

# **PRIVATE DEBT** QUICK REFERENCE GUIDE (EMEA)

## FITCH RATINGS

Fitch Ratings publishes credit ratings that are forward-looking opinions on the relative ability of an entity or obligation to meet financial commitments. Issuer default ratings (IDRs) are assigned to corporations, sovereign entities, financial institutions such as banks, leasing companies and insurers, and public finance entities (local and regional governments). Issue level ratings are also assigned, often include an expectation of recovery and may be notched above or below the issuer level rating. Issue ratings are assigned to secured and unsecured debt securities, loans, preferred stock and other instruments.

Credit ratings are indications of the likelihood of repayment in accordance with the terms of the issuance. In limited cases, Fitch may include additional considerations (i.e. rate to a higher or lower standard than that implied in the obligation's documentation).

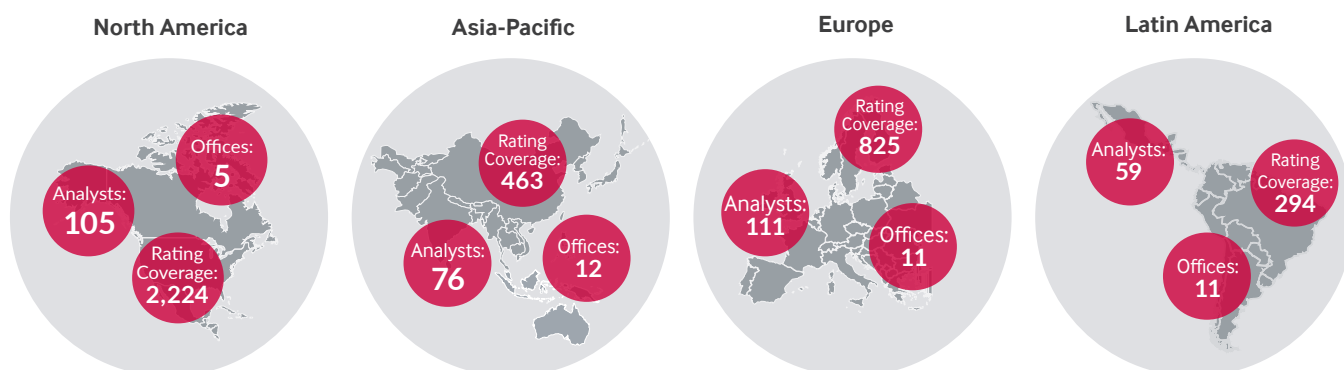
Ratings assigned by Fitch are opinions based on established, approved and published criteria.

## WHY FITCH?

Fitch Ratings is committed to maintaining the highest degree of analytical excellence through persistent analyst development and the publication of meaningful research to credit market participants.

<b>Analytical Longevity and Experience</b>	<ul style="list-style-type: none"><li>Average of 15-20 years credit and/or industry experience amongst senior analysts</li></ul>
<b>Rating Through the Cycle</b>	<ul style="list-style-type: none"><li>Analyst experience and Fitch's forward-looking methodology foster increased ratings stability</li></ul>
<b>Rigorous Analytics</b>	<ul style="list-style-type: none"><li>Fitch deploys well-tested models and comprehensive data with independent insight to consider every angle of an entity or transaction</li></ul>
<b>In-Depth Research</b>	<ul style="list-style-type: none"><li>Fitch offers detailed commentary through comprehensive compendiums, sector reports, &amp; topical publications</li><li>Widespread readership and praise amongst the investor community</li></ul>
<b>Frequent Investor Interaction</b>	<ul style="list-style-type: none"><li>Proactive "Analyst-to-Investor" dialogue via conferences, roundtables, sell-side events and ad-hoc one-on-one discussions</li></ul>
<b>Issuer-to-Analyst Ratio</b>	<ul style="list-style-type: none"><li>Fitch has one of the lowest "credits-per-analyst" ratios in the industry</li><li>It allows for greater responsiveness while spending more time to analyze each credit</li></ul>
<b>Customer Service, Flexibility and Cost Benefit</b>	<ul style="list-style-type: none"><li>Fitch understands the time and cost constraints of transacting parties and is dedicated to fulfilling the business requirements of issuers and bankers alike</li></ul>

## GLOBAL RATINGS AND ANALYTICAL COVERAGE







## WHAT IS A PRIVATE RATING?

Investors who are considering a private rating from Fitch can obtain a point-in-time, preliminary IDR. In addition, investors can also elect to receive an Indicative Rating (IR) whereby Fitch will also provide an instrument/issue rating on any outstanding or future debt issues in addition to the IDR.

