Moody's

Rating Action: Moody's upgrades five ratings on notes issued by NOW Trust 2023-1

02 Feb 2024

Sydney, February 02, 2024 -- Moody's Investors Service has upgraded the ratings on five classes of notes issued by NOW Trust 2023-1.

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Issuer: NOW Trust 2023-1

....Class B Notes, Upgraded to Aa1 (sf); previously on May 4, 2023 Definitive Rating Assigned Aa2 (sf)

....Class C Notes, Upgraded to A1 (sf); previously on May 4, 2023 Definitive Rating Assigned A2 (sf)

....Class D Notes, Upgraded to Baa1 (sf); previously on May 4, 2023 Definitive Rating Assigned Baa2 (sf)

....Class E Notes, Upgraded to Ba1 (sf); previously on May 4, 2023 Definitive Rating Assigned Ba2 (sf)

....Class F Notes, Upgraded to B1 (sf); previously on May 4, 2023 Definitive Rating Assigned B2 (sf)

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

RATINGS RATIONALE

The upgrades were prompted by an increase in note subordination available to the affected notes and the performance of the collateral pool to date.

No action was taken on the remaining rated class in the deal as credit enhancement for this class remains commensurate with the current rating.

Following the January 2024 payment date, the note subordination available to the Class B, Class C, Class D, Class E and Class F Notes has increased to 24.1%, 17.3%, 13.5%, 6.7% and 3.5% respectively, from 19.0%, 13.6%, 10.6%, 5.1% and 2.6% at deal close.

As of end-December 2023, 2.5% of the outstanding pool was 30-plus day delinquent, and 0.4% was 90-plus day delinquent. The deal has incurred 1.4% of gross losses (as a percentage of the closing pool balance) to date, which have been covered by excess spread.

Based on the observed performance to date and loan attributes, Moody's has maintained its expected default assumption at 6.5% of the closing pool balance (equivalent to 6.9% of the current pool balance). Moody's has also maintained the Aaa portfolio credit enhancement of 29% at closing.

The transaction is a cash securitisation of a portfolio of Australian unsecured and secured personal loans originated by Now Finance Group Pty Ltd.

The principal methodology used in these ratings was "Moody's Approach to Rating Consumer Loan-Backed ABS" published in December 2022 and available at https://ratings.moodys.com/rmc-documents/396935. 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:

Factors that could lead to an upgrade of the ratings include (1) performance of the underlying collateral that is better than Moody's expectations, and (2) an increase in credit enhancement available for the notes.

Factors that could lead to a downgrade of the ratings include (1) performance of the underlying collateral that is worse than Moody's expectations, (2) a decrease in credit enhancement available for the notes, and (3) a deterioration in the credit quality of the transaction counterparties.

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 includes an assessment of collateral characteristics and performance to determine the expected collateral loss or a range of expected collateral losses or cash flows to the rated instruments. As a second step, Moody's estimates expected collateral losses or cash flows using a quantitative tool that takes into account credit enhancement, loss allocation and other structural features, to derive the expected loss for each rated instrument.

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Alena Chen
VP - Senior Credit Officer
Structured Finance Group
Moody's Investors Service Pty. Ltd.
Level 10
1 O'Connell Street
Sydney, NSW 2000
Australia
JOURNALISTS: 61 2 9270 8141
Client Service: 852 3551 3077

Marie Lam
Associate Managing Director
Structured Finance Group
JOURNALISTS: 852 3758 1350
Client Service: 852 3551 3077

Releasing Office:
Moody's Investors Service Pty. Ltd.

Level 10
1 O'Connell Street
Sydney, NSW 2000
Australia
JOURNALISTS: 61 2 9270 8141
Client Service: 852 3551 3077

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