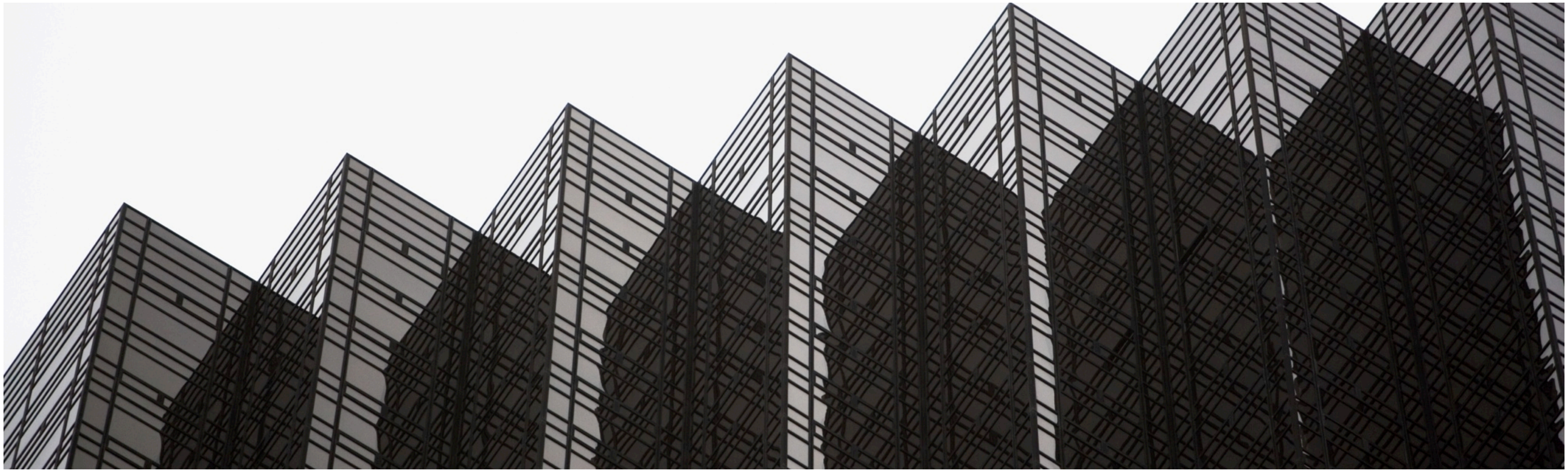
Creditor Relations Tagung

Tobias Mock, S&P Global Ratings

Rating 4.0: Welche Rolle spielt die Digitalisierung im Ratingprozess?



S&P Global
Ratings

Agenda

S&P Global Ratings

Rating und Ratingsprozess

Die Rolle von Ratings im Finanz- und Kapitalmarkt

- Ratings reduzieren Informationsasymmetrien, schaffen Transparenz und bauen somit eine Brücke zwischen Investoren und Unternehmen
- Mehr Informationen ermöglichen eine bessere Preisdifferenzierung und somit eine effektivere Allokation von Kapital sowie ein besseres Funktionieren von Märkten => Beispiel: Akerlof’s “Creampuffs” and “Lemons”
- Ratings unterstützen Investitionen und Wachstum der Unternehmen
- Unabhängige Analyse von Risikofaktoren für Unternehmensführer und Eigentümer mit Einstufung auf einer globalen Benchmark

S&P Global Ratings sind eine Meinung

“S&P Global Ratings drücken unsere Meinung zur Fähigkeit oder Bereitschaft eines Schuldners aus, seinen Zahlungsverpflichtungen vollständig und pünktlich nachzukommen. Ratings sind Meinungen und ein relatives Maß zu Kreditrisiken.“

Ratings können ebenfalls eine Aussage über die Kreditqualität einzelner Schuldverschreibungen (z.B. eine Firmenanleihe) und die relative Wahrscheinlichkeit einer Zahlungsstörung dieses Wertpapiers treffen.

Der Ratingprozess

1. Contract
The issuer requests a rating and signs an engagement letter.

2. Pre-evaluation
S&P Global assembles a team of analysts to review pertinent information.

3. Management Meeting
Analysts meet with management team to review and discuss information.

4. Analysis
Analysts evaluate information and propose the rating to a rating committee.

5. Rating Committee
The committee meets to review and discuss the lead analyst's rating recommendation and presentation and then votes on the credit rating.*

6. Notification
S&P Global generally provides the issuer with a pre-publication rationale for its credit rating for fact-checking and accuracy purposes.

