Credit Outlook

23 July 2020

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We expect that the default rate for the US will exceed that of EMEA a year from now, while debt recoveries will be lower for both regions than during prior recessions.

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Texas Instruments second-quarter results and outlook are down, but better than feared

Originally published on 22 July 2020

On 21 July, semiconductor maker Texas Instruments Inc. (TI, A1 stable) reported a 12% year-over-year revenue decline to $3.2 billion for the second quarter and forecast a 9.5% year-over-year decline for the third quarter, which would mark eight consecutive quarters of revenue declines. Excluding the company's successful exit from the handset-oriented wireless semiconductor business about ten years ago, this is the longest streak of revenue declines since TI's revenue fell for six consecutive quarters during the financial crisis of 2008-09.

Despite the declines, the results and outlook are credit positive since performance was better than TI's guidance three months ago for second quarter revenue to decline by 21% and also, the guidance for third-quarter revenue to be down 9.5% year over year is better than our assumption three months ago that revenue would be down by 20%.

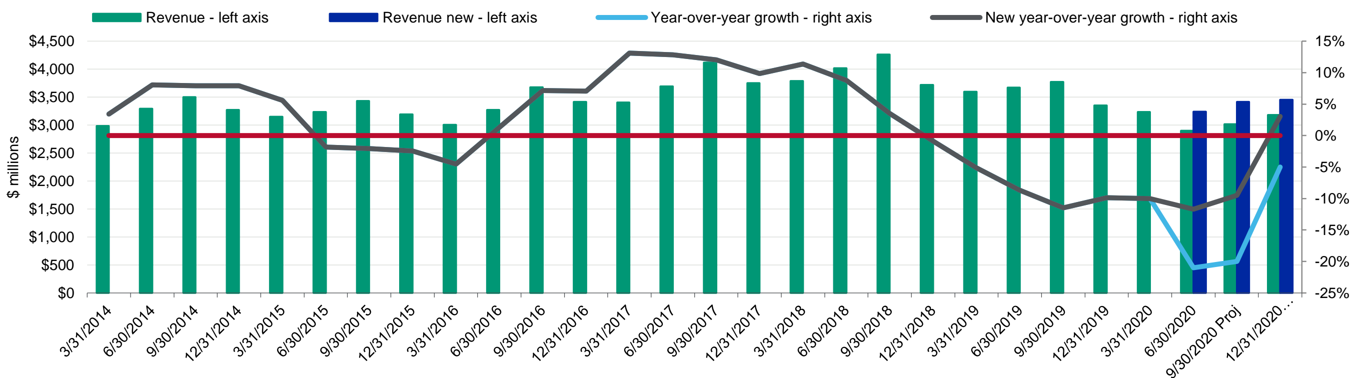
For the second quarter, TI noted sequential revenue growth in all broad end markets except automotive, which was down 40% sequentially. Excluding the automotive sector, revenue increased by 8% sequentially and was down 3% year-over-year. The company believes the automotive sector bottomed in May as global production broadly has begun to resume. The company indicated improving demand from its broad industrial, personal electronics, communications equipment, and datacenter end markets that we expect will continue in the quarter ending September.

Following TI's projected 9.5% year-over-year decline in revenue for the third quarter (better than our estimate three months ago for a 20% decline) we are assuming a 3% year-over-year growth as sequential activity improves, notably in the automotive sector. On a trailing twelve month basis, we continue to project TI's revenue decline will bottom in the third quarter at around $13.3 billion, with an approximate 10% year-over-year decline, followed by lower declines and then growth as 2021 progresses (see Exhibit 1). This compares to a 27% year-over-year decline in trailing 12 month revenue during the financial crisis in September 2009. In the subsequent 12 months ending September 2010, TI's revenue grew 36%.

Exhibit 1

Revenue down in 2020 but by less than feared

Quarterly revenue growth, year-over-year



Sources: Moody's Financial Metrics and Moody's Investors Service projections

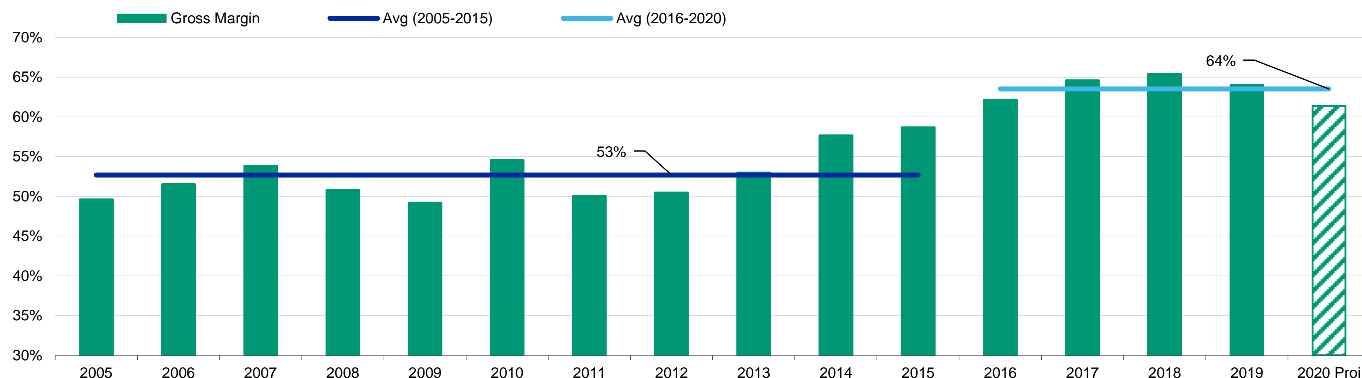
This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Despite this prolonged, coronavirus-driven downturn, and related earnings decline at TI, we expect the company will still generate solid profitability, profit margins, and cash flow after capital spending. Even with a projected, volume-driven decline in 2020, gross margins on average are about 11% higher in recent years than the average between 2005 and 2015 and 12% higher today than in 2009 (see Exhibit 2).

