

MEDIA RELEASE

July 16, 2021

CariCRIS assigns 'good' creditworthiness ratings to the proposed bond issue of up to US \$285 million of Sage Power Limited

Caribbean Information and Credit Rating Services Limited (CariCRIS) has assigned initial ratings of *CariA-* (Foreign and Local Currency Ratings) on the regional rating scale and *jmAA-* on the Jamaica national scale (Foreign and Local Currency Ratings) to the proposed bond issue of up to US \$285 million of Sage Power Limited (the SPV). The regional scale rating indicates that the level of creditworthiness of this proposed debt obligation, adjudged in relation to other obligations in the Caribbean is **good**. The national scale ratings indicate that the level of creditworthiness of this proposed debt obligation, adjudged in relation to other obligations in Jamaica is **high**.

The ratings reflect Sage Power Limited's stable and predictable revenue stream underpinned by long-term contracts with strategically important Jamaican entities, Jamaica Public Service and Jamalco. Additionally, the underlying asset, the Combined Heat and Power Plant (CHP Plant) consists of modern, efficient electricity and steam generating capabilities, with good operating efficiency measured by a heat rate of 10,755 Kj/Whr and availability of 97.6% for its first 10 months of commercial operations. Further supporting the ratings is the SPV's adequate debt servicing capacity based on stable lease revenue, as well as a transaction structure which provides adequate protection to investors. These rating strengths are tempered by the high leverage of its ultimate Parent Company (New Fortress Energy Incorporated) which will provide a guarantee for lease payments to support debt servicing. This high leverage can hamper the timeliness of financial support if needed. Also constraining the ratings is the need for a proven track record of consistent plant performance, given that the plant has only been in operation for the past 15 months.

CariCRIS has also assigned a **stable** outlook for the ratings. The stable outlook is based on our expectation that over the next 12-15 months, projected cash inflows to the SPV from NFE South Power Holdings Limited will be adequate to meet the principal and interest payments that will come due on the proposed bond issue.

Rating Sensitivity Factors:

Factors that could individually, or collectively, lead to an improvement in the ratings and/or outlook include:

- Successful operations of the plant over the next two to three years, in accordance with design specifications and on time compliance with the PPA and SSA deliverables over the period.

Factors that could individually, or collectively, lead to a lowering of the ratings and/or outlook include:

- Deterioration in the financial performance of NFE SPH which could possibly hamper lease payments.
- Deterioration in the credit worthiness of the guarantor (NFE), impacting its ability to deliver in a timely manner any shortfall in lease payments if so required
- Breach in contract from the O&M counterparty, Caribbean Blue Skies Energy, that may affect operations.
- Any material litigation which may affect NFE SPH or NFE Inc
- Breach of any of the bond covenants
- A material reduction in the CHP plant's availability which would impair its ability to deliver output stipulated in the PPA and SSA

About the company:

New Fortress Energy Incorporated (NFE or the Parent)¹, founded in 2014 in Delaware, USA, is a gas-to-power infrastructure business which focuses on converting existing power generation to run on natural gas, building new gas-fired power generation plants, operating downstream gas-to-power assets, and supplying such assets with natural gas. NFE is a publicly traded company on the NASDAQ exchange with a market capitalization of approximately US \$8.6 billion². NFE has been operating in the region since 2016, having established an onshore storage and regasification facility in Montego Bay, Jamaica in 2016, an offshore floating storage and regasification facility in Old Harbour, Jamaica in 2019

¹ NFE Incorporated is currently rated B+ by Standard and Poor's (S&P) and B1 by Moody's Investors Service (Moody's).

² Source: NASDAQ, 15 June, 2021

and an onshore facility in San Juan, Puerto Rico in 2020 to supply on-island industrial, commercial and transportation customers with liquefied natural gas (LNG). Furthermore, NFE completed the acquisitions of Hygo Energy Transition and Golar MLP, totaling US \$5 billion, significantly increasing NFE's global portfolio of critical infrastructure assets. Currently, NFE has ten facilities operational or under active development. This global portfolio of assets positions NFE to acquire and supply LNG to customers in a number of attractive markets around the world. In 2016, NFE incorporated a subsidiary NFE South Power Holdings Limited (NFE SPH) in Jamaica to own a combined heat and power plant (CHP Plant) and associated permits, entitlements, operational agreements and commercial agreements.

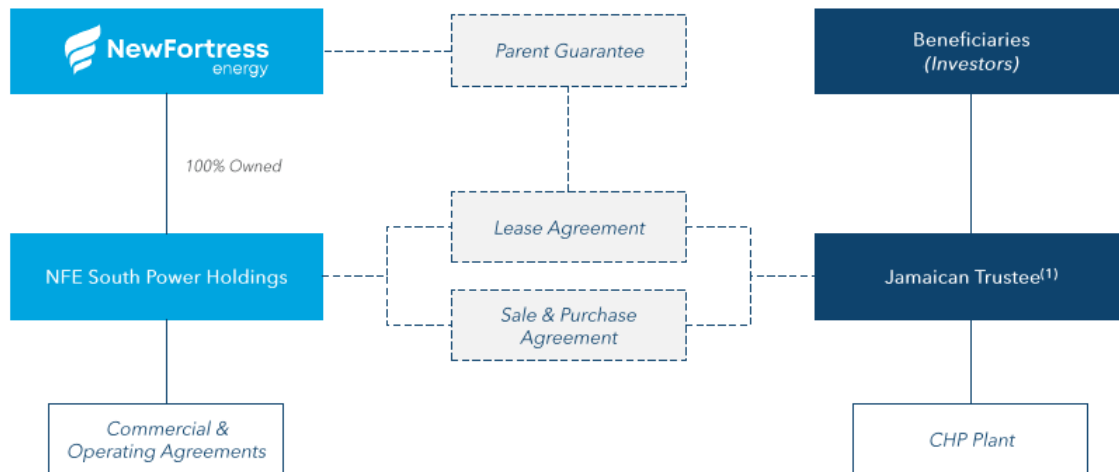
New Fortress Energy South Power Holdings Limited