7. Publication
S&P Global typically publishes a press release announcing the public rating and posts the rating on www.spglobal.com/ratings

8. Surveillance of Rated Issuers and Issues

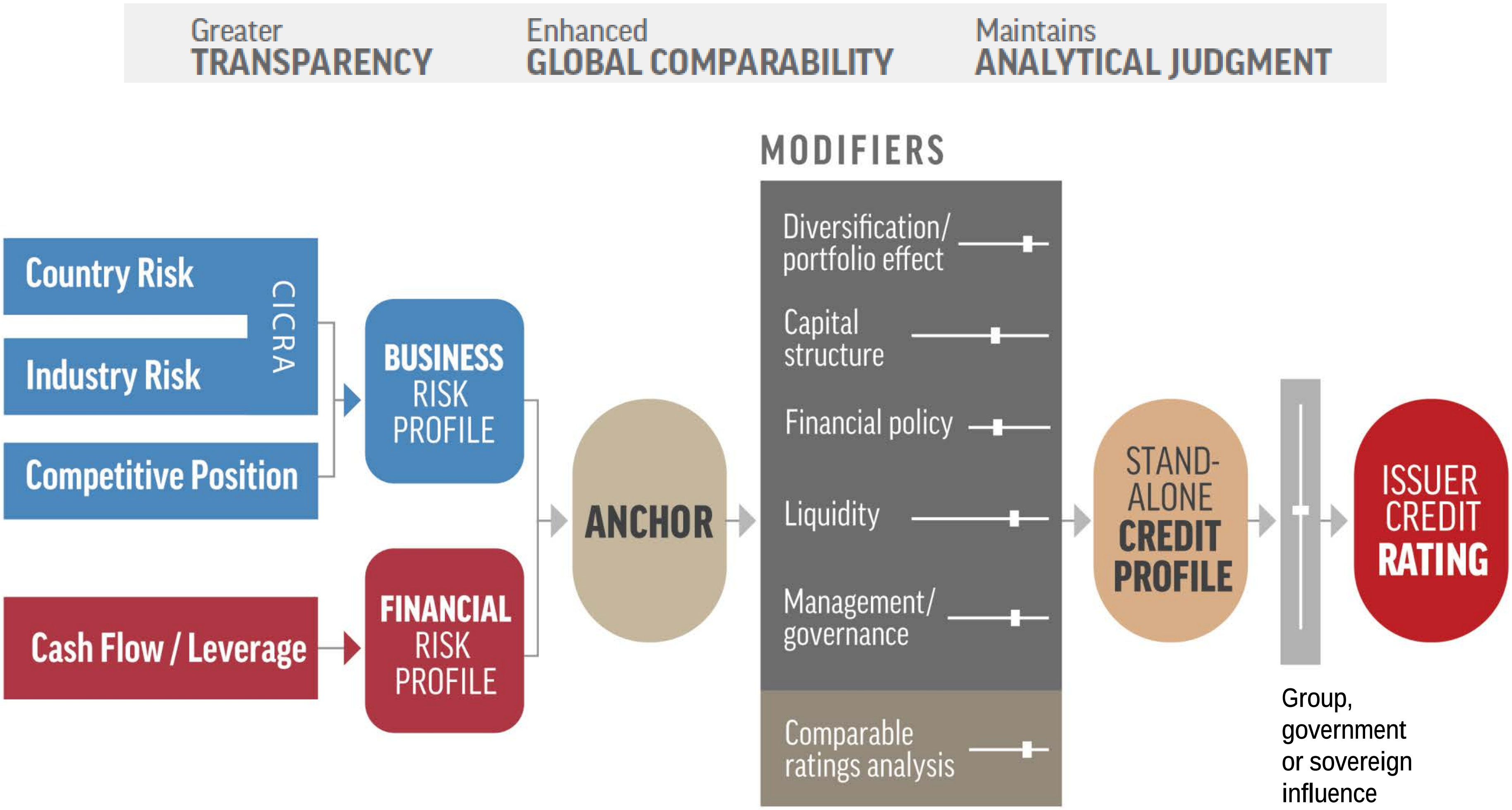
New rating process takes about 2-4 weeks

*S&P Global may allow for an appeal only if the issuer can provide new and significant information to support a potentially difficult rating conclusion.

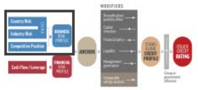
S&P Global Ratings

Überblick Methodologie für Unternehmensratings

S&P Global Ratingsmethodologie für Unternehmen



Geschäftsrisikoprofil:
Kombination von Wettbewerbsposition, Industrie- & Länderrisiko – Beispiele



CICRA						
	--Länderrisiko--					
Industrierisiko	**1**	**2**	**3**	**4**	**5**	**6**
Very low (1)	1	1	1	2	4	5
Low (2)	2	2	2	3	4	5
Intermediate (3)	3	3	3	3	4	6
Moderately high (4)	4	4	4	4	5	6
High (5)	5	5	5	5	5	6
Very high (6)	6	6	6	6	6	6

1. Beispiele Industrierisiko

Retail restaurants

Pharmaceuticals

Engineering and Constructing

Transportation Cyclical

Regulated utilities

2. Beispiele Länderrisiko

Frankreich

Deutschland

Indien

Russland

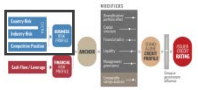
Pakistan

Spanien

(*) scores according to Publication „S&P Global Ratings assigns industry risk assessments to 38 nonfinancial corporate industries", published on Novemer 20th 2013

