



A NRSRO Rating*

**Credit
Rating
Agency**

CW Wood Wharf E3/4, Ltd
CW Wood Wharf J1-3, Ltd
£535.0m Loan CUSIP: G3166#AA1

HR BB- (G)

Corporates
January 11, 2024

Ratings

CW Wood Wharf E3/4 HR BB- (G)
CW Wood Wharf J1-3 HR BB- (G)
£535.0m Loan HR BB- (G)

Outlook Stable

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Rule 17g-7 Information Disclosure Form

The Rating Action Commentary (RAC) associated with this disclosure form is an integral part of the form.

1. Symbol, Number, or Score in the Rating Scale used by HR Ratings as required by Paragraph (a)(1)(ii)(A) of Rule 17g-7:

Entity/Instrument	Rating Action	Rating Type	Rating Code
CW Wood Wharf E3/4	Assigned	Long Term Rating	HR BB- (G) / Stable Outlook
CW Wood Wharf J1-3	Assigned	Long Term Rating	HR BB- (G) / Stable Outlook
£535.0m Loan	Assigned	Long Term Rating	HR BB- (G) / Stable Outlook

2. Version of the Procedure or Methodology used to determine the credit rating as required by Paragraph (a)(1)(ii)(B) of Rule 17g-7:

The rating assigned by HR Ratings to the entity is based in accordance with the following methodologies established by the rating agency:

- Corporate Debt Credit Risk Evaluation, August 2021
[https://www.hrratings.com/docs/metodologia/Corporate Debt Credit Risk Evaluation \(August 2021\).pdf](https://www.hrratings.com/docs/metodologia/Corporate%20Debt%20Credit%20Risk%20Evaluation%20(August%202021).pdf).
- General Methodological Criteria, January 2023.
[https://www.hrratings.com/docs/metodologia/General Methodological Criteria January 2023.pdf](https://www.hrratings.com/docs/metodologia/General%20Methodological%20Criteria%20January%202023.pdf)

3. Main assumptions and principles used in constructing the procedures and methodologies to determine the credit rating as required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

This methodology describes the process that HR Ratings uses to evaluate the ability and willingness of corporate entities to pay their debt obligations. This process consists of two elements: the first element refers to a quantitative analysis, which initially determines the credit rating through the historical analysis of the entity and the projection of a Base Scenario and a Stress Scenario, weighting the main metrics of indebtedness identified by HR Ratings; the second element includes a qualitative analysis based on environmental, social, and corporate governance (ESG) factors. The quantitative element of this methodology consists of three sections that describe different rating processes that in general terms are similar, but that include different concepts and weights associated with these concepts. The first process refers to a quantitative evaluation of the corporate entities, the second to the assets that focus on real estate investments and, lastly, a third process that shows how to rate structured debt issues that have pledge a specific source of revenue to service the debt and that said revenue is dependent on the issuer's operations. All these processes have the following similarities:

- They are developed based on historical information, a Base Scenario, and a Stress Scenario in which the corporate entity's financial information is projected.
- Financial metrics are developed under each scenario for the historical and projected years.
- Each metric, under each scenario, is weighted over the years to generate a unique intertemporal value.
- An integer value between 1 (lowest) and 19 (highest) is assigned to each metric based on its intertemporal value.
- These integer values are averaged based on the different metrics in each process and a result is obtained for the Base Scenario and another for the Stress Scenario.
- Based on the averages per scenario, the result of the quantitative evaluation is obtained.
- In turn, the qualitative analysis of HR Ratings allows to subtract or add up to three notches to the credit rating based on ESG factors. This evaluation focuses on identifying the credit risk that these factors could give rise to; therefore, it is important to clarify that, to a certain extent, their impact could already be included in the quantitative analysis. The ESG evaluation also recognizes that each factor being analyzed involves different risks depending on the economic activity and line of business of the corporate entity, an issue that the methodology considers in its analysis.
- The rating incorporates one negative notch related to the project risk due to the construction process of the Project.
- The rating incorporates two negative adjustments related to the conversion of UK's local scale to global scale.

