

RATING ACTION COMMENTARY

Fitch Maintains Leviathan Bond Ltd's Notes on Rating Watch Negative

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Fitch Ratings - Milan - 08 Apr 2024: Fitch Ratings has maintained Leviathan Bond Ltd's USD1.75 billion notes 'BB' rating on Rating Watch Negative (RWN).

Leviathan Bond's debt is a monetisation of NewMed Energy's 45.34% interest in the Leviathan gas project, off the Israel coast. The notes are non-recourse to the sponsors and are ultimately secured on the interests and rights of NewMed Energy in the project.

RATING RATIONALE

The RWN reflects the refinancing risk related to Leviathan's USD600 million bullet maturity in June 2025. The ongoing Israel-Hamas conflict and corresponding geopolitical risks heighten the project's exposure to potential infrastructure damages, operational disruptions, and negative impact on existing offtake agreements.

KEY RATING DRIVERS

Geopolitical risks in the region continue to evolve with limited visibility of the duration and outcome of the conflict.

In this context, Fitch has maintained the RWN considering that a USD600 million tranche of Leviathan Bond is due to be repaid in June 2025. Although Leviathan is highly cash-generative and currently has a strong liquidity position, there is no full visibility that the debt can be repaid in full. This exposes the project to refinancing risk in a heightened risk environment, with potential damage to the project's infrastructure and disruptions to its operations and potential negative impacts on offtake agreements.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Failure to gain visibility of the repayment or refinancing plan for the June 2025 bullet maturity well in advance, in the context of the ongoing conflict in Gaza and geopolitical tensions.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Fitch would remove the ratings from RWN and assign a Stable Outlook if it gains visibility of the repayment or refinancing plan for the upcoming June 2025 bullet maturity, in the context of the ongoing conflict in Gaza and geopolitical tensions.

CREDIT UPDATE

Leviathan Bond's financial performance has materially exceeded expectations with cash flow available for debt service of USD638 million at December 2023, exceeding expectations in the Fitch rating case by USD62 million.

The issuer has been able to build up solid 1P and 2P gas reserves, despite the slight decrease to 381 billion cubic metres (bcm) and 430bcm at December 2023 from 391 and 441bcm at December 2022, respectively.

The project's liquidity position is sound. According to management, as of 20 March 2024, Leviathan Bond's debt payment fund was fully funded at USD100 million. This is complemented by substantial cash in its accounts.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ◆

RATING ◆

PRIOR ◆

Leviathan Bond Ltd

Leviathan Bond Ltd/Project	LT	BB Rating Watch Negative	BB Rating Watch
Revenues - Senior Secured Debt/1 LT		Rating Watch Maintained	Negative

[VIEW ADDITIONAL RATING DETAILS](#)**FITCH RATINGS ANALYSTS****Francesco Angiullo**

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APPLICABLE CRITERIA

[Infrastructure & Project Finance Rating Criteria \(pub. 17 May 2023\) \(including rating assumption sensitivity\)](#)

ADDITIONAL DISCLOSURES

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ENDORSEMENT STATUS

Leviathan Bond Ltd

EU Issued, UK Endorsed

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