Exhibit 2

Gross margins structurally higher

Quarterly gross margins

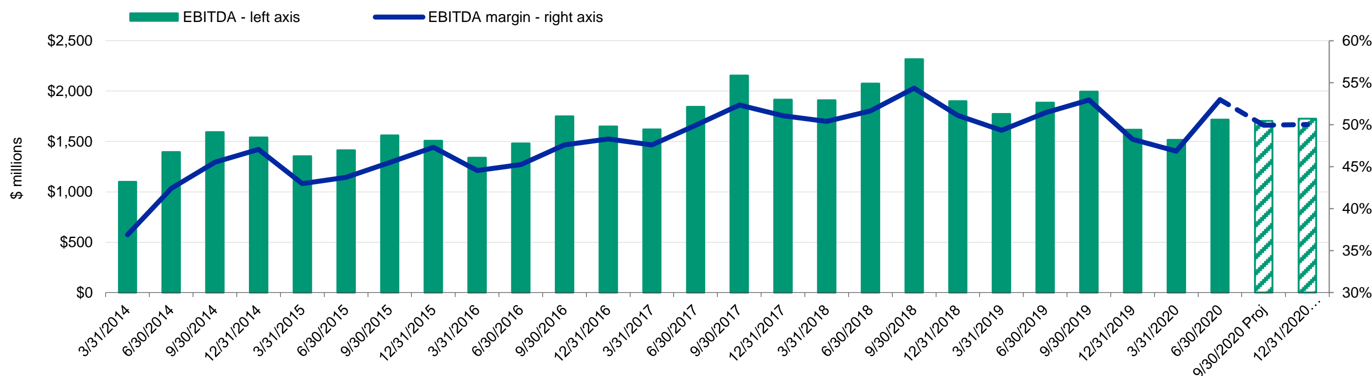


Sources: Moody's Financial Metrics and Moody's Investors Service projections

Combined with good cost controls, we project TI's quarterly EBITDA will approximate $1.7 billion during the rest of 2020 while average EBITDA margins of 50% compare very favorably to 32% during the financial crisis in 2009.

Exhibit 3

EBITDA and EBITDA margins will decline but remain strong

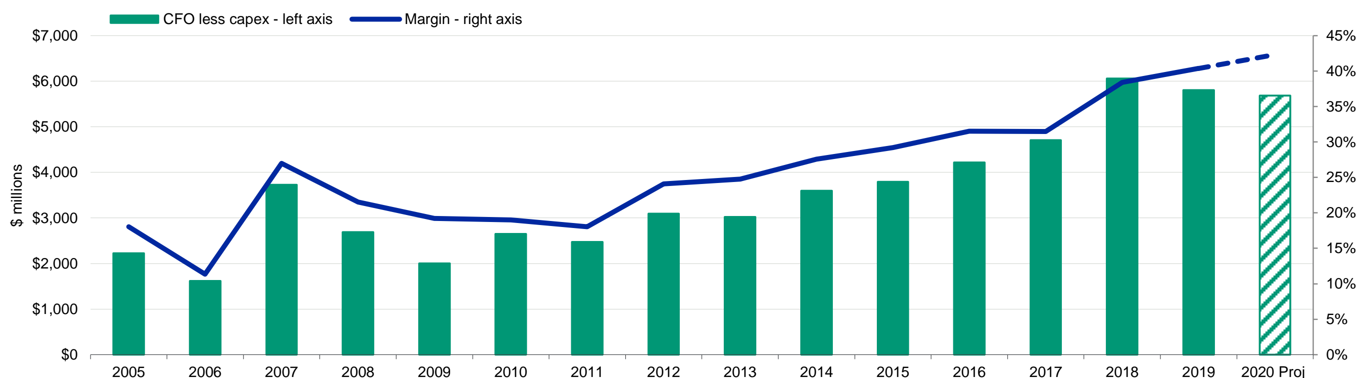


Sources: Moody's Financial Metrics and Moody's Investors Service projections

With TI converting about 80% of its EBITDA into cash flow from operations less capital spending, we expect the company will generate cash flow in 2020 that ranks fourth only to the last three record years (see Exhibit 4).