4. Potential limitations of the credit rating as required by Paragraph (a)(1)(ii)(D) of Rule 17q-7

- HR Ratings does not validate, guarantee or certify the accuracy, correctness or completeness of any information and is not responsible for any errors or omissions or for results obtained from the use of such information.
- Ratings and/or opinions assigned by HR Ratings are based on an analysis of the creditworthiness of an entity, issue or issuer, and do not necessarily imply a statistical likelihood of default.
- The credit ratings do not opine on the liquidity of the issuer's securities or stock.
- The credit ratings do not consider the possible loss severity on an obligation default.
- The credit ratings are not an opinion of the market value of any issuer's securities or stock, or the possibility that this value suffer a deterioration.

5. Information on the uncertainty of the credit rating as required by Paragraph (a)(1)(ii)(E) of Rule 17q-7

The Analysis Committee noted no material limitations on the reliability, accuracy and quality on the data relied on in determining the credit rating.

The third party did not provide HR Ratings with audited or historical financial information due to the project is still under construction and therefore is not yet generating income. The rating incorporates one negative notch related to the project risk due to the construction process of the Project.

6. Use of third party due diligence services as required by Paragraph (a)(1)(ii)(F) of Rule 17q-7

HR Ratings did not use third party due diligence services for the rating.

7. Use of servicer or remittance reports to conduct surveillance of the credit rating as required by Paragraph (a)(1)(ii)(G) of Rule 17q-7

HR Ratings did not use Servicer or Remittance Reports.

8. Description of types of data about any obligor, issue, security or money market instrument relied upon for determining credit rating as required by Paragraph (a)(1)(ii)(H) of Rule 17q-7

Among the main information used for the rating is:

- Formation Documents provided by a third party.
- Facility Agreement provided by a third party.
- Valuation Report made by CBRE and provided by a third party.
- Cash Flow projections provided by a third party.
- Financing Overview Report provided by a third party.
- CW Wood Wharf E3/E4 Tax Form provided by a third party.
- CW Wood Wharf J1-3 Tax Form provided by a third party.
- Project's presentations provided by a third party.

9. Overall assessment of quality of information available and considered in determining credit rating as required by Paragraph (a)(1)(ii)(I) of Rule 17q-7

The financial information was purely projected due to the Project is still in construction and we anticipate will not be stabilized until 2028. Nevertheless, the quality of the information provided by the entity is considered to be consistent with the quality observed in ratings that use a similar methodology.

10. Information relating to conflicts of interest as required by Paragraph (a)(1)(ii)(J) of Rule 17q-7

The aforementioned rating was not requested by the entity or issuer, or on its behalf. However, the rating was requested by an investor whose identity is kept confidential to the general public, therefore, HR Ratings has received from the investor the corresponding fees for the provision of its rating services. The following information can be found on our website <https://www.hrratings.com/>: (i) The internal procedures for the monitoring and surveillance of our ratings and the periodicity with which they are formally updated, (ii) the criteria used by HR Ratings for the withdrawal or suspension of the maintenance of a rating, (iii) the procedure and process of voting on our Analysis Committee, and (iv) the rating scales and their definitions.

HR Ratings was paid for services other than determining credit ratings during the most recently ended fiscal year by the person that paid to determine this credit rating.

11. Explanation or measure of potential volatility to the credit rating as required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

1. Factors that are reasonably likely to lead to a change in the credit rating:
 - **Delay in the Construction Process.** A delay in both the expected completion date and stabilization of the Project could delay the estimated FCF for the rating period. If this results in a DSCR below 0.6x, it could have a negative minimum impact on the rating.
 - **Refinancing conditions.** If the refinancing loan does not have better conditions compared to the building loan in terms of maturity and interest rate, the rating could have a minimum to moderate negative impact.
 - **Equity Support.** If the parent sponsor is unwilling or becomes incapable of contributing equity to this project leading to higher levels of debt financing and associated Net Debt to Free Cash Flow levels greater than 15x, it could have a minimum negative impact.
 - **UK credit rating.** A change in the rating of the UK could lead to a minimum positive or negative impact.
2. The magnitude of the change that could occur under different market conditions determined by HR Ratings to be relevant to the rating:
 - **Lower UK economic growth.** Our FCF estimate could be affected if the Company cannot adapt to the low economic growth in the UK. If this is reflected in an average DSCR of 0.6x during the forecast period of 2026-2032, it could decrease the rating to a minimum extent.
 - **Interest rate increases.** Since the debt has a variable interest rate tied to the SONIA, any change in the interest rate may directly impact the DSCR and DSCR with Cash metrics, resulting in a minimal negative impact on the rating.

