Management Presentation for Secured Creditors

ABP STID Proposal to allow for a debt service liquidity guarantee and amendment to restrictions on operating leases

October 2024

Executive Summary of STID Proposal

Debt Service Reserve Changes

- ABP's common debt documentation requires a *Debt Service Reserve* covering 12 months of interest costs of ABP Acquisitions UK Limited ("*ABPA*") and ABP Finance plc ("*ABPF*" – defined in the common documents as the "*Issuer*").
- The *Debt Service Reserve* can currently be met by either holding cash in a segregated bank account or having in place a structured committed bank liquidity facility.
- The STID Proposal will allow ABP to use a liquidity guarantee from an insurer or other third party guarantor as a source of liquidity to meet the *Debt Service Reserve* requirement.
- Following approval of the STID Proposal, ABP plan to replace a portion of the current bank liquidity facilities with a liquidity guarantee supplied by Assured Guaranty.

Permitted Operating Lease Changes

- ABP's common debt documents includes a covenant that restricts finance leases which was impacted by the introduction of the IFRS16 accounting standards in 2019. IFRS16 requires all leases to be treated as finance leases and reported as debt.
- ABP proposes adding a new definition of *Permitted Operating Lease.* This would be used to carve out operating leases from the covenant which limits finance leases and for ABP to operate as we did prior to the change in accounting standards.
- Operating leases would still be reported as debt and therefore included in the leverage covenant and remain subject to other covenant restrictions that limit the granting of security on any leases, thereby ensuring Secured Creditors remain protected.

Rating Agency Position

- The Rating Agencies have reviewed the changes that result from the STID Proposal and the documentation for the Assured Guaranty Liquidity Guarantee and do not consider these changes to have any impact on the credit ratings of the secured debt.

Changes in relation to the Debt Service Reserve

Rationale for Debt Service Reserve Changes

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- ABP currently uses bank liquidity facilities to meet the debt service reserve requirements.
- Liquidity facilities are designed to provide debt service liquidity even if a trigger event has occurred or during a standstill, and only contain very limited drawstops.
- ***Liquidity guarantees*** are increasingly being used in the market as an alternative source of debt service reserve liquidity support in similar financing structures.
- ABP would utilise *liquidity guarantees* to diversify ABP's sources of liquidity, enhancing the long-term financial position of the overall structure. Bringing in a *liquidity guarantee* would mean ABP would reduce or cancel bank commitments in the existing liquidity facilities.
- ABP's common debt documents currently prevent ABP from accessing this alternative source of liquidity as an insurer backed guarantee was not contemplated as an option back in 2011.
- To permit the inclusion of liquidity guarantees as a type of debt service reserve, a STID proposal is required to make changes to the common debt documentation.
- On approval of the STID proposal, ABP will enter into liquidity guarantee arrangements with Assured Guaranty.

Assured Guaranty Liquidity Guarantee Overview

- Assured Guaranty ('AG') is a provider of financial guaranty insurance and currently rated AA / A1 / AA+ with S&P, Moody's and KBRA, respectively.
- AG will provide debt service reserve liquidity in the form of a financial guarantee to each of ABPA and ABPF (the 'AG Liquidity Guarantee').
- The AG Liquidity Guarantee is designed to fulfil the same function of liquidity support as the current bank liquidity facilities.
- AG provide each guarantee through its "co-guarantee" structure, which includes two separate AG entities providing a guarantee: Assured Guaranty UK Limited (which takes 15% of the overall guarantee) and Assured Guaranty Inc (which takes 85% of the overall guarantee, and also provides a "second-to-pay" guarantee on Assured Guaranty UK Limited's portion). In total, AG will provide 2 guarantees to support Issuer debt service and 2 guarantees to support ABPA debt service.
- The AG Liquidity Guarantee structure is substantially the same that has been implemented in other UK whole business securitisations including Yorkshire Water and Anglian Water.
- The AG Liquidity Guarantee will be for a 5 year period and each year can be extended a further year to maintain the 4 – 5 year forward looking guarantee commitment.
- AG will make payments under the AG liquidity guarantee to provide liquidity to ABPA and ABPF in circumstances when these entities have insufficient funds available on a payment date to pay interest due on senior debt.
- The AG liquidity guarantee will:

  i. comply with the Rating Agencies requirements as a form of debt service reserve with no negative rating impact on ABPA and the Issuer credit ratings; and

  ii. comply with the requirements set out in the core financing documents;