Exhibit 4

Cash flow from operations less capital spending $ and margins will decline but remain strong

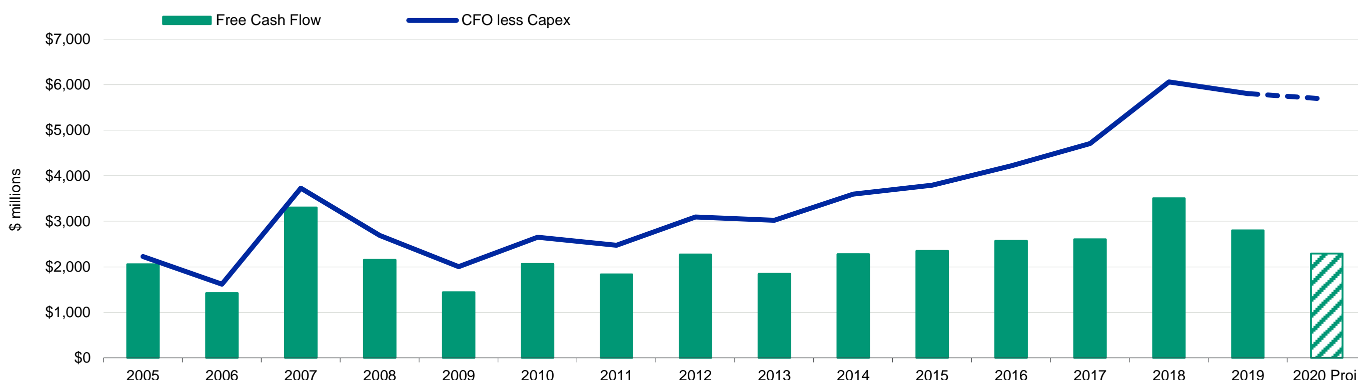


Sources: Moody's Financial Metrics and Moody's Investors Service projections

We expect TI will continue its commitment to a robust dividend return to shareholders, paying out approximately $3.4 billion in 2020, which is about 6x more than what the company paid during the financial crisis in 2009. Even with this strong dividend payout during a downturn, we project TI will generate over $2 billion in free cash flow in 2020, marking its 19th straight year of positive free cash flow (see Exhibit 5).

Exhibit 5

Free cash flow after dividends will exceed $2 billion



Sources: Moody's Financial Metrics and Moody's Investors Service projections

Throughout 2020, TI will maintain a very strong liquidity profile with $5.0 billion of cash and liquid investments at June 2020 relative to $6.8 billion of reported debt, with the next maturity totaling $550 million in March 2021. The company also maintains access to an unused $2 billion committed credit facility due 2024 that has same day borrowing availability. The facility has one financial covenant – a minimum EBITDA to Interest expense – under which there is significant room.

Including an opportunistic $750 million debt funding in April, we project TI's leverage will increase but remain very modest in 2020, with gross adjusted debt/EBITDA approximating 1.25x at December 2020, up from 0.9x the year prior. Free cash flow to gross adjusted debt is projected to approximate 25% at December 2020, down from 42% at December 2019.

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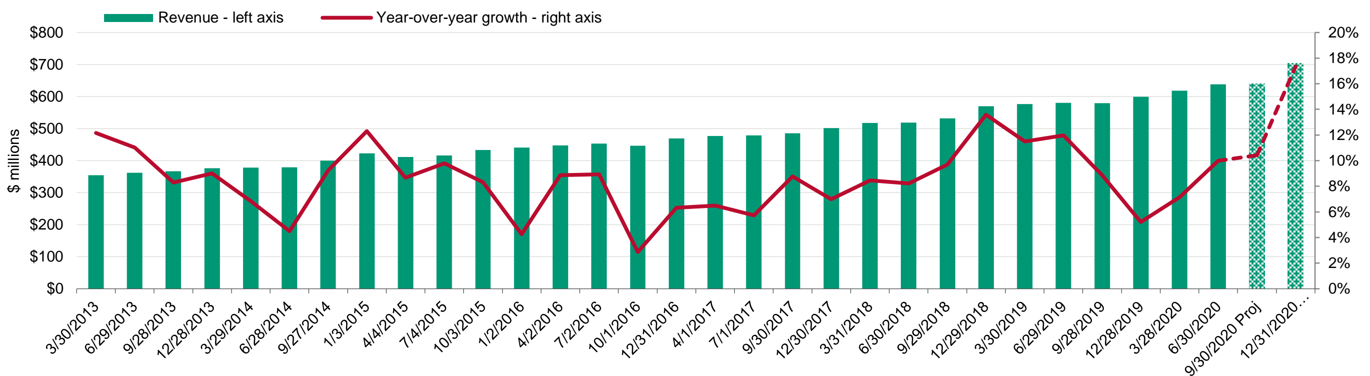
Cadence Design's strong, improving results and outlook in difficult macro show resilience

Originally published on 20 July 2020

On 20 July, despite ongoing macro headwinds, Cadence Design Systems, Inc. (Baa2 stable) reported second-quarter revenue of $638 million, up 10% year over year supported by strength across all product lines. The results marked the 42nd consecutive increase in year-over-year revenue and was above the company's late March guidance for June quarter revenue growth of 2% to $590 million at the mid-point.