Furthermore, Fitch will undertake annual long-term surveillance so as to provide a Private Monitored Rating (PMR) whereby it will undertake maintenance and monitoring of the rating and surveillance coverage on all outstanding long-term debt and bank loan facilities.

Fitch uses the same rating scale and criteria for private ratings as it does for public ratings. However, unlike public ratings, private ratings are not published and are only provided in the form of a rating letter. Whilst not intended for public disclosure, under current ESMA regulations, the recipient of a private rating may, however, share the rating with a limited number of third parties and on a strictly confidential basis – as long as such disclosure does not correspond to public disclosure or distribution by subscription – to ensure that the private rating is not disclosed further.





## WHAT IS A CREDIT OPINION?

Credit Opinions (COs) differ from Credit Ratings in that the assessment process is narrower in scope, both in terms of the information relied upon and how the CO is communicated and disseminated. COs use a published rating scale, but either omit certain analytical characteristics of a rating, or meet the characteristics of a lower standard. Credit Opinions are indicated using a lower-case letter symbol combined with either an <sup>“(\*)</sup> (e.g. 'bbb+<sup>“(\*)</sup>') or (cat) suffix to denote the opinion status. While Credit Opinions are typically point-in-time, and are not monitored, they may have a directional Watch or Outlook assigned, which can signify the trajectory of the credit profile.



## OVERVIEW OF FITCH PRIVATE RATING PRODUCTS

Fitch provides investors with a number of alternative rating approaches when considering a first-time rating engagement:

Rating Product	Analytical Credit Opinion	Point-in-Time Rating	Indicative Rating	Private Monitored Rating
<b>Description</b>	<ul style="list-style-type: none"> <li>• A single, one-off Analytical Credit Opinion of the Issuer Default Rating</li> <li>• No instrument/issue rating provided</li> </ul>	<ul style="list-style-type: none"> <li>• A point-in-time preliminary rating of the Issuer Default Rating</li> <li>• No instrument/issue rating provided</li> </ul>	<ul style="list-style-type: none"> <li>• A point-in-time preliminary rating of the Issuer Default Rating and instrument/issue rating</li> </ul>	<ul style="list-style-type: none"> <li>• Non-public financing transactions, e.g. U.S. Private Placement</li> <li>• IDR + instrument/issue rating</li> </ul>
<b>Public or Private</b>	• Private	• Private	• Private	• Private
<b>Published on Website</b>	• No	• No	• No	• No
<b>Distribution</b>	• Not intended for disclosure	• Not intended for disclosure	• Not intended for disclosure	• Limited
<b>Monitored</b>	• No, point in time	• No, point in time	• No, point in time	• Yes
<b>Notch-Specific</b>	• No	• No	• Yes	• Yes
<b>Outlook</b>	• No	• Yes	• Yes	• Yes
<b>Output</b>	 Rating outcome only ACO in writing	 Confidential rating letter IDR in writing	 Confidential rating letter IDR and instrument in writing	 Confidential rating letter IDR and instrument in writing

Credit Opinions are not 'ratings' in the traditional sense, however they go through a credit committee process. Often originates from Asset Manager request or third-party investor seeking independent credit view





**24**Direct Lenders  
Use Fitch**1,000+**Middle Market  
Credit Opinions**16**Middle Market  
CLO Managers**1,000+**Global Credit  
Analysts**24**Rated BDCs &  
Asset Managers

## BENEFITS OF A PRIVATE RATING

A Private Rating from Fitch increases the marketability of non-public financing transactions as well as helps provide capital charge relief to certain investors who are subjected to NAIC (The National Association of Insurance Commissioners) regulation. In certain jurisdictions a Private Rating can also be used by banks for regulatory capital purposes in relation to credit risk under the international regulatory framework for banks established by the Basel Committee on Banking Supervision (the “Basel Framework”).

