

Bulletin:

Wendel Retains Good Financial Flexibility Despite Unsupportive Markets

December 21, 2022

This report does not constitute a rating action.

Milan (S&P Global Ratings) Dec. 21, 2022—S&P Global Ratings said today that **Wendel** (BBB/Stable/A-2) retains a strong balance sheet and ample financial flexibility against the 20% loan-to-value (LTV) ratio threshold for the rating, supported by a conservative financial policy. Meanwhile equity markets continue to be challenging (Euro Stoxx 50 Index is currently down by 11.1% year to date and by 22.8% as of Sept. 30, 2022). We estimate that as of Sept. 30, 2022, Wendel's LTV ratio was at a defensive level of about 8%. As a result, Wendel is one of the least levered holding companies we rate in Europe, the Middle East, and Asia after Exor N.V. (BBB+/Stable/A-2), which enjoys a net cash position after the disposal of PartnerRe, and Prosus N.V. (BBB/Stable/A-2), which retains a quasi-neutral net leverage.

In addition, notwithstanding the net asset value decreasing to €155.2 per share as of Sept. 30, 2022, versus €184.5 a year earlier, as a result of falling asset prices, we positively note that Wendel does not contemplate a material share buyback, therefore leaving the cash (about €1.0 billion as of Sept. 30, 2022) available for portfolio redeployment. We see this sizable cash buffer as positive for portfolio rotation, as well as for retaining financial flexibility in highly uncertain and unpredictable market conditions.

In its recent capital market day, the company reconfirmed the key pillars of its strategy, such as a long-term investment horizon and the intention to invest in companies with strong environmental, social, and governance fundamentals. In addition, we note that since the pandemic, deleveraging is back on track for all the investees. We also note that some of the investee assets have low defensive leverage, such as for example packaging company Costantia Flexibles. The two companies in Wendel's portfolio with higher-than-average leverage are U.S.-based Crisis Prevention Institute (5.3x currently and 7.2x at the end of 2019) and U.S.-based training and certifications provider Association of Certified Anti-Money Laundering Specialists (ACAMS; 5.7x currently and 6.5x at the end March 2022).

As of Dec. 1, 2022, Laurent Mignon joined Wendel as new CEO, succeeding André François-Poncet. Wendel's executive board now consists of: Laurent Mignon, Group CEO, and David Darmon, Deputy Group CEO and member of the executive board since 2019. At this stage, we do not anticipate a material change in the company's long-term objectives as a result of this transition that would affect the credit quality of the issuer. For more on our outlook on Wendel, see "Full Analysis: Wendel SE," published Feb. 25, 2022, on RatingsDirect.

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