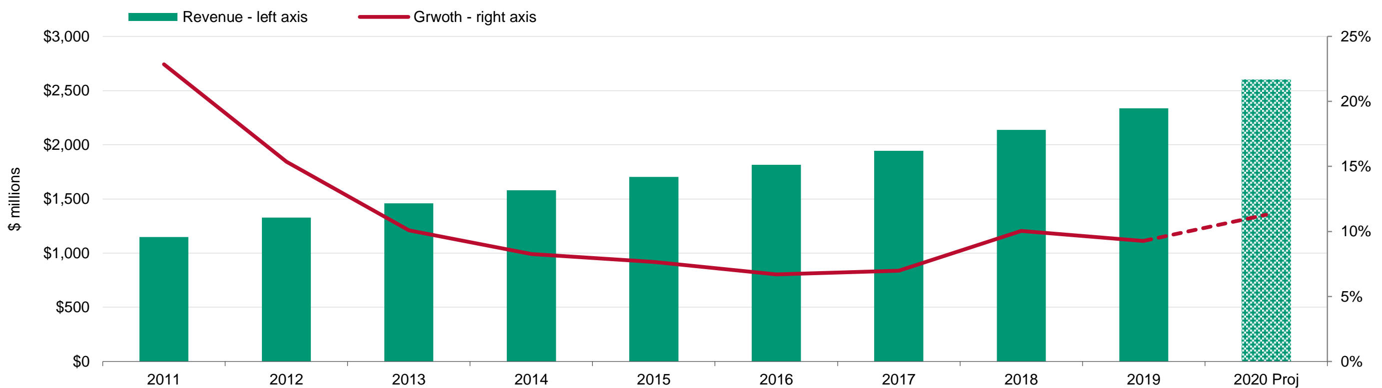
Also, Cadence did not retract its full-year guidance like so many other companies are doing in these unprecedented times, and increased full-year revenue guidance for 11% revenue growth, up from its previously reaffirmed 10% full year growth (see Exhibit 1 and 2).

Exhibit 1
Quarterly revenue growth year over year



Sources: Moody's Financial Metrics™ and Moody's Investors Service projections

Exhibit 2
Annual revenue and growth



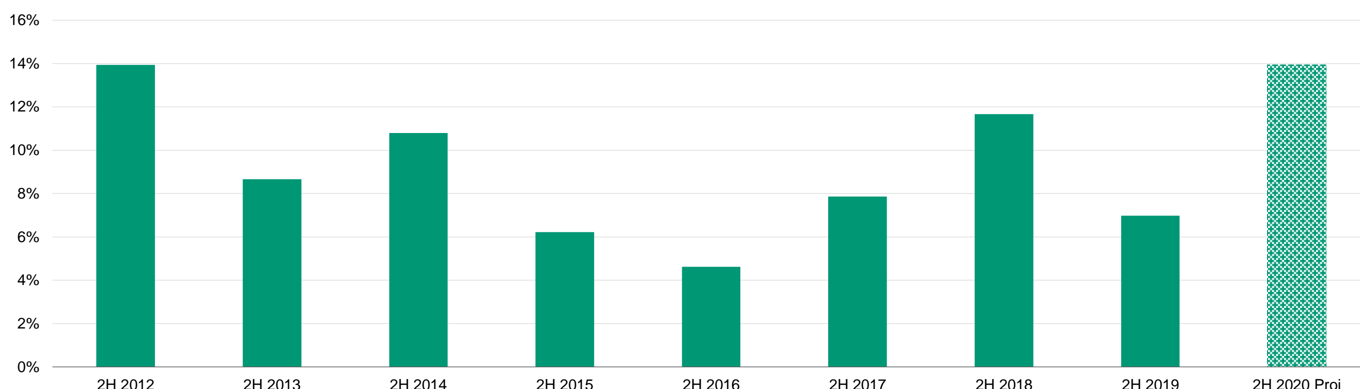
Sources: Moody's Financial Metrics™ and Moody's Investors Service projections

The very tight full-year revenue range of $2.58-$2.61 billion ($2.60 billion mid-point) was increased from last quarter's outlook of $2.54-$2.58 billion ($2.56 billion mid-point). The increase in the currently uncertain global business environment illustrates the

stability and predictability of the company's subscription-based revenue, which is supported by a strong linkage to its customers' steady spending on design innovation and research and development. Over the last decade, Cadence's revenue growth is over 2x more stable than technology bell-weather companies such as Microsoft, Apple, Cisco, Intel, Texas Instruments and Oracle. The full-year guidance implies second-half revenue year-over-year revenue growth of 14%, the strongest second half growth since 2012 (see Exhibit 2).

