial Corporation (SFC) shares to JMMBIL's earning assets portfolio.

ANNUAL SURVEILLANCES

NCB Global Finance Limited's Rating Reaffirmed, Outlook Stable

NCB Global Finance (NCBGF) retained its regional scale credit ratings of *Cari***A** (foreign and local currency) and Trinidad and Tobago national scale ratings of *tt***A**. The level of creditworthiness was assessed as "good" both within Trinidad and Tobago and the Caribbean. These ratings are supported by the Company's financial performance with continued profitability and good asset returns. NCBGF's asset quality is considered good and is characterized by a consistently low NPL ratio, well below that of the local industry. The Company also has comfortable capitalization and stable funding base. These rating strengths are tempered by the small size of NCBGF as a player in a highly competitive market, as well as a significant asset/liability maturity mismatch which heightens short-term liquidity and refinancing risks; further exacerbated by its high level of institutional funding. The Company's stable outlook is predicated on CariCRIS' view that NCBGF is well positioned to sustain its operations and stable credit profile over the next 12-15 months and is expected to maintain profitability in FY2020, albeit at a reduced level. As a member of the NCB Financial Group, one of the largest financial conglomerates in the region, NCBGF has access to additional capital and financial support, if needed. The ratings of NCB Global Finance reflect the Company's competitive advantage, which lies in its affiliation with the NCB Financial Group.

Beacon Insurance Company Limited's Rating Reaffirmed, Outlook Negative

CariCRIS reaffirmed the credit ratings assigned to the Beacon Insurance Company Ltd, with the outlook revised to negative. The Company maintained its ratings of *Cari***A-** (foreign and local currency) on the regional scale and *tt***A-** on the Trinidad and Tobago national scale, and a financial strength rating of *Cari***A-**. These ratings reflect Beacon's strong and improving financial performance driven by increases in premium income; healthy capitalisation supported by a strong reinsurance programme; and a diversified investment portfolio with satisfactory asset quality. These strengths are tempered by the Company's high reliance on insurance brokers, which threatens the stability of its earnings; and the current economic challenges faced in Barbados, Trinidad and Tobago, and the Eastern Caribbean. The negative outlook is based on our expectation that the decline in economic activity caused by the COVID-19 pandemic will lead to reduced earnings and profits over the next 12 to 15 months.

Goddard Enterprises Limited Downgraded, Outlook Negative

CariCRIS downgraded by 1-notch the issuer rating of Goddard Enterprises Limited (GEL) on the regional scale to *Cari***A+** (foreign and local currency). GEL's "good" creditworthiness ratings are being driven by the Group's wide geographic and industry diversity which tempers the impact of revenue volatility, together with its continued good profitability notwithstanding the challenging conditions. The rating downgrade was driven by the expected deterioration of cash flow and debt protection metrics as a result of the negative effects of the COVID-19 pandemic, which, together with the historically low global commodity prices, present significant downside risks to the key economies in which GEL operates. The negative outlook was maintained, predicated on the uncertainty associated with the Group's performance in the second half of the financial year. Should performance decline more than that assumed in our financial projections, we would likely further lower the Group's ratings.

Note: *CariCRIS's GEL rating assignment was completed using publicly available information.*

Sagicor Financial Company Limited's US $76 million Bond Issue Rating Reaffirmed, Outlook Negative

CariCRIS reaffirmed the ratings assigned to the US $76 million bond issue of Sagicor Financial Company Limited (SFC) and revised the outlook from stable to negative. SFC was rated *Cari***AA** (foreign and local currency) on the regional scale and *jm***AAA** on the Jamaica national scale. The ratings reflect SFC's continued leading market position in the Caribbean with growing market share in international markets. Additionally, the ratings reflect SFC's healthy financial performance, good capitalisation levels, adequate short-term liquidity metrics and effective enterprise risk management framework. These strengths are tempered by global economic uncertainty and exposure to weak economic conditions in countries in which SFC's subsidiaries operate. The negative outlook is based on our expectation of declining revenue and profits over the next 12 to 15 months, arising from reduced values and cashflows of investment assets caused by the decline in economic activity due to the COVID-19 pandemic.

