

Criteria | Corporates | Industrials:

Key Credit Factors For The Telecommunications And Cable Industry

June 22, 2014

(Editor's Note: This article is no longer current after the publication of "Sector-Specific Corporate Methodology," April 4, 2024, except in jurisdictions that require local registration of those criteria.)

1. This article presents S&P Global Ratings' methodology and assumptions for telecommunications and cable companies. We published this article to help market participants better understand the key credit factors in this industry. This article is related to our global corporate criteria (see "Corporate Methodology") and our criteria article "Principles Of Credit Ratings."
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SCOPE OF THE CRITERIA

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4. By telecommunications (telecom) companies, we mean issuers that originate, transport, and terminate voice and data on owned and/or leased terrestrial networks, wireless networks or via satellite, or a combination of these modalities. This includes wireline (sometimes called "landline") operators that primarily utilize terrestrial networks, and wireless providers that use licensed spectrum to connect wireless devices to other wireless devices and to wireline networks.
5. By cable companies, we mean issuers that provide television and generally provide voice and data services as well. This Key Credit Factors also applies to the following segments: Direct-to-home (DTH) providers of video that utilize geosynchronous satellites; tower companies that lease tower space to wireless service providers and to TV and radio broadcasters; fixed service satellite (FSS) companies that use geostationary satellites to transmit and distribute voice, data, and video to mostly commercial customers; data center operators that provide fitted space and connectivity to telecommunications carriers and to enterprises; and mobile satellite services (MSS) operators that provide voice services where terrestrial service is not available, including to remote regions, ships, and aircraft.

SUMMARY OF CRITERIA

6. This article describes S&P Global Ratings' methodology for rating telecommunications and cable companies, applying S&P Global Ratings' global corporate criteria.
7. When we assess an industry's various risks, we apply our criteria for assessing industry risk (see

PRIMARY CREDIT ANALYSTS

Allyn Arden, CFA

New York
+ 1 (212) 438 7832
allyn.arden
@spglobal.com

Madhav Hari, CFA

Toronto
(1) 416-507-2522
madhav.hari
@spglobal.com

Mark Habib

Paris
(33) 1-4420-6736
mark.habib
@spglobal.com

Luis Manuel Martinez

Mexico City
(52) 55-5081-4462
luis.martinez
@spglobal.com

JunHong Park

Hong Kong
+ 852 2533 3538
junhong.park
@spglobal.com

CRITERIA OFFICERS

Peter Kernan

London
(44) 20-7176-3618
peter.kernan
@spglobal.com

See complete contact list at end of article.

"Methodology: Industry Risk"). In assessing the competitive position of a telecom and cable issuer, we put particular emphasis on: competitive environment, market share, regulation, technology, and operating efficiency. In our assessment of the financial risk profile, we consider company-specific capital expenditures necessary to remain technologically competitive or to expand the service footprint and those expenditures' effect on cash flow coverage ratios.

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METHODOLOGY

Part I: Business Risk Analysis

A. Industry Risk

10. The industry risk is assessed by applying S&P Global Ratings' criteria for assessing industry risk (see "Methodology: Industry Risk"). For the most recent assessments for the telecommunications and cable industry, see "Industry Risk Assessments Update," which is updated from time to time.
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B. Country Risk

27. Country risk plays a critical role in determining all ratings on companies in a given country. Country-related risk factors can have a substantial effect on company creditworthiness, both directly and indirectly. In assessing country risk for a telecom and cable company, our analysis uses the same methodology as with other corporate issuers (see Corporate Methodology). A key factor in our business risk analysis for corporate issuers is the country risk assessment, which

includes the broad range of economic, institutional, financial market, and legal risks that arise from doing business in a specific country.

28. We prefer to determine exposure to country risk using EBITDA since it is consistent with other aspects of our analysis for the telecom and cable industry including the use of EBITDA in our primary operating efficiency metric. We use revenue to determine exposure to country risk when EBITDA information is unavailable.