Exhibit 3

Second-half revenue growth year over year



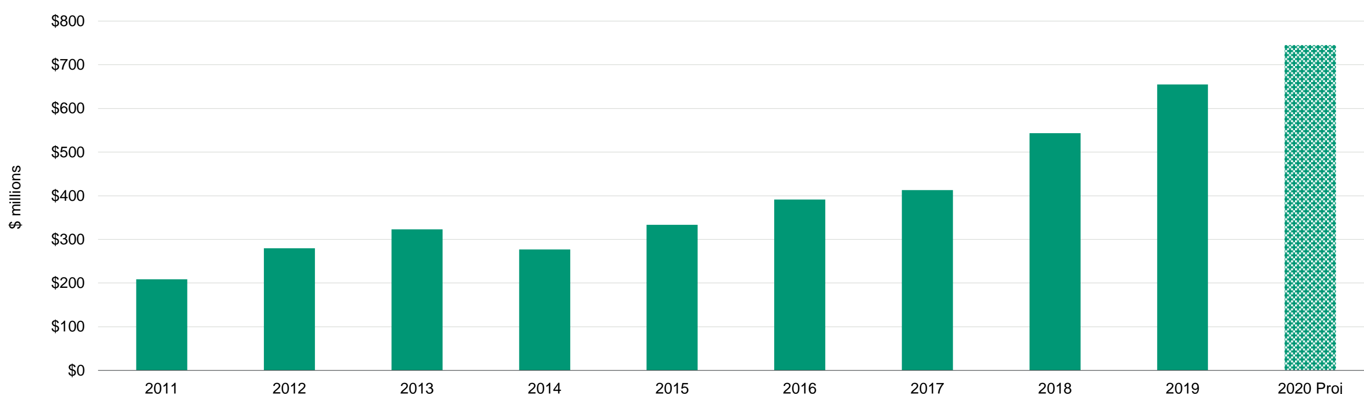
Sources: Moody's Financial Metrics™ and Moody's Investors Service projections

Before the onset of the coronavirus, management noted that macro uncertainty and geopolitical headwinds will persist into 2020, but strong design activity continued at advanced nodes, driven by generational technology drivers such as 5G, AI and machine learning, hyperscale computing, industrial IoT and autonomous vehicles. All these megatrends have semiconductors at their foundation, and are propelling the need for next generation computing, connectivity and storage.

Despite the very challenging macro environment, we anticipate Cadence will generate solid cash flow in 2020 and over the next few years. The company has generated positive free cash flow each quarter over the last 10 years through different business conditions, and we expect continued growth over the near term given the company's subscription model, the critical nature of its tools to its customers' product development efforts and because over 90% of revenue comes from the backlog every quarter. Yesterday the company reaffirmed its expectations for unadjusted cash flow from operations to be $810-$840 million, up from last quarter's estimate of $775-$825 million for 2020. The new $825 million midpoint for cash flow from operations is up from $730 million in 2019. With modest capital expenditure requirements (4% of revenue) and no common dividends, we project free cash flow will approximate $745 million in fiscal 2020, up from our previous forecast of $675 million (see Exhibit 4).

Exhibit 4

Free cash flow



Sources: Moody's Financial Metrics™ and Moody's Investors Service projections

Cadence maintains an excellent liquidity profile. In addition to consistent free cash flow generation, Cadence reported cash and short-term investments of $1.19 billion as of June 2020. In the March quarter, despite robust cash balances and cash flow generation, the company fully drew down on its $350 million revolving credit facility as a precautionary measure to provide additional liquidity in light of the recent global economic uncertainty caused by the COVID-19 pandemic. The facility matures in January 2022 and Cadence maintains significant cushion under two financial covenants. We expect the company to use about 50% of cash flow after capital expenditures to repurchases its common shares in 2020, like what it did in 2019. Therefore, with no acquisitions anticipated, we expect cash balances will grow.

Under the current outlook and including the credit facility borrowing, we project Cadence's adjusted gross debt to EBITDA will approximate 1.1x at December 2020 with projected cash over $1.3 billion compared to $877 million of adjusted debt. We project free cash flow to adjusted gross debt will approximate 85%.

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FDA orders unauthorised e-cigarettes removed from market, a credit positive for the tobacco secto

Originally published on 21 July 2020

On 20 July, the US Food and Drug Administration (FDA) ordered ten small tobacco manufacturers to remove their flavoured e-cigarettes from the market because they do not have the required premarket authorization and two of them are illegally marketing their products as modified risk tobacco products without FDA authorization.

The FDA's actions are credit positive for the large incumbent tobacco companies like Japan Tobacco Inc. (A1 stable), Philip Morris International Inc. (A2 stable), Altria Group Inc. (A3 negative), British American Tobacco p.l.c. (Baa2 stable), Imperial Brands PLC (Baa3 stable) because they are more familiar with the regulatory process than smaller companies and have the resources in place to manage it. None of these companies, nor any of their associated investments, is included among those violating the FDA's safety requirements

The e-cigarette manufacturers unable to comply with the FDA's required health standards will be forced out of the market, which will improve the industry's social risk. Their exclusion will ensure that only FDA-authorised products are sold – and these are likely to be those manufactured by the largest companies that are prepared to meet the FDA's safety requirements.

The FDA sent warnings to Cool Clouds Distribution Inc. (branding as Puff Bar) Eleaf USA, Vape Deal LLC, Majestic Vapor LLC, E Cigarette Empire LLC, Ohm City Vapes Inc., Breazy Inc. and Hina Singh Enterprises (Just Eliquids Distro Inc.) "to remove their flavored disposable e-cigarettes and youth-appealing e-liquid products from the market because they do not have the required premarket authorization."

