

SUMMARY OF FEEDBACK ON REQUEST FOR COMMENT: INSTRUMENT RATINGS FOR CORPORATE ISSUERS

On 23 Mar. 2023, Nordic Credit Rating (NCR) published a request for comment on its amendment of its issue rating methodology for corporate issuers. After receiving feedback from various parties, we finalised and published the criteria on 8 May 2023.

This document provides a summary of feedback from market participants on the draft criteria. Some adjustments were made to the final criteria in response to this feedback, but without changing the analytical approach or implications of the criteria.

We thank respondents and appreciate the feedback they provided.

NOTCHING PRINCIPLES FOR CORPORATE ISSUERS: SECURED GROSS DEBT TO EBITDA

One respondent asked us to provide additional clarity on how we define EBITDA in the calculation of gross secured debt to EBITDA and the time horizon we consider when using the notching principle for unsecured debt. In response, we have added a note to Figure 19 to clarify that we consider an issuer's long-term capital structure, typically over a 12–18 month period when determining the issue rating. The measure used is NCR-adjusted EBITDA, as defined in Figure 24.

NOTCHING PRINCIPLES FOR CORPORATE ISSUERS: CONSIDERATION OF NET DEBT FOR NOTCHING UNSECURED DEBT INSTRUMENTS

Another respondent asked us to consider whether net secured interest-bearing debt should be used in the metric instead of gross secured interest-bearing debt when applying the notching principle for unsecured debt instruments in Figure 19. We have chosen to maintain the proposed measure of gross secured interest-bearing debt to reflect the uncertainty of cash balances in a company under distress. However, net interest-bearing debt is used in our financial ratio analysis as part of our assessment of a company's financial risk and is, therefore, reflected elsewhere in the rating.

NOTCHING PRINCIPLES FOR CORPORATE ISSUERS: CLARIFICATION OF NOTCHING PRINCIPLES FOR ASSET-HEAVY INDUSTRIES

One respondent commented that the ability to use alternative metrics in §57 of the draft criteria seemed to only apply to issuers in the 'BB' category. This was not the initial intention, and to address this comment we have split the paragraph to more clearly reflect those points associated with all issuers and those associated with an issuer rating in the 'BB' category.