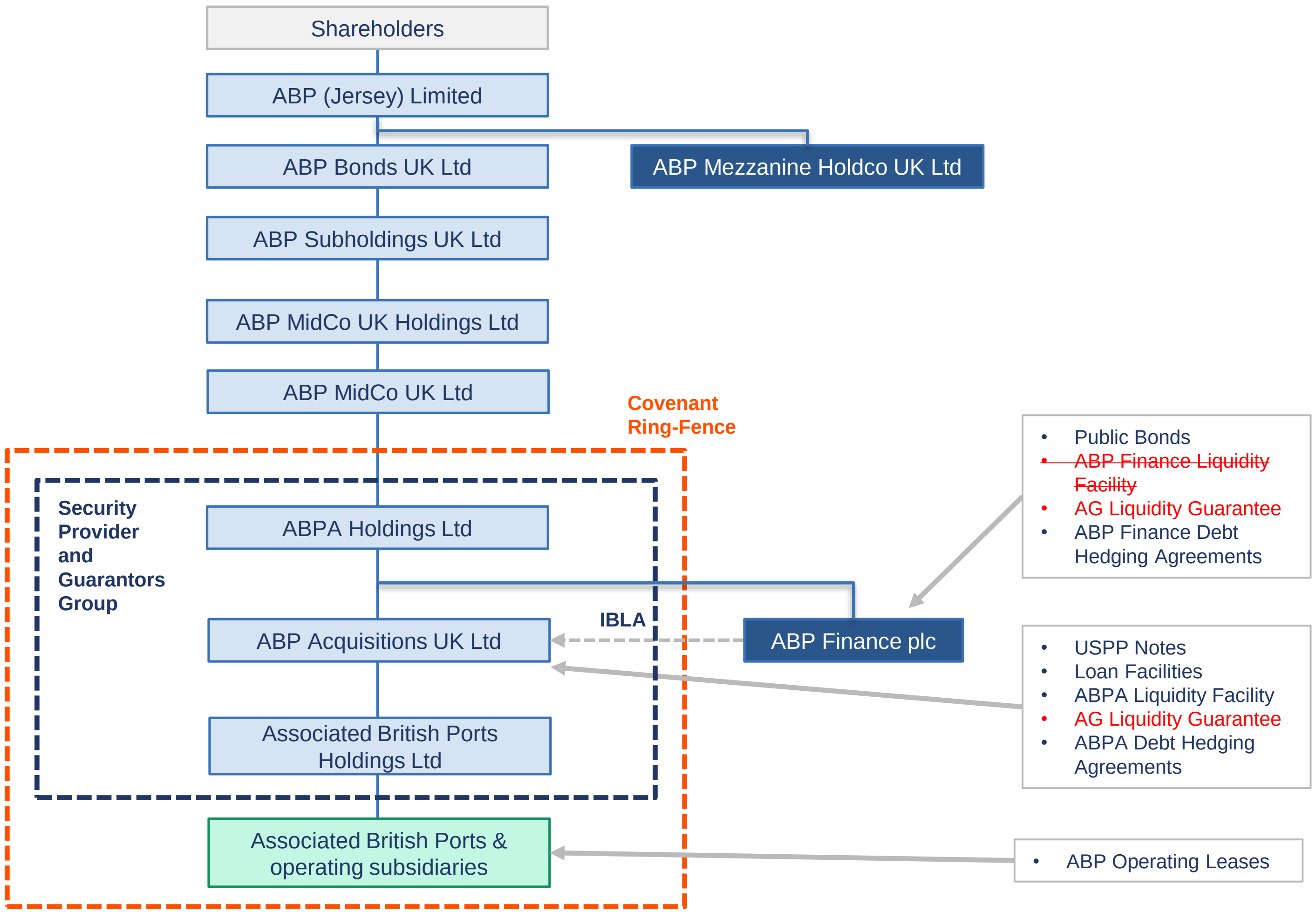
  The main difference with the AG liquidity guarantee structure is that there is no ability for ABP to make a "standby drawing" whether either AG's long-term rating falls below A- with S&P (or equivalent with an alternative rating agency) or AG does not renew the guarantees. The current bank liquidity facilities give ABP the right to make a standby drawing following a bank rating downgrade or non-renewal. However, should AG's long-term rating fall below the minimum rating requirement, ABP will be permitted to terminate the AG Liquidity Guarantee without any make-whole payment and replace with cash in the debt service reserve account.