S&P Global Ratings

Geschäftsrisikoprofil:
Kombination von Wettbewerbsposition, Industrie- & Länderrisiko – Beispiele



1. Beispiele Wettbewerbsposition

- Löwenplay GmbH
- Tui AG
- Daimler AG
- Wal-Mart Stores Inc.
- Bertelsmann SE & Co. KGaA

2. Beispiele CICRA

- JB Hunt Transport Service Inc.
- Wal-Mart Stores Inc.
- Douglas GmbH
- Rosneft OJSC
- Open Grid Europe Group

Business Risk Profile

	--CICRA--					
Wettbewerbsposition	**1**	**2**	**3**	**4**	**5**	**6**
Excellent (1)	1	1	1	2	3	5
Strong (2)	1	2	2	3	4	5
Satisfactory (3)	2	3	3	3	4	6
Fair (4)	3	4	4	4	5	6
Weak (5)	4	5	5	5	5	6
Vulnerable (6)	5	6	6	6	6	6

*Business risk profile assessments: 1 (excellent), 2 (strong), 3 (satisfactory), 4 (fair), 5 (weak), 6 (vulnerable)

**See: 'Corporate Methodology', Nov. 19, 2013;

(*) scores according to Publication „S&P Global assigns industry risk assessments to 38 nonfinancial corporate industries", published on Novemer 20th 2013

Cash Flow/Leverage (CFL)

Core Ratios

FFO/Debt
Debt/EBITDA

FFO Definition
EBITDA minus Nettozinsaufwand, minus laufende Steuerausgaben, adjustiert nach S&P Global Methodologie

EBITDA Definition
Umsatz minus Betriebsaufwand plus Abschreibungen und Amortisierung adjustiert nach S&P Global Methodologie

Supplemental Ratios

Falls der vorläufig ermittelte Wert "Intermediate" oder besser ist :

- CFO/Debt
- FOCF/Debt
- DCF/Debt

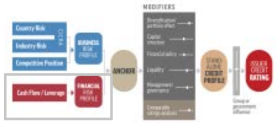
Falls der vorläufig ermittelte Wert "Significant" oder schlechter ist :

- EBITDA/Interest
- (FFO + Interest)/
  Cash Interest

Industry Key Credit Factor commentaries may identify additional supplemental ratio(s)

Die Analyse der Supplemental Ratios kann den vorläufig ermittelten Wert BESTÄTIGEN oder VERÄNDERN.

Cash Flow/Leverage (CFL)

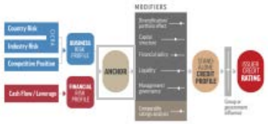


Cash Flow/Leverage Analysis Ratios--Standard Volatility

	--Core ratios--		--Supplementary coverage ratios--		--Supplementary payback ratios--		
	FFO/debt (%)	Debt/EBITDA (x)	FFO/cash interest(x)	EBITDA/interest (x)	CFO/debt (%)	FOCF/debt (%)	DCF/debt (%)
Minimal	60+	Less than 1.5	More than 13	More than 15	More than 50	40+	25+
Modest	45-60	1.5-2	9-13	10-15	35-50	25-40	15-25
Intermediate	30-45	2-3	6-9	6-10	25-35	15-25	10-15
Significant	20-30	3-4	4-6	3-6	15-25	10-15	5-10
Aggressive	12-20	4-5	2-4	2-3	10-15	5-10	2-5
Highly leveraged	Less than 12	Greater than 5	Less than 2	Less than 2	Less than 10	Less than 5	Less than 2

FFO *- Funds From Operations, approx. equals (EBITDA – Interest Expense – Current Tax Expense).*
CFO *- Cash Flow From Operations.*
FOCF *- Free Operating Cash Flow, equals (CFO – Capital Expenditures).*
DCF *- Discretionary Cash Flow, equals (FOCF – Dividends).*