Development Bank of Jamaica's US $5 million Debt Issue Rating Reaffirmed, Outlook Negative

CariCRIS reaffirmed the ratings assigned to the Development Bank of Jamaica's US $5 million debt issue and revised the outlook from stable to negative. The issue retained its regional scale ratings of *Cari***A-** (foreign currency) and *Cari***A** (local currency), and Jamaica national scale ratings of *jm***AA** (foreign currency) and *jm***AA+** (local currency). The ratings are supported by DBJ's strategic importance to the Government of Jamaica as the lead development financier and divestment manager of state assets. The ratings also reflect DBJ's strong capital base supported by a healthy capital adequacy ratio and good liquidity metrics, as well as its sound risk management framework. These ratings strengths are tempered by DBJ's high sovereign risk exposure compounded by the continued effects of the COVID-19 pandemic. The negative outlook is based on the difficult global and regional economic conditions due to the COVID-19 pandemic, which may challenge DBJ's growth and profitability metrics over the next 12 to 15 months.

Government of the Commonwealth of Dominica's US $25 million debt issue (notional) Rating Reaffirmed, Outlook Negative

The ratings of the Government of the Commonwealth of Dominica's (GOCD) US $25 million debt issue (notional) were reaffirmed at *Cari***BB** (foreign and local currency) on the regional scale. These ratings display "below-average" creditworthiness relative to other debt obligors in the Caribbean. The ratings of GOCD are tempered by widespread negative COVID-19 impacts on a small developing country with significant capacity constraints, weaknesses in the financial sector, uncertainty of fiscal outcomes for the next 2 years and urgent balance of payments pressures as a result of COVID-19. The ratings are supported by significant headway made rebuilding the economy and infrastructure following the passage of Hurricane Maria, satisfactory debt servicing and a stable political environment. The outlook was revised to negative from stable, based on uncertainty of a return to sufficient economic growth in 2021. It is unclear whether tourist arrivals for the rest of 2020 and for 2021 will be robust enough to offset the impact of higher indebtedness incurred to finance COVID-19 related spending and/or to return the GOCD to pre-COVID-19 fiscal revenues. The uncertainty may also affect foreign exchange availability, financial sector soundness and employment.

Note: *The current CariCRIS rating assignment was completed using publicly available information as attempts to arrange meetings with the GOCD were unsuccessful.*

Government of the Republic of Trinidad and Tobago's Ratings Reaffirmed, Outlook Negative

The ratings of the US $500 million debt issue of the Government of the Republic of Trinidad and Tobago (GORTT) were reaffirmed. GORTT retained regional scale issuer ratings of *Cari***AA+** (foreign and local currency) and Trinidad and Tobago national scale rating of *tt***AAA**. The factors supporting the reaffirmation of the ratings are: Trinidad and Tobago continues to be one of the largest and most diversified economies in the Caribbean, which provides a level of resilience in economic performance during difficult times; the financial system continues to be well-regulated with relatively stable monetary conditions and exchange rate performance; and the country retains comfortable debt service coverage when compared to its Caribbean peers, despite some deterioration. These rating strengths are tempered by: continued balance of payments deficits due to softer commodity prices in recent years; a significant fiscal deficit projected for FY2019/20, despite good fiscal restraint shown over the past 3 years; persistent social instability, worsened by rising unemployment and heightened crime levels; and the continued lack of reliable macroeconomic data hampers efforts to strengthen the economy and improve revenue collection. The outlook was, however, revised to negative from stable based on uncertainty of a return to sufficient economic growth in 2021 and over the medium-term. The COVID-19 pandemic brought a sudden stop to domestic activity in Q1 2020 and necessitated an increase in government spending and borrowings. The pandemic also contributed to a collapse in energy prices. Downside risks to economic recovery in 2021 and a reversal of COVID-19's other macroeconomic impacts over the medium-term include: a prolonged "L" shaped global recovery with negative implications for energy prices, weakness in demand from regional markets and a second wave of virus transmission.

Government of Saint Lucia's Ratings Downgraded, Outlook Stable

CariCRIS lowered the assigned ratings of several debt programmes of the Government of Saint Lucia (GOSL) by one notch to *Cari***BBB-** (foreign and local currency). The downgrade is driven by the projected increase in the fiscal deficit and debt to GDP which put the GOSL outside of its previous rating category's risk parameters. The ratings on GOSL continue to reflect: its monetary and exchange rate stability, underpinned by membership in a quasi-currency board arrangement; a relatively diversified economic base; and the sovereign's sound financial sector. These rating strengths are tempered by: the worsened fiscal position and significantly increased indebtedness brought about by the COVID-19 pandemic and international reserves being put under pressure with the loss of tourism earnings. A stable outlook on the ratings has been maintained, premised on a projected return to growth in 2021, with positive impacts for fiscal revenues, financial sector soundness and foreign currency earnings.

