

## Scope Hamburg places SAF-Holland SE under review for a possible downgrade

The latest information on the rating, including rating reports and related methodologies, is available on this [LINK](#).

### Rating action

The rating action reflects the potential impact of SAF Holland's planned acquisition of the Swedish brake manufacturer HALDEX AB which would result in an increase of SAF's leverage. The latest information on the rating, including rating reports and related methodologies, is available on this [LINK](#).

### Rating rationale

On 8 June 2022, SAF-Holland (SAF) announced that it had launched a takeover offer to the shareholders of the Swedish brake manufacturer Haldex AB. Haldex AB is a leading supplier of brake adjusters for drum brakes and air disc brakes. Customers include major manufacturers of trucks, buses and trailers in North America, Europe and Asia. The company, with its main headquarters in Landskrona, Sweden, achieved sales of approximately EUR 455m and adjusted EBITDA of EUR 56m in 2021. The EBITDA margin of Haldex is similar to that of SAF.

The initial offer of SAF provides for a purchase price of EUR 307m for Haldex shares. Assuming a completion of transaction, the pro-forma SaD/EBITDA of the combined entities is expected to be around 3.7x post closing and excluding any funding through contemplated equity issuance by SAF. This calculation includes the net debt position of Haldex of around EUR 100m including the pension deficit of Haldex.

The takeover will initially be financed through cash and committed bank loans. In the event of a possible takeover, SAF Holland also plans to reduce its debt by means of an equity capital increase.

We understand that the Board of Directors of the target (Haldex) recommended to its shareholders to accept the offer of SAF. The offer of SAF is subject to certain conditions, including an acceptance rate by Haldex shareholders. In principle, SAF has tied the public takeover bid to an acceptance rate of 90% of Haldex shareholders but reserved the right to complete the offer at a lower level of acceptance rate.

The transaction is subject to customary approval of merger control authorities and clearances typical for this type of transaction.

At this stage, we believe that the takeover of Haldex is very likely viewed neutrally for the business risk profile assessment of SAF.

### Outlook and rating-change drivers

The issuer credit rating is under review for a possible downgrade. The possible takeover of Haldex could result in a deterioration of SAF's financial risk profile if the transaction was to

materialize. At this stage, we envisage Scope-adjusted debt/EBITDA to deteriorate above 3.0x on a sustainable basis, depending on the equity issuance contemplated by SAF.

Scope will closely follow developments related to the Haldex transaction and operating developments at SAF. A downgrade of one notch could result if the Haldex transaction was to materialise. Scope Hamburg intends to resolve the status of under review as soon as practicable and over a period of three months. In view of the acceptance period for Haldex shareholders running until the end of August 2022, we expect more clarity on the likelihood of transaction to materialize and would update our issuer rating accordingly once more information is received by then.

### **Stress testing & cash flow analysis**

No stress testing was performed. Scope Hamburg performed its standard cash flow forecasting for the company.

### **Methodology**

The methodologies used for these Credit Ratings and/or Outlook: (Corporate Rating Methodology, 6 July 2021), Corporates – Rating Methodology: European Automotive Suppliers (14 January 2022).

Scope Ratings GmbH, Scope Ratings UK Limited and Scope Hamburg GmbH apply the same methodologies/models and key rating assumptions for their credit rating services.

Information on the meaning of each Credit Rating category, including definitions of default, recoveries, Outlooks and Under Review, can be viewed in 'Basic Principles for Assigning Credit Ratings and Other Services 2 May 2022', published on [https://scopehamburg.com/seiten/SH\\_Principles\\_20220608.pdf](https://scopehamburg.com/seiten/SH_Principles_20220608.pdf). Historical default rates of the entities rated by Scope Hamburg can be viewed in the 'Credit Rating Transition and Default Study Feb. 2021' at [https://scopehamburg.com/seiten/Validation\\_Update\\_31Dec21.pdf](https://scopehamburg.com/seiten/Validation_Update_31Dec21.pdf). Also refer to the central platform (CEREP) of the European Securities and Markets Authority (ESMA): <https://cerp.esma.europa.eu/cerp-web/statistics/defaults.xhtml>. A comprehensive clarification of Scope Hamburg's definitions of default and Credit Rating notations can be found at [https://scopehamburg.com/seiten/SH\\_Principles\\_20220608.pdf](https://scopehamburg.com/seiten/SH_Principles_20220608.pdf). Guidance and information on how environmental, social or governance factors (ESG factors) are incorporated into the Credit Rating can be found in the respective sections of the methodologies or guidance documents provided on <https://scooperatings.com/governance-and-policies/rating-governance/methodologies>.

The Outlook indicates the most likely direction of the Credit Ratings if the Credit Ratings were to change within the next 12 to 18 months.

### **Solicitation, key sources and quality of information**

The Rated Entity and/or its Related Third Parties participated in the Credit Rating process.

The following substantially material sources of information were used to prepare the Credit Ratings: public domain, the Rated Entity and Scope Hamburg's internal sources.

Scope Hamburg considers the quality of information available to Scope Hamburg on the Rated Entity or instrument to be satisfactory. The information and data supporting the Credit Ratings originate from sources Scope Hamburg considers to be reliable and accurate. Scope Hamburg does not, however, independently verify the reliability and accuracy of the information and data.

Prior to the issuance of the Credit Rating action, the Rated Entity was given the opportunity to review the Credit Ratings and/or Outlook and the principal grounds on which the Credit Ratings and/or Outlook are based. Following that review, the Credit Ratings were not amended before being issued.

### **Regulatory disclosures**

These Credit Ratings and/or Outlook are issued by Scope Hamburg GmbH, Ferdinandstraße 29-33, D-20095 Hamburg, Tel +49 40 524724-170.

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The Credit Ratings/Outlook were first released by Scope Hamburg or its predecessor on 24 September 2012. The Credit Ratings/Outlook were last updated on 22 April 2022.

### Potential conflicts

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