Bestimmung des Anker Ratings



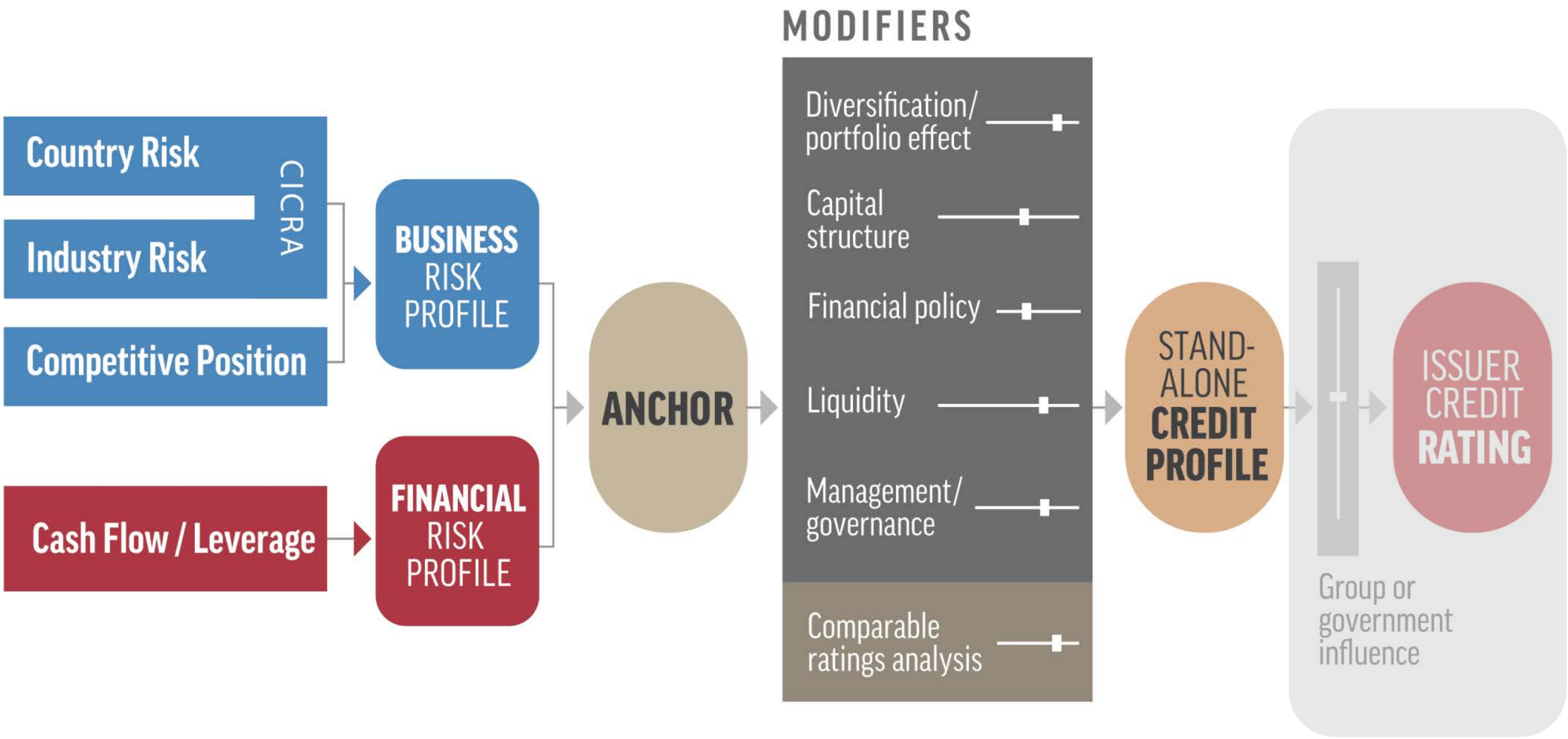
Business and Financial Risk Profile Matrix

Business Risk Profile	Financial Risk Profile: 1 (Minimal)	2 (Modest)	3 (Intermediate)	4 (Significant)	5 (Aggressive)	6 (Highly Leveraged)
1 (Excellent)	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
2 (Strong)	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
3 (Satisfactory)	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
4 (Fair)	bbb/bbb-	bbb-	bb+	bb	bb-	b
5 (Weak)	bb+	bb+	bb	bb-	b+	b/b-
6 (Vulnerable)	bb-	bb-	bb-/b+	b+	b	b-

Im Falle zweier möglicher Ergebnisse in der Tabelle wird wie folgt entschieden:

- Die komparative Stärke des Geschäftsrisikoprofil für Finanzrisikoprofile 4 oder besser
- Die komparative Stärke des Finanzrisikoprofils im Falle eines Finanzrisikoprofiles von 5 oder 6

Modifiers



S&P Global Ratings

Emmissionsratings im Spekulativen Bereich

Unternehmensrating (Issuer Rating)