C. Competitive Position (Including Profitability)

29. Under our general corporate criteria, a company's competitive position is assessed as (1) excellent, (2) strong, (3) satisfactory, (4) fair, (5) weak, or (6) vulnerable. In assessing the competitive position for telecom and cable issuers we review an individual company's:

- Competitive advantage;
- Scale, scope, and diversity;
- Operating efficiency; and
- Profitability.

30. The first three components are independently assessed as either: 1) strong, 2) strong/adequate, 3) adequate, 4) adequate/weak, or 5) weak. Profitability is assessed through the combination of two subcomponents, the level of profitability, and the volatility of profitability.

31. After separately evaluating competitive advantage; scale, scope, and diversity; and operating efficiency, we determine the preliminary competitive position assessment by ascribing a specific weight to each component. The applicable weightings will depend on the company's competitive position group profile (CPGP). The CPGP assigned to most telecom and cable issuers that we rate is "service and product focus," whereby we weight the components of competitive position as follows: competitive advantage (45%); scale, scope, and diversity (30%); and operating efficiency (25%). We may assign the "capital or asset focus" CPGP to telecom and cable companies that exhibit significant upfront capital expenditures and deliver commodity-type services. These include long-haul data transporters, tower lessors, FSS, and data center operators. The components for companies assigned the "capital or asset focus" CPGP are weighted as follows: competitive advantage (30%); scale, scope, and diversity (30%); and operating efficiency (40%).

1. Competitive advantage

32. In assessing the competitive advantage of a telecom and cable company, we consider its:

- Market position and the competitive environment;
- Applicable regulation;
- Level of installed technology; and
- Customer quality.

33. We review market position and competitive environment taking into consideration a company's relative success in establishing a solid market share along with its quality and brand reputation. Market share is evaluated relative to the sector taking into consideration the number of competitors and the level of barriers to entry. For example, we would expect a successful incumbent wireline telephone company to have the dominant share of voice traffic in its market. In contrast, a successful wireless carrier competing against several other carriers would have more

than its proportionate market share.

34. We evaluate regulation to the extent that it provides a material competitive advantage or disadvantage. In a pro-competition regulatory environment, the incumbent is often required to lease its network to other operators at below-cost prices, in essence, subsidizing its competition. Conversely, regulation can also be protective of the incumbent by erecting substantial barriers that effectively prevent, or at least discourage, new competition.
35. We review the state of a telecom and cable issuer's installed technology with the understanding that rapid technological improvements have enabled industry providers to deliver more and higher-speed services at a declining cost and that the pace of technology improvement will continue. We consider the state of the issuer's technology relative to its industry segment as well as to its market-specific competitors. For a wireless provider, we would assess availability of third and fourth generation (3G and 4G) technology. For a cable company, we consider channel capacity, deployed digital technology, and high-speed connectivity offering. A telecom and cable company with superior technology that supports a wider suite of services and with higher quality levels can extract premium pricing and reduce customer churn. A company with a high level of installed technology can invest in expansion and marketing initiatives that will increase revenues. In contrast, a company with lagging technology cannot offer a full array of market-competitive services, which is a clear competitive disadvantage. Further, such a company will need to divert cash to basic network upgrades, instead of investing in cutting edge technology, to remain a viable competitor.
36. We review the impact of customer quality on competitive advantage by looking at the contractual relationship with the customer and, for companies that primarily serve commercial customers, customer creditworthiness. For providers of services with limited differentiation and low switching costs, including wireless service, and wholesale voice and transport, an enforceable customer contract bolsters revenue stability and reduces marketing costs; further, the enhanced revenue visibility improves a company's strategic planning process. In contrast, a competitive disadvantage would arise for a provider of such services that either had a significant portion of revenues not under contract or whose average remaining contract length was shorter than its peers'.
37. A telecom and cable company with a "strong" or a "strong/adequate" competitive advantage assessment typically is characterized by a combination of:
 - Successful market position, demonstrated by a leading or substantial (more than one-third) market share;
 - Favorable brand recognition and reputation, factors that support premium pricing, superior customer retention, and lower marketing costs;
 - Participation in industry segments with favorable longer-term growth prospects delivering services with some utility-like demand characteristics;
 - Limited competition within a supportive, predictable regulatory framework that provides meaningful barriers to entry;
 - Government policies that stimulate demand such as durable subsidies for certain residential telecommunication services;
 - State of the art technology and (for wireless carriers) adequate spectrum for foreseeable demand;
 - Locations near enterprise customers and carrier interconnection points for data center providers; and

