

Cabonline Group Holding AB (publ)

Rating Action Report

Cabonline Group Holding AB (publ) 'CCC' long-term issuer rating affirmed and withdrawn

LONG-TERM RATING

NR

OUTLOOK

-

SHORT-TERM RATING

NR

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Nordic Credit Rating said today that it had withdrawn its 'CCC' long-term and 'N-4' short-term issuer credit ratings on Swedish taxi and technology company [Cabonline Group Holding AB \(publ\)](#) (Cabonline) at the issuer's request. Prior to withdrawal, the ratings were affirmed and the outlook was developing.

Rationale

The affirmation reflects our view that the operating environment is uncertain. While the availability of a COVID-19 vaccine increases the prospect that the Nordic economies will reopen, a risk remains of slower recovery in business and private travel over the next 12 months than we expected in July 2020.

Under our criteria, a 'CCC' rating reflects a corporate that is distressed to the extent that its capital structure is unsustainable and there is a strong likelihood of default or a distressed exchange without material concessions from creditors, even though such outcomes might not materialise within the next 12 months. This compares with our definition of a 'CC' rating level where an event of default is highly likely within the next 12 months. Cabonline's situation reflects the 'CCC' definition in our corporate rating methodology and overrides our standalone credit assessment based on underlying factors.

During the third quarter, Cabonline successfully amended the terms and conditions of its outstanding senior secured SEK 1.8bn bond. The amended terms and conditions include an agreed waiver of a required net debt/EBITDA metric of 7.0x for the four quarters ending 30 Sep. 2021. We note that continued pressure on Cabonline's EBITDA increases the risk that the company will not be in compliance with the required 7.0x net debt/EBITDA metric at end-2021, based on full year 2021 EBITDA. The 12-month metric stood at 8.5x at end-September 2020, including five months of normal pre-pandemic activity. It stood at 5.5x at end-2019.

Outlook

At the point of withdrawal, the outlook on the long-term rating was developing, reflecting the likelihood that the rating could be raised or lowered within the subsequent 18 months. If the negative effects of COVID-19 on revenues continue, Cabonline's cash position could deteriorate further, forcing the company to access the owner commitment and incur higher indebtedness and interest costs. The outlook further reflected the risk of a covenant breach by end-2021 had EBITDA not normalised by mid-2021. Conversely, there is potential for improvement in the operating environment resulting from an effective rollout of a COVID-19 vaccine, which could reduce downside risk and improve the company's long-term prospects.

Rating list	Withdrawal	To	From
Long-term issuer credit rating:	NR	CCC	CCC
Outlook:	-	Developing	Developing
Short-term issuer credit rating:	NR	N-4	N-4
Senior secured issue rating:	NR	CCC	CCC

All research for this issuer is available [here](#).

Figure 1. Cabonline rating scorecard

Subfactors	Impact	Withdrawal	To	From
Operating environment	20.0%	-	b-	b-
Market position	10.0%	-	bb	bb
Size and diversification	10.0%	-	b	b
Operating efficiency	10.0%	-	b-	b-
Business risk assessment	50.0%	-	b	b
Ratio analysis		-	b-	b-
Risk appetite		-	b-	b-
Financial risk assessment	50.0%	-	b-	b-
Indicative credit assessment		-	b-	b-
Liquidity		-	Adequate	Adequate
ESG		-	Adequate	Adequate
Peer comparisons		-	Neutral	Neutral
Stand-alone credit assessment		-	b-	b-
Support analysis		-	Neutral	Neutral
Issuer rating		NR	CCC	CCC
Outlook		-	Developing	Developing
Short-term rating		NR	N-4	N-4

Figure 2. Capital structure ratings

Seniority	Withdrawal	To	From
Senior secured	NR	CCC	CCC

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating Issue credit rating
Publication date:	The rating was first published on 06 Nov. 2019.
Office responsible for the credit rating:	Nordic Credit Rating AS (NCR), Oslo, Norway. NCR is a registered credit rating agency under Regulation (EC) No 1060/2009.
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Were ESG factors a key driver behind the change to the credit rating or rating outlook?	No.
Methodology used when determining the credit rating:	NCR's Corporate Methodology published on 14 Aug. 2018 NCR's Rating Principles published on 16 Sep. 2019 The methodology and principles documents provide analytical guidance to NCR's rating activities including but not limited to, assumptions, parameters, cash flow analysis, and stress-testing. NCR's methodologies and principles can be found on our website nordiccreditrating.com/governance/policies . The historical default rates of entities and securities rated by NCR will be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA) .
Materials used when determining the credit rating:	Annual- and quarterly reports of the rated entity, Bond prospectuses, Company presentations, Data provided by external data providers, External market reports, Meetings with management of the rated entity, Non-public information, Press reports/public information, Website of rated entity.
Potential conflicts of interest:	The rating is NCR's independent opinion of the rated entity's relative creditworthiness. The rating is solicited, i.e. it is prepared for a fee paid by the rated entity. At the time of analysis and publication neither NCR nor any of the analysts or persons involved in the rating process held any interest, ownership interest or securities in the rated entity. NCR does not have any direct or indirect shareholder with a holding of more than 5% of NCR's shares and votes. For further information, please refer to NCR's conflict of interest policy which is available on: https://nordiccreditrating.com/governance/policies
Additional information:	Prior to publication, the rating was disclosed to the rated entity. The issuer was given 24 hours (of which 8 business hours) to remark on factual errors and/or the inadvertent inclusion of confidential information, if applicable. The rating was not amended after the review by the issuer. No stress test was performed. Standard cash flow forecasting was performed. NCR's rating is an opinion regarding the relative creditworthiness of an entity or an instrument. It is not a prediction, guarantee or recommendation to buy, hold or sell securities. NCR assigns outlooks to issuer ratings to indicate where they could move in the near term, normally 12-18 months. Further information on the rating process, rating definitions and limitations is available on our website: nordiccreditrating.com/governance/policies .
Ancillary services provided:	No ancillary services were provided.
Regulations:	This rating was issued and disclosed under Regulation (EC) No 1060/2009.
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