Source: [Fitch Rates SE Cosmos, LLC's Senior Secured Notes 'BB-'; Outlook Stable]

Rating Action Commentary

Fitch Rates SE Cosmos, LLC's Senior Secured Notes 'BB-'; Outlook Stable

Thu 28 May, 2026 - 5:28 PM ET

Fitch Ratings - Toronto - 28 May 2026: Fitch Ratings has assigned SE Cosmos, LLC's $999 MM senior secured notes and Long-Term Issuer Default Rating (IDR) a 'BB-' rating. The Rating Outlook is Stable.

The 'BB-' rating reflects predictable contracted revenue under a 15-year triple net lease supported by a guaranty from Softbank Group Capital Limited. Cash flow is sufficient to amortize the debt during the initial lease term under Fitch's rating case assumptions, reducing renewal risk. The Austin, TX, data center is being developed on a retrofitted site with existing power access and limited upgrades needed to achieve required power capacity.

The 70 MW (50 MW IT capacity) project, to be delivered in phases from late 2026 to mid-2027, is exposed to completion risk, but Fitch views this as manageable given the straightforward scope, reasonable budget and schedule, experienced contractor, signed construction contract on a guaranteed maximum price (GMP) basis, and return-on-cost lease provisions. Lease terms also limit risk through no tenant termination rights, date-certain rent commencement, no rent credits for delays, and no service level obligations. The rating takes into consideration the financial profile based on the final pricing of the notes, and credit quality of the tenant. The refinancing rate stress under Fitch's rating case was consequently adjusted.

The final ratings are one notch lower than the previously issued expected ratings as a result of changes in the financial profile derived from the final pricing of the notes, which was higher than the initial pricing expectations.

The IDR is equalized with the debt facility ratings, given their equal senior position and lack of other subordinate liabilities.

KEY RATING DRIVERS

Completion Risk - Stronger

Completion Risk - Stronger

Executed GMP with an Experienced Contractor

Completion risk is supported by the relatively straightforward construction of a 50 critical IT MW data center and the involvement of an experienced contractor (Turner Construction Company). The independent engineer views the timeline — about 12 months from mobilization to completion of the first 5 MW and office space, and 13 months for the remaining 45 MW — as achievable. If delays occur, acceleration measures such as overtime, weekend work, or double shifts are available, with no major labor availability concerns. Rent payments commence irrespective of whether construction milestones are achieved, and tenant remedies for landlord construction delays are limited to schedule extensions and self-help rights, with no termination rights or rent credits.

The lender's technical advisor (LTA) also views construction costs and contractor contingency as appropriate and within benchmark ranges. Contractor-furnished and installed equipment under the GMP reduces cost escalation risk. The GMP has been executed, and the contract value has been fixed. The return-on-cost mechanism for rent calculation also allows pass-through of construction costs to tenants, thereby mitigating cost overrun risk.

Supply Risk - Midrange

Supply Risk - Midrange

Straightforward Upgrades, Equipment on Site

The project faces manageable power supply risk as available capacity must be upgraded from 20 MW to 70 MW. Under a signed facilities extension agreement, the local utility will install two new transformers, uprate an existing transformer, and complete related equipment and support infrastructure. Risk is moderated because the site already has an operating substation, which limits the scope of required work because no new substation is needed. In addition, transformers are already on site, reducing exposure to long-lead procurement delays.

The upgrade will be completed in phases, with 30 MW expected to be commissioned by April 30, 2026, and the remaining 40 MW by Oct. 31, 2026, based on the current schedule. The LTA considers these delivery dates supportive of the project's planned construction and commissioning schedule.

Revenue Risk - Stronger

Revenue Risk - Stronger

No Lease Renewal Risk, Related Party Guarantee

The project's revenue risk profile is supported by a 15-year triple net lease with one renewal option for an additional 10 years. Rent payments are based on a return on total project cost, trued-up after final completion and escalated annually, plus operating expenses. Contracted cash flows are sufficient to amortize the rated debt within the initial lease term, based on Fitch rating case assumptions, mitigating lease renewal risk and supporting the 'Stronger' revenue risk assessment.

Operation Risk - Stronger

Operation Risk - Stronger

Triple Net Lease, no SLA Obligations

The stronger operating risk assessment reflects the project's triple net lease which passes through all operating costs, including utilities/power, taxes and insurance, to the tenant, thereby isolating the project from cost volatility. While operating responsibilities such as the supply of water, HVAC, operational elevators, maintenance of power delivery facilities and building infrastructure fall under the issuer's scope, there are no service level agreement (SLA) obligations or performance-related termination rights under the lease.

The issuer sponsor's team has a track record operating power projects and data centers. The LTA is satisfied that the issuer has the capabilities and expertise required to deliver their role on the project.

Infrastructure Development & Obsolescence Risk - Neutral

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Newly Built Data Center, Low Maintenance

Upon completion, the project will comprise a newly constructed data center with a total critical IT load of 50 MW dedicated to AI R&D operations. Most major mechanical and electrical components in a data center have useful lives exceeding 15 years, with significant replacements anticipated only after the debt repayment period. This reduces the need for a major maintenance reserve during the tenor of the debt. Furthermore, under the lease agreement, the tenant will compensate the issuer for all maintenance responsibilities. Technological obsolescence risk is limited, as the debt can fully amortize within the initial 15-year lease term under Fitch rating case assumptions.

