

Bulletin:

Wendel Looking At Ample Financial Flexibility And Strong Focus On ESG In 2021

April 13, 2021

MILAN (S&P Global Ratings) April 13, 2021--S&P Global Ratings said today that Wendel (BBB/Stable/A-2) is poised to comfortably absorb sizable investments while solidifying its environmental, social, and governance (ESG) foundation in 2021.

Wendel has more than enough financial flexibility to handle incremental investments of slightly more than €1 billion, according to our estimates. At end-2020, the investment holding company's adjusted loan-to-value (LTV) ratio stood at 7.2%. This leaves ample room for investments before crossing the 20% LTV threshold for our 'BBB' rating.

Additionally, we believe that Wendel's new investments will have a sound ESG foundation. The company recently amended its €750 million revolving credit facility (RCF), embedding qualitative ESG criteria. In our view, this amendment sharpens the ESG roadmap Wendel detailed in 2020 and crystallizes its commitment to ESG. Among the investment holding companies that we rate, Wendel is the first to launch an RCF with ESG links.

The amended RCF includes three main ESG goals:

- To perform ESG due diligence on Wendel's new investments, and the controlled companies in its portfolio must implement an ESG roadmap;
- To evaluate and develop action plans to tackle the most prominent climate and carbon footprint risks facing controlled investee assets; and
- To foster gender diversity with a minimum 30% women board representation at investee assets and most group's holdings by end-2023.

We understand that meeting these criteria will moderately lift financing costs. They will be evaluated annually by an independent third-party.

S&P Global Ratings-adjusted 7.2% LTV for Wendel at end-2020 largely mirrors the company's 6.2% reported calculation. S&P Global Ratings applies the following main adjustments to both assets and liabilities are:

- €55.7 million investment commitments to develop private equity funds; and
- €31 million for the co-investments.

This report does not constitute a rating action.

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Related Research

- Full Analysis: Wendel, Feb. 11, 2021

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