AG Liquidity Guarantee – Structure and Payments

The AG Liquidity Guarantees are structured in a way that will allow the guarantees to fulfil the role of a debt service reserve facility at ABPA and ABPF

- At ABPF, the AG Liquidity Guarantee would guarantee ABPA's payment obligation under the IBLA in respect of interest to be paid to the Issuer ahead of each relevant interest payment date.
- At the ABPA level, a new covenant will be introduced obliging ABPA to place funds into the debt service reserve bank account when it becomes aware of a potential debt service liquidity shortfall in the amount of whatever the value of such shortfall is; this covenant would be guaranteed by the AG Liquidity Guarantee and upon ABPA failing to make such payment, the relevant payment to the debt service reserve account would instead be made by AG.
- If ABPA or ABPF is required to draw on the AG Liquidity Guarantee, AG will pay the requested amounts after receipt of a notice of demand.
- Strict timing requirements will apply to delivering the notice of demand to ensure that AG can make any required payments in time and avoid any non-payment event of default.

Simplified organisational structure



Proposed debt service reserve on completion

Subject to approval of the STID Proposal, ABP Acquisition UK Limited and ABP Finance plc will enter into the Assured Guaranty liquidity guarantees and cancel part of the bank liquidity facilities. The position on completion of this will be as follows.

	ABPA Liquidity Facilities	Issuer (ABP Finance) Liquidity Facilities
Bank Liquidity Facility (10 banks)	62,000,000	-
Assured Guaranty Liquidity Guarantee	100,000,000	40,000,000
Total Debt Service Reserve Commitments	162,000,000	40,000,000

Debt Service Reserve Documentation Changes

Summary of changes to the documentation for the debt service reserve liquidity guarantee are summarised below:

i. Amend the definitions to include guarantees as an option for providing the debt service reserve requirements.

ii. Amend the Requisite Ratings definition to include insurer financial strength ratings.

iii. A new covenant is added obliging ABPA to place funds into the debt service reserve bank account at least 5 days prior to a payment date when becoming aware of a debt service liquidity shortfall. This covenant is then guaranteed by the AG Liquidity Guarantee (this creates a payment that can be guaranteed prior to an ABPA interest payment falling due which would be too late).

iv. Move the definition of a *Liquidity Shortfall* into the common debt documents so that it aligns to the covenant definition used to determine the minimum size of the facilities. The definition of *Liquidity Shortfall* determines against what payments debt service facilities are utilised. This is currently only defined in the liquidity facilities themselves.

v. Amend the STID to make clear that Liquidity Guarantees are included in the payment waterfalls.

vi. Amend the loan event of default for the IBLA (Issuer Borrower Loan Agreement – the loan agreement from ABPF to ABPA) to carve out payments where such payments are subsequently covered by drawings under the ABPF liquidity facility. (The current documentation mechanics do not work in avoiding a loan event of default during the 12-month debt service reserve period).

vii. Amend the IBLA to require ABP Acquisitions UK to fund ABP Finance plc a business day earlier than is currently required by the terms of the IBLA. This is required for Assured Guaranty to have sufficient time to fund in the event AG Liquidity Guarantee is called upon, in accordance with their own policies and requirements.

Detailed changes to the debt documentation are set out in the STID Proposal and amendment deeds that are attached.