Fitch delivers superior service by providing:

- Industry expertise across asset classes including Corporates, Infrastructure & Project Finance and Commercial Real Estate
- Timely feedback
- Transparency in the rating process

## NAIC CHANGES MIDDLE MARKET LOANS (MML)

Starting 2022 the number of NAIC designations increased from 6 to 20 making every rating notch important

Rating	NAIC Designation	New Capital Charge
BBB+	2.A	1.261%
BBB	2.B	1.523%
BBB-	2.C	2.168%
BB+	3.A	3.151%
BB	3.B	4.537%
BB-	3.C	6.017%
B+	4.A	7.386%
B	4.B	9.535%
B-	4.C	12.428%
CCC+	5.A	16.942%
CCC	5.B	23.798%
CCC-	5.C	30.000%
Unrated	6	30.000%

## NAIC CHANGES MIDDLE MARKET LOANS (MML)

BB Rated Debt

NAIC Designation 3.B at

**4.537%**

B Rated Debt

NAIC Designation 4.8 at

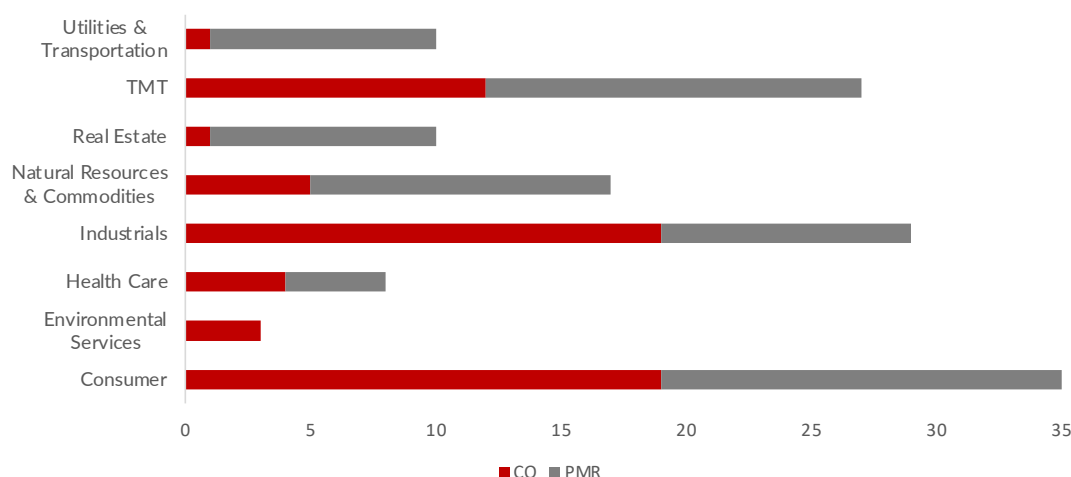
**9.535%**

Unrated Debt

NAIC Designation 6 at

**30.0%**

## SECTOR COVERAGE FOR EMEA PRIVATE RATINGS AND CREDIT OPINIONS



## INFORMATION REQUIREMENTS/PRIVATE MONITORED RATINGS & CREDIT OPINIONS

Information Requirements for a New Private Monitored Rating (CO/PMR) if available:		
Deal Information	<ul style="list-style-type: none"> <li>Detailed capital structure including preferred equity, mezzanine and sub-debt</li> <li>Lender presentation/bank book/info memo with clearly stated sources &amp; uses table. If unavailable, other investment/sponsor presentations should be provided</li> </ul>	CO & PMR
Financial Information	<ul style="list-style-type: none"> <li>Audited financials (3 years or more)</li> <li>Projections</li> <li>Management discussion and analysis</li> </ul>	CO & PMR
	<ul style="list-style-type: none"> <li>Current &amp; prior interim financials (monthly, quarterly or semi-annual)</li> <li>Quality of earnings report (if available)</li> </ul>	PMR
Legal Documents	<ul style="list-style-type: none"> <li>Credit agreement, inter-creditor agreement and other related debt documents</li> <li>Amendment documents</li> <li>Last two covenant compliance certificates</li> </ul>	CO & PMR
	<ul style="list-style-type: none"> <li>Other related debt documents including stock/preferred equity agreements, mezzanine or other sub-debt documentation</li> </ul>	PMR
On a periodic and ongoing basis, the following items (if available) should be supplied to update an existing CO/PMR:		
Quarterly Updates	<ul style="list-style-type: none"> <li>Quarterly compliance</li> <li>Quarterly financials</li> <li>Updated lender presentation</li> </ul>	PMR
Annual Updates or Credit Events	<ul style="list-style-type: none"> <li>Audited &amp; interim financial statements since initial submission (if any)</li> <li>Amendment documents since initial submission (if any)</li> <li>Covenant compliance since initial submission (if any)</li> <li>Notification of change to capital structure &amp; legal documents</li> <li>Updated lender presentation</li> <li>Projections</li> <li>Management discussion and analysis</li> </ul>	CO & PMR
	<ul style="list-style-type: none"> <li>Supporting documents (including stock/preferred equity agreements, mezzanine or other sub-debt documentation)</li> </ul>	PMR






## CONTACTS



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