

# Axactor SE's Proposed Senior Unsecured Bond Rated 'B'

August 25, 2021

## Overview

- Axactor SE plans to issue a €300 million senior unsecured bond, which structurally ranks below its revolving credit facility (RCF).
- We assigned our 'B' issue-level and '3' recovery ratings to Axactor's proposed bond.
- The '3' recovery rating indicates our expectation for meaningful recovery (50%-70%; rounded estimate: 60%) in the event of default.

FRANKFURT (S&P Global Ratings) Aug. 25, 2021--S&P Global Ratings today assigned its 'B' issue rating to the €300 million senior unsecured bond due in 2026 that Norway-based Axactor SE (B/Stable/--) plans to issue. The rating is subject to our review of the notes' final documentation.

The company plans to use the proceeds from the proposed bond to repay the amounts outstanding on its existing bond held by Axactor's largest shareholder Gevevan Trading Co Ltd (€140 million) and different loan facilities at Axactor's Italian facility (about €40 million as of second-quarter 2021). Any remaining amount is set aside for general corporate purposes, and we expect these funds to be invested in debt portfolios or to reduce the outstanding volume on RCF.

### PRIMARY CREDIT ANALYST

**Gabriel Zwicklhuber**  
Frankfurt  
+ 49(0)6933999169  
gabriel.zwicklhuber  
@spglobal.com

### SECONDARY CONTACTS

**Olivia K Fleischmann**  
Stockholm  
+ 46 84 40 5904  
olivia.fleischmann  
@spglobal.com

**Francesca Massarotti**  
Frankfurt  
+ 49 69 3399 9130  
francesca.massarotti  
@spglobal.com

## Issue Ratings - Recovery Analysis

### Key analytical factors

- The issue rating on Axactor's senior unsecured note is 'B', in line with the issuer credit rating. This is based on a recovery rating of '3', indicating our expectation of meaningful recovery (50%-70%; rounded estimate: 60%) in an event of default. The recovery rating is constrained by Axactor's sizeable multicurrency senior secured RCF (€545 million), which is structurally superior to Axactor's senior unsecured bonds.
- We do not add Axactor's existing €140 million bond and its Italian loan facilities to debt claims, because we believe those will be repaid by end-2021.
- In our simulated default scenario, we envisage a default in 2024, reflecting a significant decline in cash flow because of lost clients, difficult collection conditions, or greater competitive pressures, leading to the mispricing of portfolio purchases.

## **Axactor SE's Proposed Senior Unsecured Bond Rated 'B'**

- We calculate a combined enterprise value, taking into consideration the different business segments and assuming Axactor finds a potential acquirer for its portfolio of debt receivables. We apply a haircut of 25% to the book value of the debt portfolios. We apply the same haircut on Axactor's remaining real estate-owned portfolio because we expect Axactor will reinvest proceeds from the disposal of real estate assets into debt portfolios.
- In addition, we assume earnings from its third-party servicing business will decline and apply a valuation using a 4.0x EBITDA multiple. We assess Axactor on a going-concern basis given its established relationships with customers.

### **Simulated default assumptions**

- Simulated year of default: 2024
- EBITDA multiple: 4.0x
- Jurisdiction: Norway
- RCF is 85% drawn at default. We do not add Axactor's €75 million accordion option to prior ranking claims because it is not committed, and we don't anticipate it will be used as a funding vehicle within the regular course of business.

### **Key analytical factors**

- Gross enterprise value at default: €867 million
- Net enterprise after 5% administrative costs: €824 million
- Prior ranking claims: €488 million under the RCF
- Collateral value available to unsecured debt: €336 million
- Senior unsecured debt claims: circa €530 million
- Recovery expectation: 50%-70% (rounded estimate: 60%)

Note: Debt amounts include six months of accrued interest that we assume will be owed at default.

### **Related Criteria**

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016
- Criteria | Corporates | Recovery: Methodology: Jurisdiction Ranking Assessments, Jan. 20, 2016
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Financial Institutions | General: Issue Credit Rating Methodology For Nonbank Financial Institutions And Nonbank Financial Services Companies, Dec. 9, 2014

## Axactor SE's Proposed Senior Unsecured Bond Rated 'B'

- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

## Related Research

- Norway-Based Debt Purchaser Axactor Assigned 'B' Rating; Outlook Stable, Aug. 17, 2021
- Europe's Distressed Debt Purchasers Look To Steady The Ship In 2021, Feb. 12, 2021

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at [https://www.standardandpoors.com/en\\_US/web/guest/article/-/view/sourceId/504352](https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352) Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

Copyright © 2021 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.