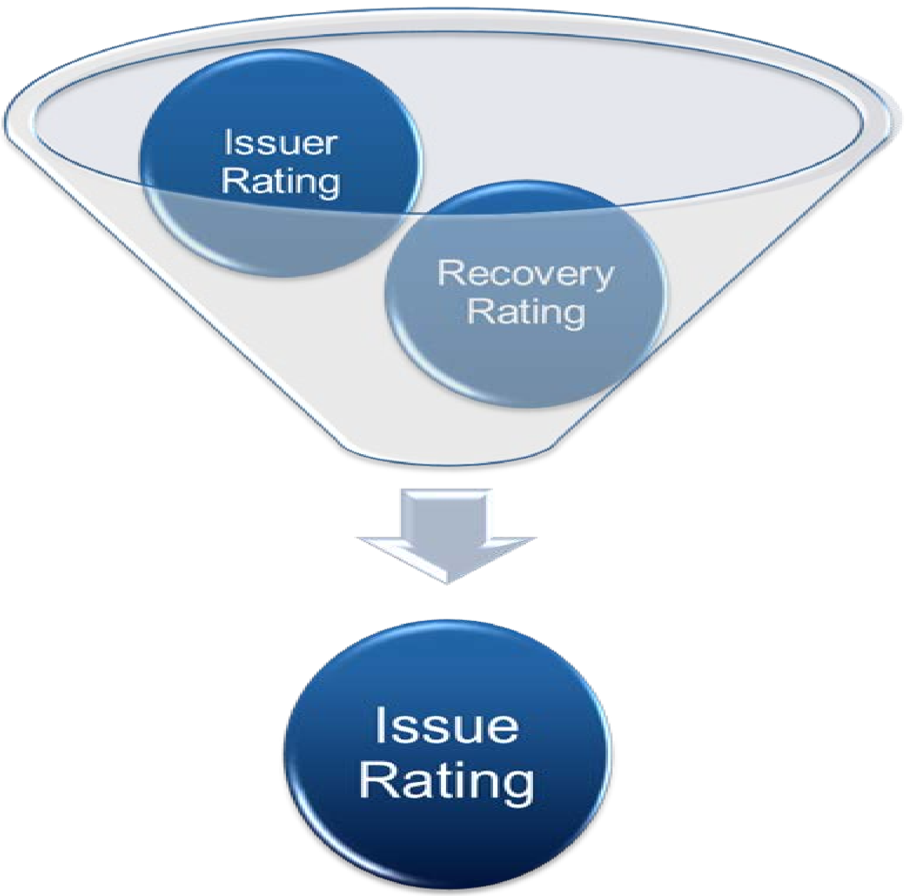
- Fähigkeit und Bereitschaft die finanziellen Verpflichtungen zu erfüllen
- ‘Reine’ Verlustwahrscheinlichkeit (PD)

Recovery Rating

- Schätzung des zu erwartenden Recovery Wertes des analysierten Finanzierungsintstrument
- ‘Reine’ Meinung zum möglichen Ausfallverlust (LGD)

Anleihenrating (Issue Rating)

- Kombination von PD and LGD



Ratings 4.0

Digitalisierung und Artificial Intelligence – Technologische Disruption

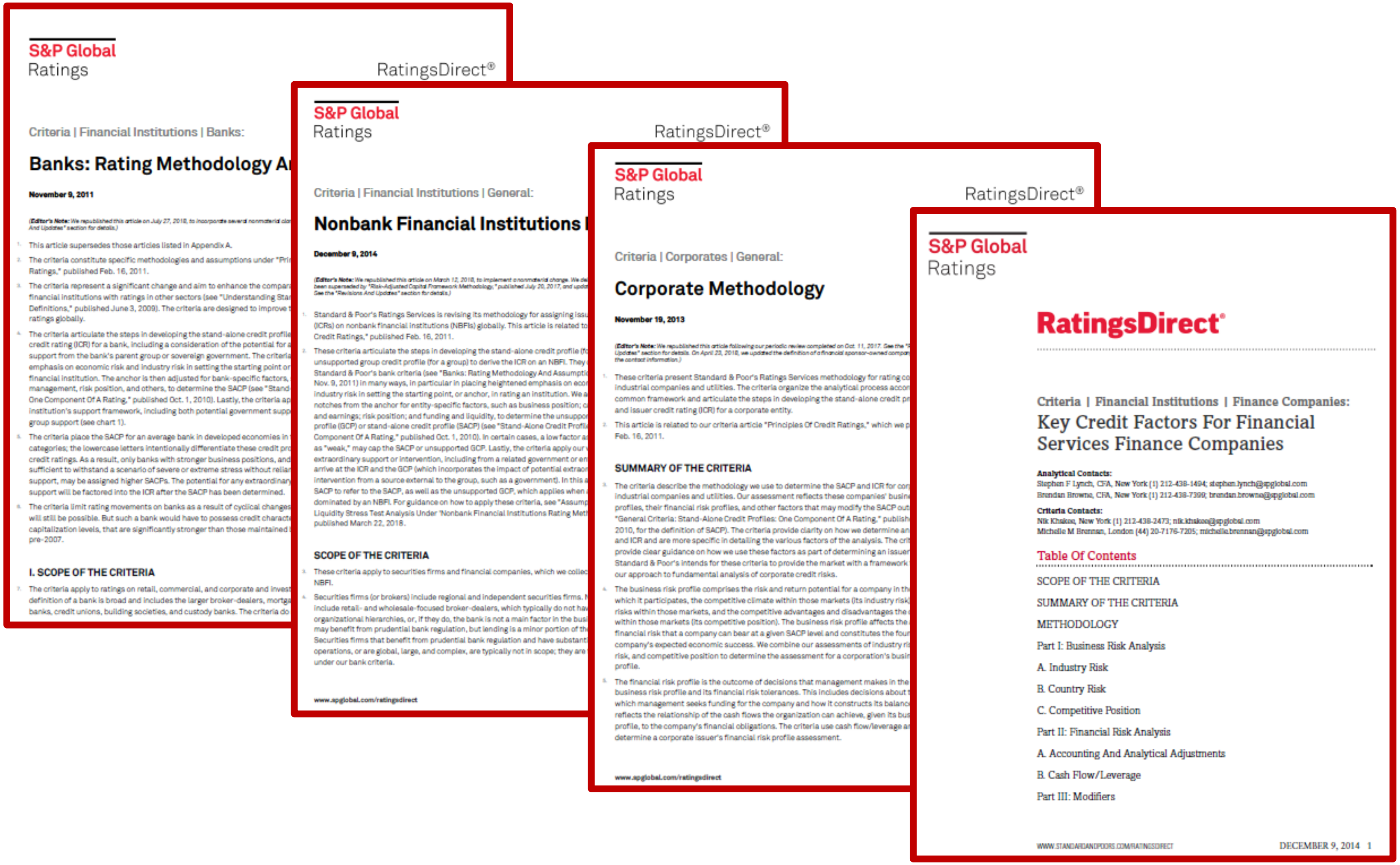
Einfluss auf die Geschäftsmodelle von gerateten Unternehmen

