Moody's

Rating Action: Moody's upgrades ratings on notes from NOW Trust 2019-1

21 Sep 2021

Sydney, September 21, 2021 -- Moody's Investors Service has upgraded the ratings on four classes of notes issued by NOW Trust 2019-1.

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The affected ratings are as follows:

Issuer: NOW Trust 2019-1

....Class C Notes, Upgraded to Aa2 (sf); previously on Mar 25, 2021 Upgraded to A1 (sf)

....Class D Notes, Upgraded to A2 (sf); previously on Mar 25, 2021 Upgraded to Baa1 (sf)

....Class E Notes, Upgraded to Baa2 (sf); previously on Mar 25, 2021 Upgraded to Ba1 (sf)

....Class F Notes, Upgraded to Ba2 (sf); previously on Mar 25, 2021 Upgraded to B1 (sf)

RATINGS RATIONALE

The upgrades were prompted by an increase in note subordination available for the affected notes and the better-than-expected performance of the underlying portfolio to date.

Following the September 2021 payment, note subordination available for the Class C, Class D, Class E and Class F Notes has increased to 21%, 17.5%, 8.3% and 5.2%, respectively, from 20%, 16.4%, 7.1% and 4% at the time of the last rating action for these notes in March 2021.

As of August 2021, 2.7% of the outstanding pool was 30-plus day delinquent and 0.6% was 90-plus day delinquent. The deal has incurred 4.6% of gross losses (as a percentage of original note balance) to date, which have been covered by excess spread.

Based on the good performance to date and loan attributes, Moody's has lowered its expected default assumption to 7.25% of the outstanding portfolio balance (equivalent to 7.3% of original balance) from 8.4% in March 2021. Considering NOW's longer track record, which shows good and stable performance, Moody's has lowered its portfolio credit enhancement assumption to 32% from 38% 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 (NOW). NOW was established in 2013, with significant origination growth beginning in 2017. Moody's has almost two additional years of good and stable performance data for NOW since the transaction closing date.

The principal methodology used in these ratings was "Moody's Approach to Rating Consumer Loan-Backed ABS" published in September 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBS_1264327. Alternatively, please see the Rating Methodologies page on www.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 at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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.

Moody's quantitative analysis entails an evaluation of scenarios that stress factors contributing to sensitivity of ratings and take into account the likelihood of severe collateral losses or impaired cash flows. Moody's weights the impact on the rated instruments based on its assumptions of the likelihood of the events in such scenarios occurring.

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The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

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