The agency said that these companies are "marketing unauthorized e-liquids that imitate packaging for food products that often are marketed and appeal to youth, such as Cinnamon Toast Crunch cereal, Twinkies, Cherry Coke and popcorn, or feature cartoon characters." Puff Bar and HQD Tech USA LLC were also mentioned for violating the law because they have been marketing "their products as modified risk tobacco products without an FDA order in effect that permits such marketing."

We expect an increasing regulatory burden on alternative tobacco products as regulators investigate potential health issues and try to prevent younger people taking up the habit. The regulatory costs could prompt consolidation in what is a fragmented category as smaller companies that tend to rely on the sale of flavoured electronic nicotine delivery systems are forced out of the market.

As traditional tobacco sales continue to decline, tobacco companies need alternative product sales to increase and offset the structural change. For now, price increases more than offset combustible product volume declines, but we think this is unsustainable in the longer term. A credible, viable alternative products market is credit positive for the tobacco sector because it paves the way for the recognition of these products as less risky for consumer health, ensuring the sustainability of these businesses as a replacement for combustible cigarettes, the sales of which are in structural decline.

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Proposed joint acquisition of Oi's mobile assets is credit positive for Brazil's telecoms

Originally published on 21 July 2020

On 18 July, Brazilian telecom operators Telefonica Brasil S.A. (Ba1 stable), Claro S.A. and TIM S.A. announced a joint binding offer to acquire the mobile business of Oi S.A., their competitor operating under bankruptcy protection. The potential transaction, for undisclosed terms, would benefit the entire Brazilian telecom industry by excluding Oi from the market, thereby enabling the remaining three mobile operators to rationalize the market and increase profit. A general meeting of Oi's creditors has revealed a minimum price of BRL15 billion ($2.8 billion).

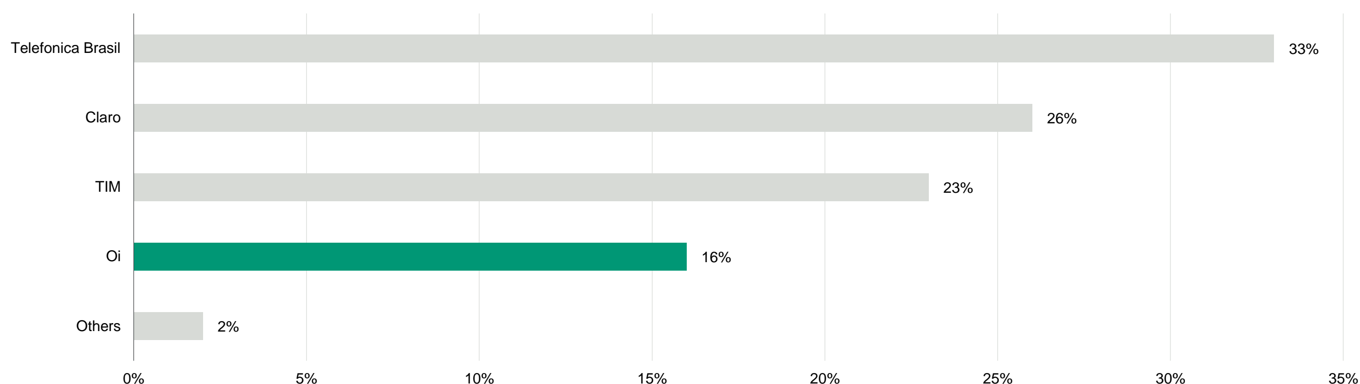
The transaction would also help rebalance spectrum holdings, leaving no operator with excess bandwidth, or in a dominant spectrum position. The offer remains conditioned upon its selection as "first bidder," which would give the group of three companies the right to match other offers in the auction for the assets, probably in the fourth quarter of 2020. All three companies can comfortably participate in the agreement without any significant risk to their credit metrics.

M&A opportunities are relatively rare in Brazil's telecom market; there are no significant acquisitions remaining today beyond Oi offering to sell its assets. In 2019, Claro had acquired Nextel Brazil for around $900 million, a move that strengthened its mobile business in Brazil, particularly in the populous states of Rio de Janeiro and São Paulo, and gave Claro valuable additional spectrum capacity.

Oi, which filed for judicial recovery in 2016, is focused on the prepaid segment and is the most aggressively priced operator in Brazil's mobile telecom market. Its removal would make Brazil's competitive environment more rational and profitable. An increase in profitability would allow the three remaining mobile competitors to invest more easily in infrastructure, better service quality and balance-sheet deleveraging.

The deal would also leave only three operators competing in the 5G auction slated for December 2020, implying more capacity for each company just as Brazil has relaxed its spectrum licensing rules. Under the agreement, TIM, the local subsidiary of Telecom Italia S.p.A. (Ba1 negative), would probably get the largest portion of Oi's mobile business, in order to avoid excessive market or spectrum concentration for Telefonica Brasil or Claro, a subsidiary of Mexico's America Movil, S.A.B. de C.V. (A3 negative). An outsized increase in Telefonica Brasil's and Claro's market share or spectrum holdings would likely have more trouble winning approval from CADE, the Brazilian federal antitrust authority, and Anatel, the local telecom regulator. Telefonica Brasil has the largest subscribers share of Brazil's mobile subscriber market today, followed by Claro and TIM (see exhibit).