- Enhanced revenue visibility and some degree of leverage with customers through contractual relationships and/or material switching costs on the part of customers.
38. A telecom and cable company with a "weak" or "adequate/weak" competitive advantage assessment typically is characterized by a combination of:
- Lagging market penetration;
 - Unfavorable reputation that results in below-market pricing and inferior customer retention, leading to elevated marketing costs;
 - High level of competition within a regulatory regime that lacks stability and establishes few barriers to entry;
 - Far larger and better-capitalized competitors including global companies;
 - 10% or more of revenues derived from implicit or explicit government or regulatory subsidies that are vulnerable to changes in regulatory and governmental policies;
 - Lagging technology or lack of operational resources (such as wireless spectrum or satellite orbital slots) that weaken the ability to maintain adequate customer service levels and meet future customer demand, resulting in a competitive disadvantage;
 - Mandatory inclusion of influential domestic investors that impairs operational flexibility and efficiency; and
 - Lack of customer contracts in sectors where there are otherwise few barriers to entry.

2. Scale, scope, and diversity

39. In assessing scale, scope, and diversity of a telecom and cable company, we consider the factors that influence business stability and enable realization of scale economies, including:
- Size of the operator's footprint, network, or other segment-relevant measures;
 - Geographic diversity; and
 - Product diversity including the ability to offer a competitive suite of services.
40. In reviewing size, we consider the impact that an operator's customer base and network assets have on the ability to realize economies of scale. A larger footprint or service area enables wireless and wireline service providers to carry a greater portion of traffic "on-network," reducing the need to pay for third-party carriage. The largest cable and DTH companies negotiate the lowest programming costs. Large telecom and cable operators generally pay less for network and consumer premise equipment (CPE). The largest wireless operators may have superior access to the popular consumer devices.
41. In reviewing geographic diversity, we generally assume that participation in a variety of attractive and geographically diverse markets will improve the stability of financial performance in the event of a regional market downturn. A variety of markets also lessens the exposure of a telecom and cable company to a particularly aggressive competitor and to a local or regional regulator.
42. In reviewing product diversity, we consider a telecom and cable company's ability to offer a competitive suite of services since an array of attractive bundled package offerings will increase revenue per customer and improve customer retention. Product diversity reduces exposure to the substitution of, or reduced customer demand for, a single key product or service.
43. A telecom and cable company that warrants a "strong" or "strong/adequate" assessment of scale,

scope, and diversity typically is characterized by a combination of:

- Scale sufficient to optimize operating leverage given the significant fixed-cost component of network-intensive segments including wireless and wireline, cable, long-haul transport, towers, and satellite-based services;
- A service area footprint sufficiently large to enable most traffic (terrestrial or wireless) to be originated, transported, and terminated on-network with minimal need to pay for third-party carriage;
- Sufficient size to enable timely access to the most popular wireless devices. Manufacturers may ship their latest product to the largest wireless carriers first and may even grant a period of product exclusivity to a single wireless operator that can introduce their product to its large customer base;
- A large customer base that enables cable and DTH operators the power to bargain for favorable programming costs. This is especially significant for operators in the U.S., where programming inflation is a major concern, but not as important in Europe where operators generally deliver less premium content;
- Operations in several attractive geographically and economically diverse markets; and
- Diversification across wireline and wireless broadband product lines, which enables telecommunications providers to offer the attractive, integrated service bundles that improve customer satisfaction and retention and minimize the risk of product substitution. For example, recent years' loss of residential wireline voice customers to wireless substitution has mostly affected pure wireline telephone companies, while integrated telecom companies have mitigated the impact of wireless substitution from growth in their other segments including wireless, enterprise, and data centers.