NOTE: The Credit Analysis Committee must convene to review and discuss the changes that could occur under different market conditions. All the ratings issued by HR Ratings must be approved by the Credit Analysis Committee in accordance with the applicable methodology and the information available at the time. However, the magnitude of a potential change in the rating that could reasonably occur as a result of the impact of the factors listed above are characterized by the following summary chart:

Rating change impact	Number of notches
Minimum	(0-1)
Moderate	(2 - 3)
Strong	>3

12. Historical performance and expected probability of default and expected loss in event of default as required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

For historical performance of each rating listed in the disclosure form, click on the link in the ratings table presented on the first page.

Our credit ratings need to be understood as rankings of the relative creditworthiness of different entities or credits. Creditworthiness takes into consideration both the ability and willingness to meet debt obligations in the manner prescribed in the relevant documentation. Default refers to the noncompliance of previously agreed obligations. As our ratings measure relative creditworthiness, they do not necessarily reflect any specific statistical probability of default. However, HR Ratings provides to the market participants the default rate for historical default and loss statistics for the class or subclass of the credit rating. Although the default rate is not the expected probability of default or loss given default, we consider it the ratio that could be interpreted by market participants as such.



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The default rate for each of the asset classes in which HR Ratings provides ratings and for each rating category is publicly available for each calendar year at:
https://www.hrratings.com/regulatory_disclosure/transition_matrix.xhtml

13. Assumptions made by HR Ratings in determining announced credit ratings and examples of how assumptions impact the rating as required by Paragraph (a)(1)(ii)(M) of Rule 17q-7

1. Assumptions made in the ratings process that, without accounting for any other factor, would have the greatest impact on the credit rating if proven false or inaccurate:

HR Ratings bases its ratings and/or opinions on information obtained from sources that are believed to be accurate and reliable. The assumption is that the information provided is reliable and credible, however, does not validate, guarantee or certify the accuracy, correctness or completeness of any information and is not responsible for any errors or omissions or for results obtained from the use of such information.

- **Revenue.** The CW Wood Wharf project could begin generating income in 2027. Income is expected to stabilize around £60m to £65m beginning in 2030 from an approximate £35m in 2028. The 2030 forecast incorporates stabilized occupancy rates around 96% and monthly rent per unit of £3,800 and £3,957 for the J1/J3 and E3/E4 properties respectively. Rental income would be expected to grow at an estimated rate of inflation of 3.0%.
- **EBITDA and Operating Expenses.** Total operating expenses are expected to stabilize in the £16m to £18m range beginning 2030 from around £13m in 2028 following normalized occupancy rates and associated expenses. Operating expenses are expected to grow in line with income such that EBITDA margins could stabilize around 73% thereafter reflecting EBITDA of around £40m to £50m.
- **FCF Growth.** We expect our FCF estimate to reach £48.6m by 2034. This is driven by the aforementioned improvement in operating income and minimal working capital requirements in line with expected revenue growth.
- **Total Investment.** Regarding total investment in the Project, we estimate it will realize a total investment of £1,096m, according to the budget shared by the third party.
- **Debt Structure.** We anticipate a refinancing of the £535m development loan in August 2028 at the initial date of maturity, however, due to the fact that construction risk would be fully mitigated by then, we project better terms and conditions. The refinancing assumptions consist of a five-year maturity at SONIA plus 395 bps. We expect an average LTV during the projected period of 56.5%.
- **Equity Contribution.** We projected that Project's Sponsor would make equity injections for £632m for the construction process as well as debt service payments during the first years of operation.