AI (Augmented Intelligence) – Big Data Analyse

Kommunikation – Integriert, Persönlich

Innovation

Wie verändern sich Geschäftsmodelle?



Zusammenarbeit von Analysten unterschiedlicher Bereiche bei der Analyse wird zunehmend wichtiger: Neue Risiken wie Cyber Risk etc.

S&P Global Ratings

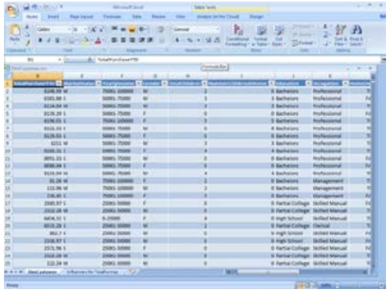
Mit welchen Tools werden Analysten arbeiten?

S&P Global sieht Chancen mit Augmented Intelligence - Anatech

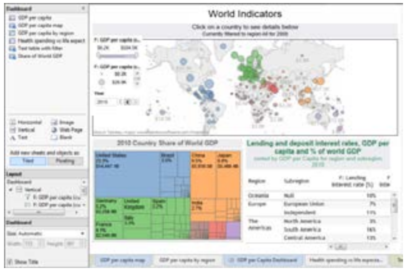
Manual Research

Simple Calculations

Excel: Charts, Simple Stats, Forecasts



Connect Multiple Data Sources: Enhanced Statistics



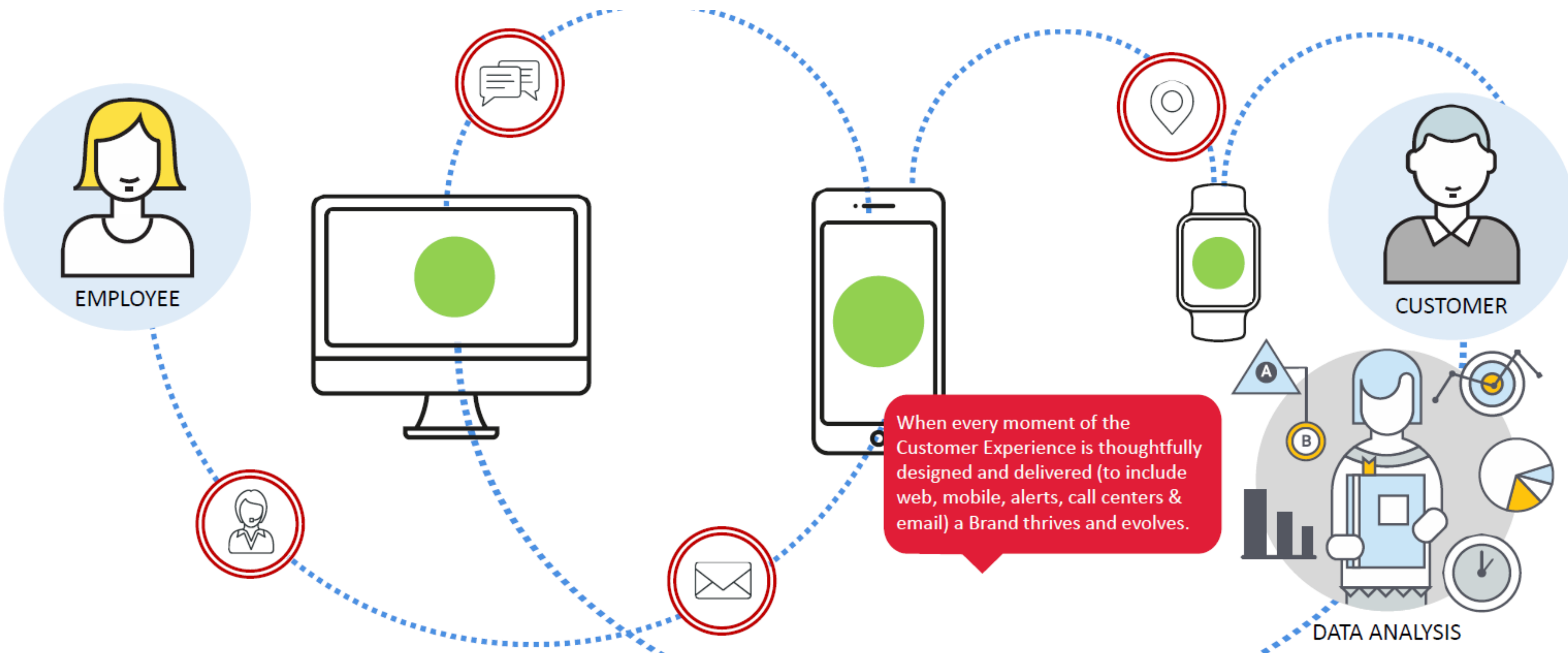
Advanced Statistics connecting multiple in and outside sources