44. A telecom and cable company that warrants a "weak" or "adequate/weak" assessment of scale, scope, and diversity typically is characterized by a combination of:

- A small customer base over which to spread fixed costs;
- Limited service area or network coverage that requires a telecom provider to pay third parties to originate, transport, and terminate a material portion of traffic. Regional wireless providers in particular, in order to offer requisite nationwide services plans, pay substantial amounts to other wireless providers to service customers that roam off the regional carrier's limited network footprint;
- A small video customer base that results in higher programming costs for cable and DTH companies;
- A small wireless customer base that may impede timely access to the most in-demand wireless devices and result in a temporary but material competitive disadvantage;
- Customer concentration (two or more customers that each account for at least 10% of a company's consolidated revenues) constitutes a weakness. Customer concentration can be a material weakness, in particular, for satellite operators and certain telecom services companies with reliance on a single major customer or lessee. Significant reliance on less-than-creditworthy customers for a significant portion of revenues weakens our diversity assessment;
- Operations concentrated in a jurisdiction where regulation and public policy is unstable; and
- Little product diversification that overly exposes the company to the impact of changes in customer preference for its limited product line. Further, the inability to offer a service package

that bundles and integrates wireline and wireless services increases the likelihood of customer churn, especially in certain commercial markets.

3. Operating efficiency

45. In assessing operating efficiency of a telecom and cable company, we consider factors that ultimately influence its EBITDA margin, including:
 - Revenue per customer or asset unit;
 - Capacity utilization measures;
 - Customer service and quality metrics; and
 - Cost management practices.
46. EBITDA margin is the key metric used in our assessment of operating efficiency for a telecom and cable company. We consider an issuer's industry segment and the nature and maturity of its markets in considering EBITDA margin. For example, a 60% EBITDA margin may be viewed as consistent with average operating efficiency for a wireless tower operator whereas a 35% EBITDA margin for a wireless services provider could be consistent with our view of "strong" operating efficiency. Regarding market maturity, startups have depressed EBITDA margins due to initial marketing costs/customer subsidies along with fewer customers over which to spread fixed costs. Conversely, mature markets have little absolute EBITDA growth potential but an EBITDA margin that is likely at its peak due to lower per unit expenses, including marketing, related to the larger installed base.
47. We also consider asset utilization in assessing operating efficiency. We evaluate capital expenditures as a percentage of revenue in general. We also use the segment-specific measurements outlined in paragraphs 49 and 50, below.
48. In considering customer service and quality metrics we consider the company's performance with respect to customer churn and customer satisfaction metrics. Those metrics include customer call wait times, percentage of problems resolved on the first customer call and, for wireless operators, network quality measures.
49. A telecom and cable company that warrants a "strong" or "strong/adequate" assessment of operating efficiency is characterized by a combination of:
 - High revenue per customer or asset unit, as more fully described below, that results in an EBITDA margin consistently better than those of peers that have a similar sales mix;
 - For wireless and cable providers, high average revenue per user (ARPU) along with low subscriber acquisition costs (SAC) from superior marketing performance;
 - For wireless operators, large service areas that can carry most traffic on-network and minimize payments to other carriers for off-network customer roaming;
 - For FSS, a high percentage of satellite transponder utilization capacity;
 - For wireless and broadcast tower operators, above average number of tenants/customers per tower and high lease renewal rates;
 - For data center operators, above-average percentage utilization of total space or total power output, above-average yield per square foot, and a high lease renewal rate;
 - Capital spending as a percentage of revenues that is lower than that of peers (that have similar sales mix and market maturity) along with return on capital that is higher than peers';