NFE South Power Holdings Limited (NFE SPH), a wholly owned subsidiary of New Fortress Energy Incorporated (NFE), was established in 2016 to own and operate a new modern, energy-efficient combined heat and power facility in Clarendon, Jamaica (the CHP Plant), which commenced commercial operations in the first quarter of 2020. The CHP Plant is fuelled by natural gas, with the ability to run on diesel as a backup fuel source. The CHP Plant is capable of generating up to 100 MW of electricity and approximately 50 MW equivalent of steam.

NFE SPH has in place long-term contracts to sell 100% of the electricity and steam produced by the CHP Plant for the next 19 years to Jamaican counterparties. NFE SPH sells all electricity produced by the CHP Plant to the sole power distribution utility company in Jamaica, the Jamaica Public Service Company Limited (JPS), rated *jmAA+* by CariCRIS, pursuant to a long-term Power Purchase Agreement (PPA). NFE SPH also sells all steam produced by the CHP Plant to the Jamalco bauxite refinery under a long-term Steam Supply Agreement (SSA) with its owners, General Alumina Jamaica Limited and Clarendon Alumina Production Limited (collectively known as Jamalco). Throughout 2020, the CHP Plant had the highest dispatch factor of 95% relative to all other Jamaican power generators.

For the financial year ended December 2020, NFE SPH recorded total revenue of US \$95.9 million and total assets stood at US \$288.8 million as at March 2021.

Chart 1
Full Transaction Structure



Source: NFE

NFE SPH plans to execute a sale leaseback transaction which involves the sale of the CHP Plant by NFE SPH to a Trustee pursuant to a CHP Plant Sale and Purchase Agreement (the SPA) and subsequent lease of the CHP Plant by the Trustee, back to NFE SPH pursuant to a CHP Plant Lease Agreement (the Lease). A trust (the Trust) will be established pursuant to a trust deed (the Trust Deed), under which the Trustee will hold the CHP Plant, the lessor rights and interests under the Lease (including the right to all payments), and the Security Documents on trust for the investors in the sale leaseback transaction.

A Special Purpose Vehicle named Sage Power Limited³ (the Company or the SPV), was established in June 2021 to facilitate the transaction, with the SPV designated as a beneficiary of the Trust. To facilitate financing for the purchase of the CHP Plant, the Company will issue a fixed rate bond of up to US \$285 million in 2 tranches as follows:

1. Tranche 1: A USD tranche that will raise up to US \$185 million, and
2. Tranche 2: A JMD tranche that will raise up to the JMD equivalent of US \$100 million.

³ Incorporated June 2021

The Sale and Leaseback Arrangement has an 18-year term, with lease payments to the Trustee being guaranteed by New Fortress Energy Incorporated (NFE), the parent Company of NFE SPH. Annual lease payments will total US \$22.8 million, subject to: (i) an escalation of lease payments of 2% annually (ii) a reduction of US \$87.8 thousand for every US \$1 million shortfall in funds raised via the proposed bond issue under the expected US \$285 million purchase price⁴. The lease payments from NFE SPH to the SPV (Sage Power Limited) will be used to service the interest and principal obligations of the Company.

An independent third-party accounting and valuation firm was contracted by NFE SPH with the primary responsibility of preparing and submitting an independent valuation report on the CHP plant. Additionally, Sagicor Bank Trust Services, has been appointed to act as the Trustee, registrar and paying agent of the SPV and as such will inter alia, manage and control the Trust's assets, as well as act as an intermediary between the SPV and Investors. Sagicor Investments Jamaica Limited has been engaged to provide advice on the most efficient and marketable structure of the transaction, as well as to serve as the lead broker. Attorneys Patterson Mair Hamilton were appointed to provide legal advice on the transaction and formation of the SPV. Sage Power Limited is bankruptcy remote, and during its tenure its Trustee will own its beneficial interest in the CHP Plant until the CHP Plant is repurchased by the affiliate of NFE SPH.

For more information on Sage Power Limited's ratings, please visit www.caricris.com or contact:

Ms. Kathryn Budhooram
Senior Manager, Rating Operations
Strategic Planning and Brand
Development
Tel: 868-627-8879 Ext. 227
Cell: 1-868-706-6510
E-mail: kbudhooram@caricris.com

OR

Mr. Keith Hamlet
Manager, Ratings
Tel: 868-627-8879 Ext. 244
Cell: 1-868-487-8356
E-mail: khamlet@caricris.com

⁴ In the event that the desired US \$285 million is not raised, NFE will contribute the shortfall with other aspects of the transaction. Notwithstanding this, the Trustee will under this condition assume ownership of the CHP Plant. The mechanism to adjust the lease payments based on the aggregate funds raised via the bond issue was put in place to allow investors to earn a minimum yield on investments.

Note

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