Die Bedeutung von Digital Literarcy für den Veränderungsprozess in Unternehmen

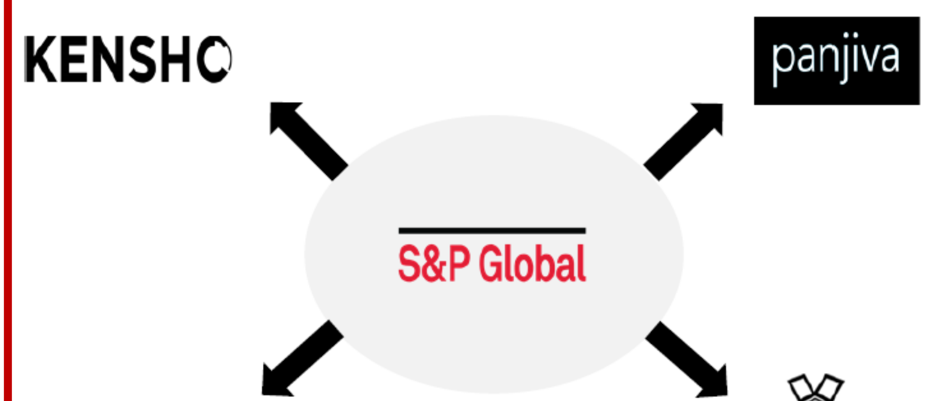
digital literacy =
digital tool knowledge +
critical thinking + social
engagement

Digital Experience für Kunden

Alle Bereiche sollten vernetzt sein für eine erfolgreiche Umsetzung



S&P Global: Externe und Interne Aktivitäten



To scale exposure to emerging technologies, S&P Global is a limited partner in two fintech-focused-funds: Green Visor (San Francisco) and Arbor (Hong Kong and Israel)

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9. Jahrgang

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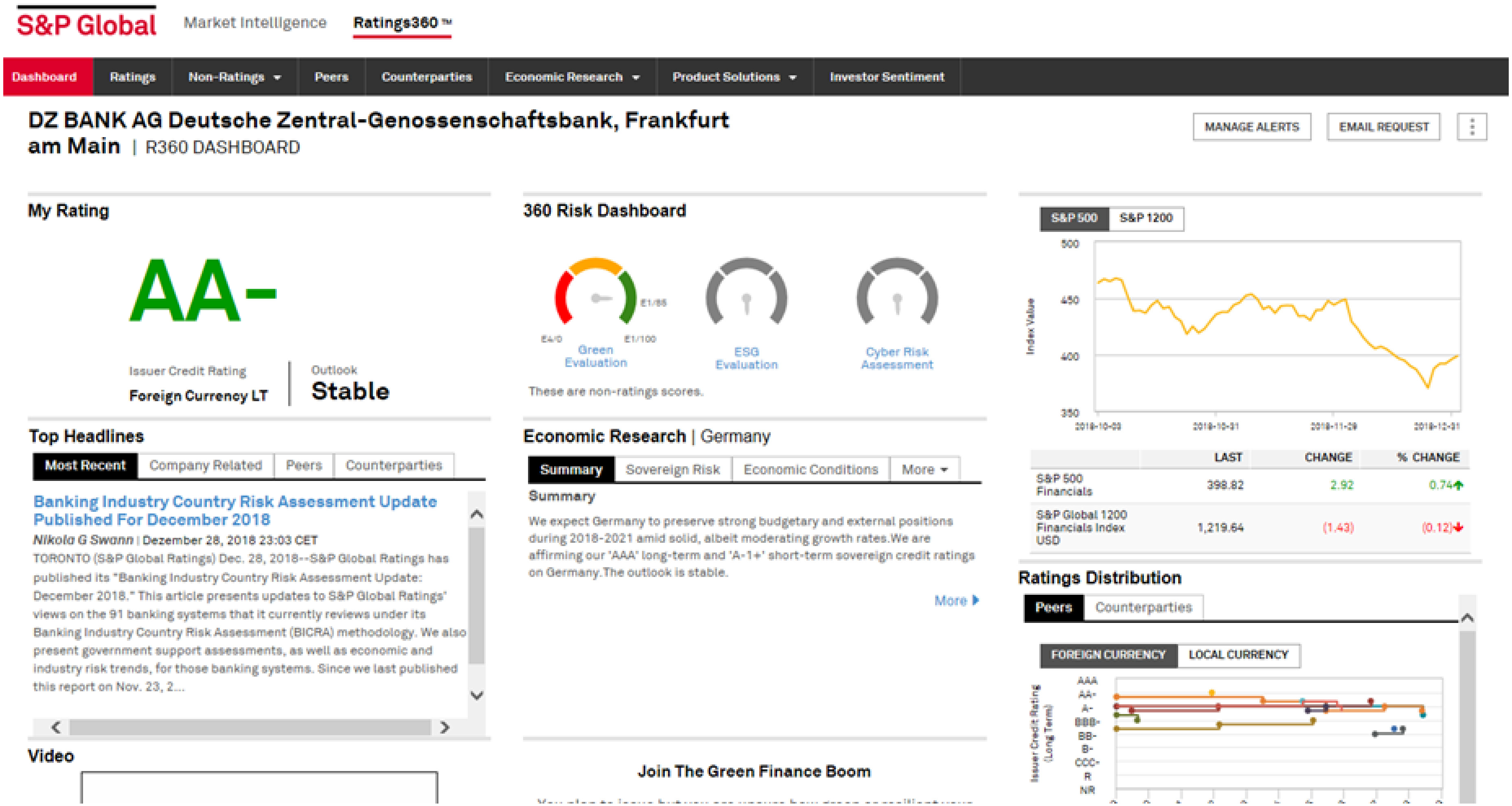
THEMENHEFT: RATING 4.0