- Superior customer satisfaction metrics that result in low customer churn; and
 - Proactive management efforts to anticipate and mitigate declining business segments via expansion into higher potential growth areas. For residential wireline voice providers, this includes a track record of reducing operating expenses to reflect weak secular trends.
50. A telecom and cable company that warrants a "weak" or "adequate/weak" assessment of operating efficiency is characterized by a combination of:
- Low per unit revenue that results in an EBITDA margin that is consistently lower than that of peers that have a similar sales mix;
 - For wireless and cable providers, low ARPU along with high SAC reflecting subpar marketing/operational performance, resulting in inferior customer satisfaction and elevated churn;
 - For regional wireless operators, significant payments to other carriers to provide service when its customers roam off its limited footprint;
 - For FSS, a low percentage of transponder utilization;
 - For data center operators, low utilization of total space/power output that depresses yield per square foot along with shorter than average lease term and subpar lease renewal rate;
 - For wireless tower companies, lower than average tenancy that weakens margin, and this risk is magnified for towers that are built on spec;
 - Capital spending as a percentage of revenue that is higher than peers' along with a low return on capital;
 - High customer churn that increases marketing costs; and
 - Failure of management to anticipate and effectively mitigate the impact of declining business segments by expanding into higher potential growth areas and, for residential wireline voice providers, to proactively lower operating costs.

4. Profitability

51. The profitability assessment can confirm or modify the preliminary competitive position assessment. The profitability assessment consists of two components: 1) the level of profitability; and 2) the volatility of profitability. The two components are combined into the final profitability assessment using a matrix (see Corporate Methodology, Nov. 19, 2013).

a) Level of profitability

52. The level of profitability is determined on a three-point scale: "above average" (1); "average" (2); and "below average" (3).
53. We use EBITDA margin as the primary indicator of a telecom and cable company's level of profitability, based on thresholds identified in table 1 below. We use return on capital (ROC) as a supplementary indicator to refine our assessment when the EBITDA margin is close to the threshold for "below average" or "above average" (see ROC thresholds in Table 2). For instance, if a company's EBITDA margin is at the high end of the defined range for "average" but its return on capital is comfortably in the "above average" range, we may assess its level of profitability as "above average". In accordance with the global corporate criteria, for this assessment we typically

determine the five-years average EBITDA margin and ROC using the last two years of historical data and three years of forecast: We may put more emphasis on forecast years if we do not deem historical data representative, or to take into account deteriorating or improving profiles where prospective ratios meaningfully differ from average ratios.

Table 1

Cable And Telecom Companies' Profitability Levels (% EBITDA Margin)

	Below Average	Average	Above Average
Telecommunications	< 25%	25 to 40%	> 40%
Cable	< 30%	30 to 40%	> 40%
DTH	< 20%	20 to 30%	> 30%
Towers/FSS/MSS	< 45%	45 to 60%	> 60%
Data centers	< 35%	35 to 50%	> 50%

Table 2

Cable And Telecom Companies' Return On Capital Thresholds (%)

Below Average	Average	Above Average
< 8%	8 to 12%	> 12%

- 54. We use different EBITDA margin thresholds to differentiate between telecom and cable companies with primary business in one of five general categories: 1) telecommunications; 2) cable; 2) DTH; 3) towers, FSS, and MSS; and 5) data centers. The highest EBITDA margin thresholds are for the towers, FSS, and MSS and data center segments. Both of these segments are characterized by substantial upfront capital investment and low operating costs as well as very high EBITDA margins on incremental revenues. Thus, the high EBITDA threshold used to assess profitability as "above average" would apply to companies that have been most successful in exploiting the low incremental operating expense characteristic of their respective segment by attracting high revenue per unit. The revenue measurement unit varies by segment: For tower leasing, it is generally the number of tenants per tower; for FSS and MSS, the number of, and revenue per, customer; and for data centers, the percentage of square footage that is leased.
- 55. The EBITDA margins for the three other telecom and cable segments--telecommunications, cable, and DTH--are within a limited range with no more than a 15% span between "below average" and "above average" profitability. The three profitability thresholds for DTH are lower than for cable, which largely reflects the reliance of DTH on essentially only pay television, in contrast to cable operators, which also market telephone and high-speed data service. Both cable-delivered telephone and high-speed data services have very high incremental EBITDA margins because they use the existing cable network and have small associated operating costs.