Proposal from Telefonica Brasil, Claro and TIM would distribute Oi's 16% mobile subscriber market share
As of May 2020



Source: ANATEL

Even without knowing the final terms of the deal beyond the BRL15 billion minimum price, we believe all three companies have the financial means to execute their potential transaction. Telefonica Brasil's balance sheet is strong enough to support a debt-financed acquisition without significant stress on its credit metrics. Telefonica Brasil had a of 0.7x total adjusted debt/EBITDA ratio at the end of March 2020, and a 27.9% free cash flow/debt ratio. A debt-financed acquisition of one-third of Oi's mobile assets for BRL5 billion would imply pro forma leverage of 0.9x, still very strong for Telefonica Brasil's rating level. Similarly, a BRL5 billion debt-financed acquisition would not be material to America Movil's leverage, which would increase by less than 0.1x.

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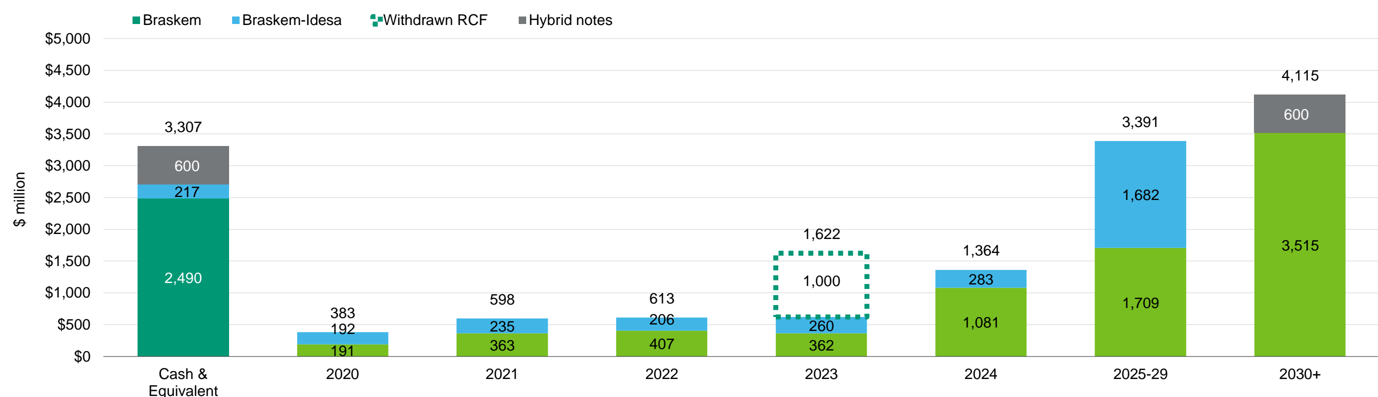
Hybrid notes' loss-absorption features add financial flexibility for Braskem

Originally published on 20 July 2020

On 20 July, Braskem S.A. (Ba1 negative) priced $600 million in subordinated notes due in 60.5 years issued by Braskem Netherlands Finance B.V. and fully and unconditionally guaranteed by Braskem. Issuance proceeds will be used mainly to refinance debt maturing in the next few years and for general corporate purposes, improving Braskem's debt amortization schedule and liquidity. The notes also contain loss-absorption and equity-like features that provide Braskem additional financial flexibility and levers to preserve liquidity while it struggles with the industry's downcycle, weakened credit metrics and uncertainties related to issues in Alagoas and Mexico, a credit positive.

The hybrid notes are part of Braskem's liability management strategy to regain financial strength after the company announced new provisions related to a geological incident in Alagoas in early July 2020. Pro forma for the transaction, Braskem's unrestricted cash position of BRL17.6 billion ($3.3 billion) at the end of March 2020, already considering additional provisions for Alagoas and the $1 billion committed credit facility that was fully drawn in April 2020, would fully cover all debt maturities until mid-2024 (see exhibit). Prior to the transaction, the company's unrestricted cash position covered debt maturities until year-end 2022.

Notes improve liquidity and debt amortization schedule as Braskem faces overhangs
Debt amortization schedule, pro forma



Sources: Braskem S.A. and Moody's Investors Service

The notes are subordinated to Braskem's existing secured and unsecured debt and liabilities, ranking senior only to Braskem's equity capital, bear 8.5% interest per annum, allow for optional cumulative coupon deferrals, and have limited events of default and no material covenants and look-back provisions. Such features provide cash flow relief and help the company preserve liquidity in case of need.

The hybrid notes have final maturity in over 60 years, but are callable after 5.5 years. The notes also contain coupon step-ups, dividend stopper mechanisms and mandatory settlement triggers. There is a coupon step-up of 25 basis points after 10.5 years and an additional step-up of 75 basis points after 20.5 or 25.5 years. Furthermore, while deferrals of coupon payments are cumulative, there are mandatory settlement clauses under certain events, including dividend payments above the minimum required by Brazilian laws (25% of net income).

For our fundamental credit analysis of Braskem, we will consider the notes' equity and loss absorption features and the additional financial flexibility they will provide to the company. But, because Braskem's hybrid notes contain some non-equity-like features, we

will consider the totality of the new notes as debt in our adjusted credit metrics, in accordance with our methodological approach for non-investment grade issuers. Therefore, Braskem's adjusted leverage will remain unchanged after the transaction.