Changes to allow for a Permitted Operating Lease

Rationale for Permitted Operating Lease Changes

- The common debt documents and associated covenants were created in 2011 when the treatment of finance and operating leases were differentiated for accounting purposes; companies were required to report finance leases on the balance sheet, but not operating leases.
- On 1 January 2019, IFRS16 came in to force which removed the distinction between finance and operating leases; operating leases changed to be reported as debt on a company's balance sheet.
- The ABP common debt documents includes a covenant that limits the total quantum of finance leases on the balance sheet. This is set at the higher of £20 million (indexed from 2011) and 8% of the Threshold Amount (average of last 3 years of Consolidated EBITDA). The current limit is GBP32.6million.
- Last year, ABP obtained creditor approval to carve out the Solent Gateway Limited (SGL) Concession Agreement from the limit on leases so that SGL could be brought into the debt ring-fence.
- ABP is actively considering other areas where the contractual arrangements would be considered leases under IFRS16 accounting standards and ABP is therefore prevented from entering these. Examples are:
  - Physical Power Purchase Agreement for ABP to secure long-term power commitment with a third-party renewable generator (a 15-year PPA purchasing 50GWh would translate to a lease liability of c.GBP40m).
  - Leasing land at or near ports locations to enable EBITDA growth. This could include port expansion or securing land for biodiversity net gain. These could range in size and tenor but a large site with a long-term commitment could create a large initial lease liability.
- The proposed change would allow for operating leases as was the case prior to IFRS 16. This would place ABP back into the position prior to introduction of the new accounting standards. Finance leases would still be caught by the limits within the covenant restriction.
- **The accounting treatment of operating leases under ABP's financial covenants will continue to follow IFRS 16. Operating leases will therefore still be reported as debt and included in debt for reporting and limiting ABP's leverage.**
- **Restrictions on granting security remain in place for all leases. These restrictions continue to limit ABP from granting security in relation to an operating lease.**

Summary of documentation changes

- The changes to the documentation with regard of the restriction on leases are as follows:
  i. Amend the documentation to add a new definition for *Permitted Operating Leases*.
  ii. Update the definition of *Permitted Financial Indebtedness* to include *Permitted Operating Leases*. This change would permit ABP to enter into operating leases unrestricted.
  iii. Update the definition of *Permitted Financial Indebtedness* to make clear that *Permitted Operating Leases* are excluded from the limb that allows for but restricts finance leases.
- Financial covenants will continue to treat operating leases as debt in accordance with the new accounting standards.

Limits on granting security remain unchanged

<u>The following covenant in the common documents remains in place and is unchanged. This is an important protection for ABP's Secured Creditors. This limits any security interest over ABP's assets through leases (whether operating or finance leases):</u>

"Permitted Security Interest" …

(v) the granting of Security Interests in support of trading liabilities incurred in the ordinary course of trading provided that the aggregate of trading liabilities for which Security Interests are granted, when taken together with the capitalised amounts of a finance or capital lease for which ABPA Security or Quasi Security has been provided pursuant to sub-paragraph (x) below, does not exceed the higher of: (I) £50,000,000 (Indexed) (or its equivalent); and (II) 20 per cent. of the Threshold Amount prior to the Final Maturity Date;

(x) any ABPA Security or Quasi Security arising as a consequence of any permitted finance or capital lease provided that:

(A) the aggregate capitalised amounts of such finance leases and capital leases, when taken together with the aggregate amount of trading liabilities for which Security Interests are granted pursuant to sub-paragraph (v) above does not exceed the higher of: (I) £50,000,000 (Indexed) (or its equivalent); and (II) 20 per cent. of the Threshold Amount prior to the Final Maturity Date; and

(B) if the aggregate capitalised amounts of a finance lease or capital lease exceeds the higher of: (I) £10,000,000 (Indexed) (or its equivalent); and (II) 4 per cent. of the Threshold Amount prior to the Final Maturity Date, then the lessor of such finance leases and capital leases accedes to the Common Terms Agreement and the STID on the terms set out in the Accession Memorandum contained in Schedule 1 of the STID or otherwise on terms acceptable to the ABPA Security Trustee;

Key contacts for Secured Creditors

All documentation for the STID Proposal in including the draft documentation for the Assured Guaranty Liquidity Guarantees have been shared with Akin Gump to review and comment on ahead of the STID Proposal launch. Any legal questions on the documentation should be addressed to Akin Gump.

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Timetable	Date
Launch of STID Proposal • ABP delivers STID Proposal to ABPA Security Trustee and Secured Creditors • ABPA Security Trustee delivers STID Voting Request to Secured Creditors	18 October 2024
Deemed Agreement of Voting Category • ABP considers the STID Proposal an Extraordinary Voting Matter	29 October 2024
End of Decision Period (Voting Closes)	8 November 2024
STID Proposal Confirmed • ABPA Security Trustee notifies ABP and ABP Secured Creditors of result of STID Proposal. • Amendment Deeds executed by ABP and Security Trustee.	11 November 2024