b) Volatility of profitability

- 56. The volatility of profitability is determined on a six-point scale, from: "1" (least volatile) to "6" (most volatile).
- 57. We use EBITDA margin to determine the standard error of regression (SER) for telecom, cable, DTH, wireless towers, FSS, MSS, and data centers when there is sufficient historical data to ensure meaningful results. In accordance with the global corporate criteria, we may--subject to certain conditions being met--adjust the SER assessment by up to two categories worse (more

volatile) or better (less volatile). If we do not have sufficient historical information to determine the SER, we follow the global corporate criteria guidelines to determine the volatility of profitability assessment.

Part II: Financial Risk Analysis

D. Accounting And Analytical Adjustments

- 58. In assessing the accounting characteristics of telecom and cable companies, the analysis generally uses the same methodology as with other corporate issuers (see "Corporate Methodology"). Our analysis of a company's financial statements begins with a review of the accounting to determine whether the statements accurately measure a company's performance and position relative to its peers and the larger universe of corporate entities. To allow for globally consistent and comparable financial analyses, our rating analysis may include quantitative adjustments to a company's reported results. These adjustments also enable better alignment of a company's reported figures with our view of underlying economic conditions. Moreover, they allow a more accurate portrayal of a company's ongoing business. Adjustments that pertain broadly to all corporate sectors, including these sectors, are discussed in "Corporate Methodology: Ratios And Adjustments."
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2. Cash flow/leverage analysis

- 66. In assessing the cash flow adequacy of a telecom and cable issuer, our analysis uses the same methodology as with other corporate issuers (see Corporate Methodology). Cash flow/leverage is assessed on a six-point scale--ranging from "minimal" (1) to "highly leveraged" (6)--by aggregating the assessments of a range of credit ratios, predominantly cash-flow based, which complement each other by focusing attention on the different levels of a company's cash flows in relation to its obligations.

3. Core ratios

- 67. For each company, we calculate in accordance with S&P Global Ratings' Ratios and Adjustment criteria two core debt payback ratios: FFO to debt and debt to EBITDA.

4. Supplemental ratios

- 68. In addition to our analysis of a company's core ratios, we also consider supplemental ratios in order to develop a fuller understanding of a company's credit risk profile and refine our cash flow

analysis in accordance with S&P Global Ratings' Ratios and Adjustment criteria. Free operating cash flow (FOCF) to debt, the primary supplemental ratio that we use, recognizes the capital intensity of most telecom and cable companies. We also use discretionary cash flow (DCF) to debt as a supplemental ratio for issuers with high dividend payouts.

Part III: Rating Modifiers

E. Diversification/Portfolio Effect

- 69. Few issuers have material lines of business outside telecom and cable and related services. In assessing the diversification/portfolio effect on a telecom and cable company, our analysis uses the same methodology as with other corporate issuers (see Corporate Methodology), i.e., reserving potential diversification benefit to companies whose portfolios span different industries as defined by our industry classification.

F. Capital Structure

- 70. In assessing a telecom and cable company's capital structure, our analysis uses the same general methodology as with other corporate issuers (see Corporate Methodology).

G. Liquidity

- 71. In assessing the liquidity of a telecom and cable company, our analysis uses the same general methodology as with other corporate issuers (see Corporate Methodology).

H. Financial Policy

- 72. In assessing financial policy on a telecom and cable company, our analysis uses the same methodology as with other corporate issuers (see Corporate Methodology).