Debt Structure - 1 - Weaker

Debt Structure - Weaker

Refinance Risk, Additional Debt Allowance

Fixed-rate senior secured notes mature in 2031. The project is exposed to refinancing risk at debt maturity and the issuer does not have refinancing track record. However, there is no reliance on lease renewals to repay the outstanding debt at maturity, partially mitigating this risk. Liquidity includes an upfront debt service reserve account covering about six months' debt service plus funded interest during construction. The issuer is subject to special purpose entity covenants, including distribution controls, debt incurrence limits, separateness provisions and restrictions on commingling and guarantees of parent obligations.

The assessment reflects SE Cosmos LLC's greater flexibility for additional debt under its documentation and allowances, compared with standard project finance structures. This includes a basket approximately equal to 50% of NOI, and the ability to lever up to approximately 96.3% LTC after the construction phase. However, any debt related to additional projects and the formation of subsidiaries is subject to a rating agency confirmation.

The risk of additional leverage is partially mitigated by the project's high coverage ratios during operations which show that the project could support some additional debt at the current rating. In addition, following rent commencement, the project can invest in joint ventures or similar businesses but is subject to an aggregate net-debt-to-NOI ratio of 3x or less and up to a cap of 30% of NOI. Such investments would have to be funded by existing debt. The restricted payment tests are also weaker than other project finance structures.

Peer Analysis

The closest peer is APLD ComputeCo LLC (BB-/Stable). APLD ComputeCo is not constrained by the completion risk due to the relatively straightforward scope of work, involvement of an experienced contractor, and completion of one of the buildings. In addition, the majority of costs for the second building are fully secured, mitigating cost escalation risks. APLD ComputeCo has a 15-year triple net lease, and the contractual cash flows are sufficient to amortize the debt within the initial lease term. APLD ComputeCo's rating is constrained by the credit quality of CoreWeave Inc., its sole revenue counterparty.

APLD ComputeCo's rating also reflects risks related to the issuer's ability to raise additional debt for expansion or new data center developments, which is atypical of project finance structures. Nonetheless, there are certain protections against material deterioration of coverage ratios that partially mitigate this risk.

Other comparable publicly rated peers include WULF Compute LLC (BB/Stable), Cipher Compute LLC (BB-/Stable), Meridian Arc (BB/Stable), and SV RNO Property Owner 1 LLC

(BB/Stable). In contrast to APLD ComputeCo or SE Cosmos LLC, the ratings of these peers are constrained by their respective completion risk.

RATING SENSITIVITIES

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

--Issuance of additional debt that leads to a deterioration of the financial profile with the project life coverage ratio (PLCR) at refinancing below Fitch's rating case or deterioration of credit quality of the tenant below the rating based on the financial profile;

--Delays or cost overruns during construction may lead the tenant to enforce its self-help rights and incur self-help costs. The landlord's inability to reimburse the tenant for these costs or to absorb these through rent abatements until such amounts are fully recovered may lead to a deterioration of the financial profile, resulting in a negative rating action.

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

--Sustained operational and financial performance in line with or above Fitch's rating case, with the PLCR above 1.05x at refinancing, provided the tenant's credit quality is commensurate with the rating based on its financial profile.

Financial Profile

Fitch's base and rating cases assess cash flow over the initial 15-year lease term. The rating case includes stress to the refinancing rate in year five at 9%, as well as additional debt allowed under the project documents after completion which would increase leverage from approximately 83.0% loan-to cost on issue date to around 96.3%. The PLCR in 2031 under the rating case is 1.02x.

TRANSACTION SUMMARY

SE Cosmos LLC issued $999 million of 8.875% senior secured notes to build a 50 IT MW data center in Texas. Proceeds of the notes will fund the project with around $203 million equity funded at or before close.

SECURITY

The notes are secured by first-priority liens on (i) substantially all assets of the issuer, other than certain excluded property, and (ii) all equity interests of the issuer held by its parent company.

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 Type

Rating

Rating Action

Prior

SE Cosmos, LLC

LT IDR

BB-

New Rating

BB(EXP)

- SE Cosmos, LLC/Senior Secured Debt/1 LT

LT

- USD 999 mln 8.875% bond/note 01-May-2031 78438PAA0

LT

BB-

New Rating

BB(EXP)

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VIEW ADDITIONAL RATING DETAILS

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

- Completion Risk Rating Criteria (pub. 10 Jul 2025)
- Project Finance Digital Infrastructure Rating Criteria (pub. 08 Aug 2025) (including rating assumption sensitivity)
- Infrastructure & Project Finance Rating Criteria (pub. 14 Nov 2025) (including rating assumption sensitivity)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

- Third-party Model (1)

ADDITIONAL DISCLOSURES

- Dodd-Frank Rating Information Disclosure Form
- Solicitation Status
- Endorsement Policy

ENDORSEMENT STATUS

SE Cosmos, LLC EU Endorsed, UK Endorsed

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