NIF Bond Rating Reaffirmed, Outlook Negative

CariCRIS reaffirmed the regional scale ratings of *Cari***AA** (local currency rating) and Trinidad and Tobago national scale ratings of *tt***AA** for the TT $4.0 billion debt issue of the National Investment Fund Holding Company Limited (NIF). The level of creditworthiness is "high", due to the high asset quality of the underlying assets, which supports the reliability of cash flows. In CariCRIS' opinion, the cash flows are adequate to facilitate interest payments as well as the NIF's operating expenses in the medium term. Additionally, given that the NIF is 100% owned by the GORTT, there is the likelihood of support if needed, notwithstanding the Government's declining economic activity and a widening fiscal deficit. These rating strengths are tempered by the discretionary nature of the cash flows which are primarily sourced from dividends, as well as a high level of concentration risk given that 85% of the Fund's core earnings were derived from two entities in 2019. The possibility of having to refinance two tranches of the bond at higher interest rates also tempers the ratings. The outlook of the NIF issue was revised to negative from stable due to the current macroeconomic weaknesses present globally and in Trinidad and Tobago as a result of the COVID-19 pandemic. Additionally, historically low international prices for oil and gas and the likely impact on the financial performance of the NIF's underlying assets may impact their ability to remit dividend payments in line with historical averages over the next 12 to 15 months.

Point Lisas Industrial Port Development Corporation Limited's ratings Reaffirmed, Outlook Stable

CariCRIS reaffirmed the ratings of *Cari***A+** (foreign and local currency ratings) on the regional scale and *tt***A+** on the Trinidad and Tobago national scale assigned to Point Lisas Industrial Port Development Corporation Limited (PLIPDECO) and maintained a stable outlook. The ratings reflect the Company's continued strong market position in port operations and industrial real estate management, which is further enhanced by a diversified product offering. Also contributing to the ratings were the Company's reliable earnings stream on the industrial estate, attributable to a stable tenant base, and continued good financial performance and healthy debt protection metrics. These ratings strengths are tempered by the prevailing economic conditions, which can constrain profitability and growth. The stable outlook is based on our expectation of continued good financial performance, albeit at a lower level over the next 12 to 15 months, with the maintenance of sufficient buffers to withstand the macroeconomic weaknesses resulting from the COVID-19 pandemic and low international oil and gas prices.

Bourse Securities Limited's Ratings Reaffirmed, Outlook Stable

CariCRIS reaffirmed the Corporate Credit Ratings of *Cari***A-** (foreign and local currency) on the regional scale and *tt***A-** on the Trinidad and Tobago national scale assigned to Bourse Securities Limited (BSL) and maintained a stable outlook. These ratings indicate that BSL's relative creditworthiness is "good" and reflect its good financial performance, underpinned by income diversity and improved efficiency levels in 2019. Also contributing to the ratings are good asset quality, a diverse investment portfolio, healthy risk-adjusted capitalisation, and sound asset-liability management and risk management practices. These strengths are tempered by concentration of the funding base on a select few institutional investors, which could subject the Company to potential refinancing risks should these investors require repayment of the associated liabilities at short notice. However, this risk has been addressed through the establishment of binding fixed-term liability maturities to avoid bunching, as well as a cap on aggregate maturities for any particular period. The stable outlook is based on our expectation that BSL's earning metrics will remain favourable compared to its regional peers over the next 12 to 15 months. Additionally, BSL's implementation of sound risk management, liquidity, and capital measures over the years is expected to insulate the Company from the large negative impact of the COVID-19 pandemic on markets and economies.

About CariCRIS

Caribbean Information and Credit Rating Services Limited (CariCRIS) is the Caribbean's leading credit rating agency, with shareholding by regional Central Banks, several major regional commercial and development banks, and CRISIL, an associate company of the globally-recognised rating agency Standard & Poor's.

Our credit ratings represent an objective assessment of the rated entity's creditworthiness relative to other rated entities in the region and reflect our intimate understanding of the risks that are unique to the Caribbean. Our Board, Rating Committee and Management team consist of highly respected professionals from across the Caribbean and underpin our regional way of thinking. A CariCRIS regional scale rating compares an entity's creditworthiness to all debt-issuers in a defined Caribbean region. We also offer a national scale credit rating where the comparison set is all debt-issuing entities in a single nation.

Our ratings aim to provide a regionally relevant risk assessment of entities and the debt that they issue within a wider context of an analysis of economic trends and financial developments. This will significantly improve investors' access to information and their ability to compare sovereign and corporate credits across the Caribbean. For borrowers, our ratings will enhance credibility and expand access to funding sources.

Disclaimer

CariCRIS continues to closely monitor the impact of the COVID-19 pandemic and the collapse of energy prices and will take appropriate rating actions over the coming months. The next issue of our Ratings Round-Up will be published in October 2020.

To send feedback on this report or to request more information on our products and services, email info@caricris.com.