I. Management And Governance

- 73. In assessing management and governance on a telecom and cable company, our analysis uses the same methodology as with other corporate issuers (see Corporate Methodology).

J. Comparable Ratings Analysis

- 74. In assessing the comparable ratings analysis on a telecom cable company, our analysis uses the same methodology as with other corporate issuers (see Corporate Methodology).

REVISIONS AND UPDATES

This article was originally published on June 22, 2014. These criteria became effective on June 22, 2014. The criteria superseded "Key Credit Factors For The Telecommunications And Cable Industry," published Dec. 12, 2013, to include information on S&P Global Ratings' treatment of subscriber acquisition costs for wireless telecommunications companies, found under the

"Accounting And Analytical Adjustments" section.

Changes introduced after original publication:

- Following our periodic review completed on June 23, 2016, we updated the contact information and deleted paragraphs 2, 3, 8, and 9, which were related to the initial publication of the criteria and no longer relevant.
- Following our periodic review completed on June 20, 2017, we updated the contact information.
- Following our periodic review completed on June 20, 2018, we updated the contact information and criteria references and renamed the "Revision History" section to "Revisions And Updates."
- On April 1, 2019, we republished this criteria article to make nonmaterial changes. We deleted paragraphs 59-65 because they were superseded by "Corporate Methodology: Ratios And Adjustments," published April 1, 2019 (Ratios and Adjustments). The sector-specific accounting and analytical adjustments previously included in those paragraphs are now included in the Guidance supporting the Ratios and Adjustments criteria.
- On Aug. 14, 2019, we republished this criteria article to make nonmaterial changes to update text related to the initial publication of the criteria.
- On April 6, 2021, we republished this criteria article to make nonmaterial changes. We replaced the content of the "Industry Risk" section (paragraphs 10-26) with a reference to the most recent "Industry Risk Assessments Update." In addition, we updated paragraph 7, referring readers to "Methodology: Industry Risk." We made these changes to refer to the most updated industry risk assessments. Lastly, we updated the "Related Research" section.

RELATED PUBLICATIONS

Related Criteria

- Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016
- Methodology: Jurisdiction Ranking Assessments, Jan. 21, 2016
- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Corporate Methodology, Nov. 19, 2013
- Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Methodology: Industry Risk, Nov. 19, 2013
- Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Industry Risk Assessments Update, Jan. 27, 2021

Related Guidance

- Guidance: Corporate Methodology: Ratios And Adjustments, April 1, 2019

These criteria represent the specific application of fundamental principles that define credit risk and ratings opinions. Their use is determined by issuer- or issue-specific attributes as well as Standard & Poor's Ratings Services' assessment of the credit and, if applicable, structural risks for a given issuer or issue rating. Methodology and assumptions may change from time to time as a result of market and economic conditions, issuer- or issue-specific factors, or new empirical evidence that would affect our credit judgment.

Contact List

PRIMARY CREDIT ANALYST

Allyn Arden, CFA
New York
+ 1 (212) 438 7832
allyn.arden@spglobal.com

PRIMARY CREDIT ANALYST

Madhav Hari, CFA
Toronto
(1) 416-507-2522
madhav.hari@spglobal.com

PRIMARY CREDIT ANALYST

Mark Habib
Paris
(33) 1-4420-6736
mark.habib@spglobal.com

PRIMARY CREDIT ANALYST

Luis Manuel Martinez
Mexico City
(52) 55-5081-4462
luis.martinez@spglobal.com

PRIMARY CREDIT ANALYST

JunHong Park
Hong Kong
+ 852 2533 3538
junhong.park@spglobal.com

CRITERIA OFFICERS

Peter Kernan
London
(44) 20-7176-3618
peter.kernan@spglobal.com

CRITERIA OFFICERS

Andrew D Palmer
Melbourne
(61) 3-9631-2052
andrew.palmer@spglobal.com

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