

MOODY'S

RATINGS

Rating Action: Moody's Ratings assigns Prime-3 rating to HASI's commercial paper program

03 Dec 2024

New York, December 03, 2024 -- Moody's Ratings (Moody's) has assigned a Prime-3 rating to HA Sustainable Infrastructure Capital, Inc.'s (HASI) new \$1 billion standalone backed commercial paper program. We also affirmed HASI's Baa3 backed long-term issuer and backed senior unsecured ratings, along with HAT Holdings I LLC's (HAT I) Baa3 backed senior unsecured ratings. The issuer outlooks for both entities remain stable.

RATINGS RATIONALE

The affirmation of the ratings reflects our unchanged view of HASI's baa3 standalone assessment, which considers the company's successful track record of investing in various energy efficiency, renewable energy and other sustainable infrastructure projects. HASI's credit profile is supported by the company's strong asset quality and funding profile, and solid profitability and capitalization. Key credit challenges include the firm's niche investment focus in junior parts of the capital structure of sustainable infrastructure projects along with moderate investment concentrations.

We do not expect the issuance of commercial paper to contribute incremental leverage to HASI's financial profile. Borrowings under the new program will also be fully backstopped by availability under HASI's unsecured revolving line of credit. Furthermore, the revolver allows for same-day access and contains no material adverse effect clause, reducing the risk that revolver access will be constrained in the event that the firm is unable to roll forward borrowings under the commercial paper program. HASI recently removed the most restrictive financial covenant under its revolving credit facility, reducing the risk of an early termination of its back-up liquidity facility.

The Prime-3 backed commercial paper rating is consistent with the short-term ratings assigned to issuers with a Baa3 senior unsecured rating, per Moody's Ratings Symbols and Definitions.

HASI's and HAT I's stable outlooks reflects our expectation that HASI will continue to

exhibit strong asset quality, solid profitability and capitalization, and maintain ample liquidity over the next 12-18 months.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

The ratings could be upgraded if HASI is able to reduce investment concentrations, shift its portfolio mix towards senior debt securities without increasing project-level risk, or is expected to operate with a ratio of tangible common equity to tangible managed assets (TCE/TMA) of at least 40%, while maintaining strong asset quality and solid profitability.

The ratings could be downgraded if we expect HASI's ratio of TCE/TMA to decline to and remain below 30%, the company's ratio of secured debt to gross tangible assets rises significantly, or if the company's asset quality or profitability deteriorate materially.

The principal methodology used in these ratings was Finance Companies published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425167>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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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>.

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