MOODY'S
RATINGS

Announcement: Moody's Ratings extends the review for downgrade on the ratings of Axactor ASA

23 Aug 2024

London, August 23, 2024 -- Moody's Ratings (Moody's) has today extended the review for downgrade on Axactor ASA's (Axactor) Corporate Family Rating (CFR) of B2 and its senior unsecured ratings of Caa1.

RATINGS RATIONALE

We initiated the review for downgrade on 17 May 2024, as the decline in Axactor's EBITDA in 1Q 2024 put the company at the risk of the covenant breach for leverage and interest coverage. Such a covenant breach would result in the event of default under Axactor's bond loan agreements and cross-default with its revolving credit facility, unless the company obtains an amendment of its financial covenant thresholds from the bondholders in advance of a potential breach or requests a waiver following the breach.

In 2Q 2024, Axactor's leverage ratio, calculated as net Debt/EBITDA on the last twelve-month basis, was 3.9x, against the covenant threshold of 4.0x, as defined in the bond loan agreements. In addition, the company's interest coverage declined to 3.1x in the same period, leaving little headroom relative to the covenant level of 3.0x.

During the review, we will assess Axactor's strategy for addressing the risk of the covenant violation in the next quarter and beyond, in light of the company's weakened financial performance.

A rating upgrade is unlikely given that Axactor's ratings are on review for downgrade. Axactor's ratings could be confirmed if we conclude that the risk of default stemming from a potential covenant breach in the coming quarter and beyond will likely to be successfully addressed by the company, and if we come to believe that there will be no further deterioration in the company's financial performance, including cash collections, leverage, interest coverage and liquidity.

Axactor's ratings will be downgraded if we conclude that there is a high risk of default associated with a potential covenant breach. Axactor's ratings could also be downgraded if we conclude that the company will be likely to operate with higher leverage (above 4x gross Debt/EBITDA) and reduced interest coverage (EBITDA/Interest Expense below 3x) for an extended period of time, even if the covenant levels are successfully amended.

Please see https://ratings.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on https://ratings.moodys.com for the most updated credit rating action information and rating history.

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