2. Analysis, using specific examples, of how each of the assumptions identified in the preceding paragraph impacts the credit rating:

- Under a scenario where the weighted difference between the reported and the expected revenue is of -5.2% or less, the rating could be negatively impacted.
- If the average projected EBITDA margin is 73.9% or less for the projected period, it may result in a negative effect on the rating.
- The rating could be revised downward if the Project reports an average FCF of £38m or less for 2028 to 2034.
- The rating could be impacted if the Company has a higher investment in the Investment Properties account, for the construction of the Project given a higher budget.
- We do not expect the Project to increase its debt, however, if the Project increases its leverage levels so that LTV reaches levels above 66.2%, there could be a negative impact on the rating.
- If the Sponsor does not contribute the expected equity for the Construction process or debt service in the first years of the operation, the Project would have to increase its debt, which could have a negative impact on the rating.

14. Representations, warranties and enforcement mechanisms available to investors as required by Paragraph (a)(1)(ii)(N) of Rule 17q-7

The reporting of representations, warranties, and enforcement mechanisms does not apply to any of the credit ratings listed in this disclosure form.



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Credit Rating Attestation

I, Kameron Krail, Corporates Associate Director have the responsibility for this rating action and, to the best of my knowledge:

- No part of the credit rating was influenced by any other business activities;
- The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated; and
- The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument

Mexico City, January 11, 2024

/s/ Kameron Krail, Corporates Associate Director
HR Ratings de México, S.A. de C.V.



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The aforementioned rating was not requested by the entity or issuer, or on its behalf. However, the rating was requested by an investor whose identity is kept confidential to the general public, therefore, HR Ratings has received from the investor the corresponding fees for the provision of its rating services. The following information can be found on our website <https://www.hrratings.com/>: (i) The internal procedures for the monitoring and surveillance of our ratings and the periodicity with which they are formally updated, (ii) the criteria used by HR Ratings for the withdrawal or suspension of the maintenance of a rating, (iii) the procedure and process of voting on our Analysis Committee, and (iv) the rating scales and their definitions.

The ratings and/or opinions of HR Ratings de México S.A. de C.V. (HR Ratings) are opinions regarding the credit quality and/or the asset management capacity, or relative to the performance of the tasks aimed at the fulfillment of the corporate purpose, by issuing companies and other entities or sectors, and are based on exclusively in the characteristics of the entity, issue and/or operation, regardless of any business activity between HR Ratings and the entity or issuer. The ratings and/or opinions granted are issued on behalf of HR Ratings and not of its management or technical personnel and do not constitute recommendations to buy, sell or maintain any instrument, or to carry out any type of business, investment or operation, and may be subject to updates at any time, in accordance with the rating methodologies of HR Ratings.

HR Ratings bases its ratings and/or opinions on information obtained from sources that are believed to be accurate and reliable. HR Ratings, however, does not validate, guarantee or certify the accuracy, correctness or completeness of any information and is not responsible for any errors or omissions or for results obtained from the use of such information. Most issuers of debt securities rated by HR Ratings have paid a fee for the credit rating based on the amount and type of debt issued. The degree of creditworthiness of an issue or issuer, opinions regarding asset manager quality or ratings related to an entity's performance of its business purpose are subject to change, which can produce a rating upgrade or downgrade, without implying any responsibility for HR Ratings. The ratings issued by HR Ratings are assigned in an ethical manner, in accordance with healthy market practices and in compliance with applicable regulations found on the www.hrratings.com rating agency webpage. HR Ratings' Code of Conduct, rating methodologies, rating criteria and current ratings can also be found on the website.

Ratings and/or opinions assigned by HR Ratings are based on an analysis of the creditworthiness of an entity, issue or issuer, and do not necessarily imply a statistical likelihood of default, HR Ratings defines as the inability or unwillingness to satisfy the contractually stipulated payment terms of an obligation, such that creditors and/or bondholders are forced to take action in order to recover their investment or to restructure the debt due to a situation of stress faced by the debtor. Without disregard to the aforementioned point, in order to validate our ratings, our methodologies consider stress scenarios as a complement to the analysis derived from a base case scenario. The fees HR Ratings receives from issuers generally range from US\$1,000 to \$1,000,000 (one million dollars, legal tender in the United States of America) (or the equivalent in another currency) per offering. In some cases, HR Ratings will rate all or some of a particular issuer's offerings for an annual fee. Annual fees are estimated to vary between \$5,000 and US\$2,000,000 (five thousand to two million dollars, legal tender in the United States of America) (or the equivalent in another currency).

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