Ratings 360- Neue Platform für Emittenten (Live)



S&P Global Ratings

RD - Neue Platform für Investoren (In Progress)

Table of Contents

CREATE ALERT | ADD TO | PRINT | EXPORT

PayPal Holdings Inc. | RESEARCH

September 26, 2018

Rationale

Business Risk

- Operates one of the largest online payments systems and digital payments platforms globally
- Highly scalable business model
- Strong growth prospects in online and digital payments
- Narrow product focus (payment processing)--that is, limited diversification

Financial Risk

- Strong cash flow generator
- Still-low leverage despite an increasingly aggressive financial policy
- Below-average operating margin (compared with other financial market infrastructure companies)

Clearing and Settlement Risk

- Lower risk on the U.S. retail loan book following the transaction with Synchrony
- Planned expansion of the merchant loan book

BBB+ / STABLE / A-2

Issuer Credit Rating

COMPANY DESCRIPTION

PayPal is an online payments system that operates one of the largest digital payments platforms globally. It helps people and businesses accept and make payments online in more than 200 markets worldwide and more than 100 different currencies. PayPal was spun off by eBay into a separate, publicly traded company and started trading on the NASDAQ on July 20, 2015.

RATINGS SCORE SNAPSHOT Last Updated Date: 12/05/2018

Business Risk: Satisfactory (3)

Country risk	Low(2)
Industry risk	Low(2)
Competitive position	Satisfactory (3)
Financial risk	Minimal (1)
Preliminary anchor	a-
Clearing and settlemet risk	-1

Anchor: bbb+

Modifiers

Company Description

PayPal is an online payments system that operates one of the largest digital payments platforms globally. It helps people and businesses accept and make payments online in more than 200 markets worldwide and more than 100 different currencies. PayPal was spun off by eBay into a separate, publicly traded company and started trading on the NASDAQ on July 20, 2015.
There are essentially four different ways to transact through PayPal:

- The payment networks such as Visa or MasterCard;
- A customer's bank account;
- Cash deposited to and held with PayPal; and
- A consumer credit through PayPal's Credit program (through Synchrony as the lender in the U.S.)

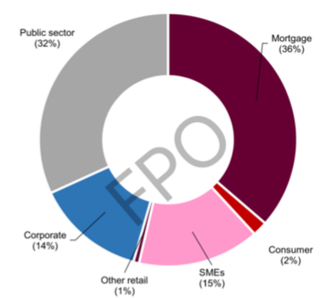
Regulation

Technically, PayPal is not considered a bank because it does not engage in fractional reserve banking. That said, we consider PayPal a quasi-regulated entity. For example, its Luxembourg entity has a banking license, and in the U.S. it is registered with the Treasury Department as a money services business and licensed in 48 states. PayPal operates very close to the highly regulated banking environment, which at least in part extends to its own operations and conduct.

READ MORE

Quick Chart View

Loan Book By Sector (June 2018)



Source: Belfius Bank

Chancen der Digitalisierung für Ratings 4.0

- Bessere Informationsaufbereitung für die Entscheidungsfindung – Augmented Intelligence
- Mehr Transparenz und Erklärung von kausalen Zusammenhängen
- Möglichkeit von Scenario Analysen mit komplexen Zusammenhängen
- Effizienzsteigerungen für Kunden und Unternehmen
- Innovationen
- Zeitnahe Entscheidungen
- Bessere Integration in Arbeitsprozesse von Investoren und Unternehmen

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