

Research Update:

France-Based Investment Holding Company Wendel Upgraded To 'BBB/A-2'; Outlook Stable

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Rating Action Overview

- French investment holding company Wendel's active portfolio management in the second half of 2018 resulted in an loan-to value F0.0 (in)STVF600.0 (ha(half) -6Vvalue)

products, and IHS, African provider of telecom tower infrastructure for mobile operators, are some of Wendel's other important investments. Together with BV, these represent less than 75% of the holding's portfolio.

Our Base-Case Scenario

In our base case, we assume:

- No imminent new investments.
- We consider the €500 million exchangeable bonds in Compagnie St Gobain as a short-term debt maturity.
- We consider Stahl capable of distributing dividends and believe this could occur from 2019.
- Wendel's interest expenses declined in 2018 and we assume they will reduce further in 2019 owing to lower net debt than in 2017.

Based on these assumptions, we arrive at the following credit measures:

- Average cash flow ratios of about 0.9x.
- An LTV ratio well below 20%.

Liquidity

Our short-term rating on Wendel is 'A-2'. We assess Wendel's liquidity as strong, reflecting our expectation that liquidity sources will likely comfortably exceed liquidity uses by 3.0x in 2019, and by above 1.0x in 2020, even in the event of an unforeseen decline in dividends from portfolio companies. Wendel's generally good access to the bond market, solid relations with banking counterparties, demonstrated by the recent extension of its undrawn revolving credit facility (RCF) to 2023, coupled with comfortable headroom under covenants, supports our assessment.

We include the following principal liquidity sources for the next 12 months from January 2019:

- Net cash and cash equivalents of €2 billion as of as Dec. 31, 2018,;
- Dividends from investee companies exceeding €100 million per year; and
- €750 million undrawn under the RCF, maturing in 2023.

Principal liquidity uses over the same period include:

- €700 million short term debt maturities, which include €500 million bonds exchangeable in shares of St. Gobain maturing in 2019;
- Operating expenses of approximately €70 million;
- Interest expenses of about €75 million-€90 million;
- Dividends likely to exceed €135 million.

Ratings Score Snapshot

Issuer Credit Rating: BBB/Stable/A-2

Business risk: Fair

- Country risk: Low
- Industry risk: Intermediate
- Investment position: Fair

Financial risk: Modest

- Cash flow/Leverage: Modest

Anchor: bbb-

Modifiers

- Liquidity: Strong (No impact)
- Management and governance: Satisfactory (No impact)
- Comparable rating analysis: Positive (+1 notch)

Related Criteria

- Criteria - Corporates - General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- Criteria - Corporates - Industrials: Methodology: Investment Holding Companies, Dec. 1, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Ratings List

Upgraded

	To	From
Wendel		
Issuer Credit Rating	BBB/Stable/A-2	BBB-/Stable/A-3
Senior Unsecured	BBB	BBB-
Senior Unsecured	BBBp	BBB-p*

*The 'p' suffix indicates that the rating addresses the principal portion of the obligation only and that the interest is not rated.

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 for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at 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.

