Rating Evaluation Service: Gain Insight Before You Act

中華信用評等
Taiwan Ratings
An S&P Global Company

When Evaluating Strategic Options, Consider the Credit Impact

When exploring strategic options, you may want to assess ahead of time how your proposed initiatives may affect your creditworthiness. The decision to take on a major capital program, consider an acquisition, manage debt capacity, change an operating structure or vary the mix of security types issued can potentially have significant credit consequences. That's where we can help.

Obtain Useful Feedback and Gain Valuable Insight

The Rating Evaluation Service (RES) gives you a confidential assessment of the potential credit impact of your proposed strategic initiatives before you implement them. Our analysis can allow you to identify actions that could lead to credit outcomes that you would view as being more or less favourable, based on your objectives. This can be particularly valuable, whether you are considering only one plan or several alternatives.

Analysis Based on Your Scenarios

Provide us with the hypothetical scenarios you are considering -for example, varying combinations of debt, equity and cash - and we'll provide you with feedback and indicative rating outcomes from a rating evaluation committee. Please note that the Rating Evaluation Service process and outcome remain confidential.

One Solution, Many Uses

Rating Evaluation Service.is available to both rated and unrated entities and has been used by our clients to gauge the potential ratings implications of initiatives such as:

- Mergers and acquisitions
- Capital plan alternatives and/or additional debt being contemplated
- Infrastructure/public-private partnership projects
- Asset or line-of-business divestitures
- Share buybacks or dividend payments
- Creation of new holding and subsidiary company structures
- Recapitalizations (including senior and subordinated debt, common and preferred mix)
- Internal risk-based capital allocation (against lines of business and risk classes)
- Bankruptcy emergent alternatives

Rating Evaluation Service in action

Corporate Acquisitions/M&A

A highly rated consumer products company was considering a major acquisition; however,it was concerned about the potentialnegative effect on its ratings. The company presented us with different hypotheticalfinancing scenarios that included variations of addit ional debt and equity. Through Rating Evaluation Service, we provided our rationale and indicative ratings impact for each scenario presented. The company used the Rating Evaluation Service results to help decide which financing approach would better achieve their objectives.

Refinancing Initiative

A resource company which was considering its first foray into the capital markets was reviewingfinancing options, including a debut high-yield or secured Term Loan B (TLB) issue. The company wanted to be confident that its eventual offeringwould meet its own internal expectations and would be attractive to potential investors. It presented us with its different hypothetical funding scenarios. Through the Rating Evaluation Service, we provided an analysis and an initial indicative rating (including recovery rating analysis) for each hypothetical financing scenario presented by the company.This information was then used by the company's senior management as a tool to help price various financing options and assess which course of action best suited the company's strategy.

Divestment/Spin-Off

A major financial institution was interested in divesting one of its non-core business units. It wanted to understand what the impact would be on its existing ratings if the sale proceeds were applied to debt repayment, a share buy back or an acquisition. The company provided multiple hypothetical scenarios to us regard ingthe proposed use of the sale proceeds, so that we could evaluate the indicative ratings impact of each scenario. The Rating Evaluation Service report provided to the financial institution was used by its executive management team as an input into their decision about whether to retain or divest its non-core business unit.

Port Terminal Project

A port operating company was preparing for the construction and operation of a new port terminal that was expected to meet increasingdemand for both containers and liquid bulk facilities. It was a large greenfield project with inherent construction risk. In order to mitigate risk and attract a wider pool of potential long-term investors, the operator and lenders, together with a multilateral development agency,sought a financial guarantee that would enhance the project's credit quality and raise the project's ratingto a minimumlevel. Rather than base their decision-mak ing on "educated guesses" about the potential project rating,the company submitted different hypothetical financi ng scenarios of debt and equity, includingvary ing guarantee levels, to us.Through the Rating Evaluation Service, we provided our indicative project rating for each scenario, which the company took into account when determining whic h financ ing structure it viewed as being most advantageous to meet its objectives.

Hybrid Equity Content

A rated utility company approached us to provide feedback on the potential treatment of equity content for a proposed hybrid capital inst rument. The company wanted clarification as to whether the proposed hybrid issue would qualify for 'high', 'intermedi ate' or 'minimal'equity content. Through our Rating Evaluation Service, we assessed the characteristics of the proposed hybrid issue and, based on the terms and conditions of the proposed instrument as we llas management's likely intent ions to maintain the instrument, formed a conclusion as to the expected treatment of t he equity content. This allowed the company to understand in advance our eligibility requirements and process for assigning equity content to a hybrid instrument.

Unrated Private Company

An unrated retailcompany had operated for many years as a private entity. However.it had recently determined that in order to realise its strategic goal of a signif icant expansion, it should consider an IPO in conjunction with issuing public debt for the first time. The company engaged externa l investment banking advisors to assist with achieving its strategic obj ect ives and had narrowed the focus. wit h two specific business plans in mind. Even though the company had no prior credit ratings, it requested us to conduct a Rating Evaluation Service analysis, to confidentially assess what the initialindicative rating might be under each hypothetical scenario. The company used the Rating Evaluation Service results to help it choose what it viewed as the most appropriate strategy to meet its objectives.

Contact us

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