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23. Feb. 2015 Credit Rating – Corporations

Scope Downgrades Deutsche Forfait AG's Corporate Issuer Credit Rating to Selective Default


The rating action follows the bondholders' agreement on 19 February 2015 to a restructuring of the EUR 30m senior unsecured corporate bond (7.785% p.a., maturing on 27 May 2020).

Today, Scope has downgraded Deutsche Forfait AG's (DFAG) Corporate Issuer Credit Rating (CICR) to Selective Default (SD) from CCC. The rating action follows the bondholders' agreement on 19 February 2015 to a restructuring of the EUR 30m senior unsecured corporate bond (7.785% p.a., maturing on 27 May 2020).

The rating action is a direct consequence of the bond restructuring. The possibility of such a rating action has been communicated by Scope in previous press releases on DFAG. Once the financial restructuring is successfully completed, Scope will reassess DFAG's creditworthiness in light of its potentially reduced debt burden and strengthened capital base, which might lead to a rating upgrade.

As bondholders agreed to a reduction of the annual coupon to 2.0%, down from 7.785% p.a. and effective from 27 May 2014 until 27 May 2018 without receiving a corresponding compensation, bondholders' claims have diminished relative to their original claim. This is assessed as a selective default by Scope. An "SD" rating is

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assigned when an issuer has selectively defaulted on a debt obligation.

Scope believes that bondholders were practically forced to agree to the bond restructuring in order to avoid imminent default. The banks' commitment to renew much-needed credit lines is only provided on the condition that different restructuring measures, including restructuring the bond, are implemented.

The overall restructuring programme of DFAG includes the following:

- The restructuring of the EUR 30m senior unsecured corporate bond with a reduction of the nominal interest rate from 7.875% to 2.000% with retroactive effect from 27 May 2014 until 27 May 2018. Between 27 May 2017 and 27 May 2018, the interest rate may again amount to 7.875%; this is dependent on the achievement of a certain consolidated result. From 27 May 2018 to 27 May 2020, the nominal interest rate will be raised to 7.875% again. The original proposal to grant call option rights was withdrawn.
- A cash capital increase by the issue of up to 6.8 million shares in April 2015.
- The renewal of credit lines from existing house banks in the amount granted prior to the OFAC listing and the temporary reduction of interest rates on drawn loans to LIBOR/EURIBOR/EONIA + 0.75% p.a. until 31 December 2016.

Important information

Information pursuant to Regulation (EC) No 1060/2009 on credit rating agencies, as amended by Regulations (EU) No. 513/2011 and (EU) No. 462/2013

Responsibility

The party responsible for the dissemination of the financial analysis is Scope Ratings AG, Berlin, District Court for Berlin (Charlottenburg) HRB 161306 B, Chief Executive Officer: Torsten Hinrichs.

The rating analysis has been prepared by Sebastian Zank, Lead Analyst
Responsible for approving the rating: Dr. Britta Holt, Committee Chair

Rating history

23/02/2015 SD

01/12/2014 CCC under review for possible downgrade

17/10/2014 CCC under review with a developing outcome

21/07/2014 CCC under review for possible downgrade

28/03/2014 B- under review for possible downgrade

14/02/2014 BB+ under review for possible downgrade
02/05/2013 BB+ outlook Positive

The rating outlook indicates the most likely direction of the rating if the rating were to change within the next 12 to 18 months. A rating change is, however, not automatically ensured.

Information on interests and conflicts of interest

The rating was prepared independently by Scope Ratings but for a fee based on a mandate of the rated entity.

As at the time of the analysis, neither Scope Ratings AG nor companies affiliated with it hold any interests in the rated entity or in companies directly or indirectly affiliated to it. Likewise, neither the rated entity nor companies directly or indirectly affiliated with it hold any interests in Scope Ratings AG or any companies affiliated to it. Neither the rating agency, the rating analysts who participated in this rating, nor any other persons who participated in the provision of the rating and/or its approval hold, either directly or indirectly, any shares in the rated entity or in third parties affiliated to it. Notwithstanding this, it is permitted for the above-mentioned persons to hold interests through shares in diversified undertakings for collective investment, including managed funds such as pension funds or life insurance companies, pursuant to EU Rating Regulation (EC) No 1060/2009. Neither Scope Ratings nor companies affiliated with it are involved in the brokering or distribution of capital investment products. In principle, there is a possibility that family relationships may exist between the personnel of Scope Ratings and that of the rated entity. However, no persons for whom a conflict of interests could exist due to family relationships or other close relationships will participate in the preparation or approval of a rating.

Key sources of Information for the rating

- Prospectus
- Website of the rated entity
- Annual financial statements
- Annual reports/semi-annual reports of the rated entity
- Valuation reports, other opinions
- Current performance record
- Detailed information provided on request
- Data provided by external data providers
- Interview with the rated entity
- External market reports
- Press reports / other public information

Scope Ratings considers the quality of the available information on the evaluated company to be satisfactory.

Scope ensured as far as possible that the sources are reliable before drawing upon them, but did not verify each item of information specified in the sources independently.

Examination of the rating by the rated entity prior to publication

Prior to publication, the rated entity was given the opportunity to examine the rating and the rating drivers, including the principal grounds on which the credit rating or rating outlook is based. The rated entity was subsequently provided with at least one full working day, to point out any factual errors, or to appeal the rating decision and deliver additional material information. Following that examination, the rating was not modified.

Methodology

The methodology applicable for this rating (Corporate Ratings Methodology) is available on www.scooperatings.com. The historical default rates of Scope Ratings can be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA): <http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>. A comprehensive clarification of Scope's default rating, definitions of rating notations and further information on the analysis components of a rating can be found in the documents on methodologies on the rating agency's website.

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