Braskem's adjusted gross leverage peaked at close to 9x at the end of March 2020 (including Mexico's project finance debt) because of the translation of Brazilian real's depreciation to debt and weaker downcycle EBITDA. Gross debt will rise during 2020 with the withdrawal of Braskem's committed facility in April 2020. But adjusted gross leverage will decline to around 5x-6x by early 2021 as the company repays the facility, and while EBITDA catches up with the depreciated currency and improves with current petrochemical spreads and additional volumes coming from the new polypropylene plant in the US and the fast track solution to increase capacity utilization in Mexico. But, if the strain on global demand and prices for Braskem's key products make current naphtha-based spreads less sustainable, Braskem's leverage ratios would remain stressed without an asset sale or another external liquidity event.

Still, Braskem's credit quality remains supported by good liquidity, reflected by a sound cash position, lack of financial covenants that could threaten the company's short-term liquidity amid rising leverage, a track record of positive free cash flow even under adverse market conditions, and the announced measures to reduce costs and cash outflow during the pandemic.

We changed Braskem's Ba1 ratings outlook to negative on 13 July following the company's announcement of additional provisions related to a geological event in Alagoas. The new provisions reduce the company's cushion to ride through the downcycle and increase uncertainties related to future additional liquidity calls coming from the incident at a time Braskem's credit metrics are weak and the company is facing other overhangs.

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Dedalus' acquisition of DXC Technology's healthcare division improves diversification

Originally published on 22 July 2020

On 21 July, Dedalus S.p.A. (B3 positive) announced an agreement to acquire the healthcare software solution division of DXC Technology Company (Baa2 negative) for a consideration of $525 million. The improvement in geographic and product diversification is credit positive and will transform Dedalus into a pan-European provider of healthcare IT software in the hospital and diagnostic software sector. However, the ratings are unchanged.

DXC's healthcare software division generated €209 million in revenue with a management adjusted EBITDA-margin of 24% in the last twelve months ended in March 2020 and will thus be slightly margin-dilutive to Dedalus. The combined entity will generate close to €700 million in revenue whereof 55% will be recurring which compares to 40% of legacy Dedalus.

Initially, the transaction will be fully cash-funded, but we expect a moderate debt-refinancing upon closing, which is expected within six to nine months. Effects on the financial profile will depend on the refinancing structure but we expect no deterioration of the credit metrics. Dedalus refinanced the acquisition of Agfa-Gevaert's healthcare division just this month with a starting leverage of 7.1x as per December 2019 on a pro forma basis (Moody's-adjusted).

The transaction is a good strategic fit to Dedalus because geographic overlap is low and both companies will benefit from complementary additions to the product offering and cross-selling potential. Dedalus is currently solely focused on the German-speaking DACH-region, Italy and France while DXC's main operations are in the UK (49% revenue), Australia/New Zealand (20%), and selected Southern and Northern European markets as well as the Americas and Asia. Similar to the legacy Dedalus business, the target has leading market positions with market shares primarily between 20%-30%.

The acquisition is the second transformational transaction to Dedalus within six months. In January 2020 the company announced the acquisition of the healthcare division of Agfa-Gevaert for a total enterprise value of €975 million. With this first transaction, Dedalus made major progress to become a major European IT software provider from being Italy-centric. The fast pace of acquisitions creates integration and carve-out risks since both transactions each already require high management attention. While the carve-out of Agfa-Gevaert is expected to finish soon, the carve-out of the DXC Technology division will take up to 24 months. Given Dedalus' limited experience in transformational acquisitions we see risks of higher-than-expected costs or prolonged integration phases. These could stem from planned reorganizations to gain synergies especially in research and development.

The market outlook to the enlarged group is positive as healthcare spending is expected to outpace GDP levels driven by increasing budgets for digitization projects which are in some jurisdictions required by law.

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THIS REPORT WAS REPUBLISHED ON 23 JULY 2020 TO UPDATE FACTUAL DATA.

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Taiwan Semiconductor's higher revenue guidance reflects stronger demand, a credit positive

Originally published on 20 July 2020

On 16 July, Taiwan Semiconductor Manufacturing Co Ltd. (TSMC, Aa3 stable) announced its second quarter 2020 financial results, which were slightly better than our expectations. TSMC raised its 2020 revenue growth guidance on robust demand for its advanced nodes (16-nanometer chips and below), especially for its 7-nanometer and 5-nanometer chips. This strong demand will drive TSMC's solid earnings growth in 2020, a credit positive.

The company's revenue increased 29% year on year to NTD311 billion ($10.4 billion) in second quarter 2020, supported by strong growth in its smartphone segment, which grew by 35%, with its high performance computing segment jumping by 33% and the Internet of Things segment up by 29%.

TSMC expects that the global market for foundry chipmaking (contract chip manufacturing) will grow by a mid- to high-teen percentages in 2020 – which is higher than its previous guidance of a high single-digit to low-teen percentage growth – despite the impact from the coronavirus outbreak. The higher industry growth outlook will be driven by strong demand from the fifth-generation wireless technology and high-performance computing.

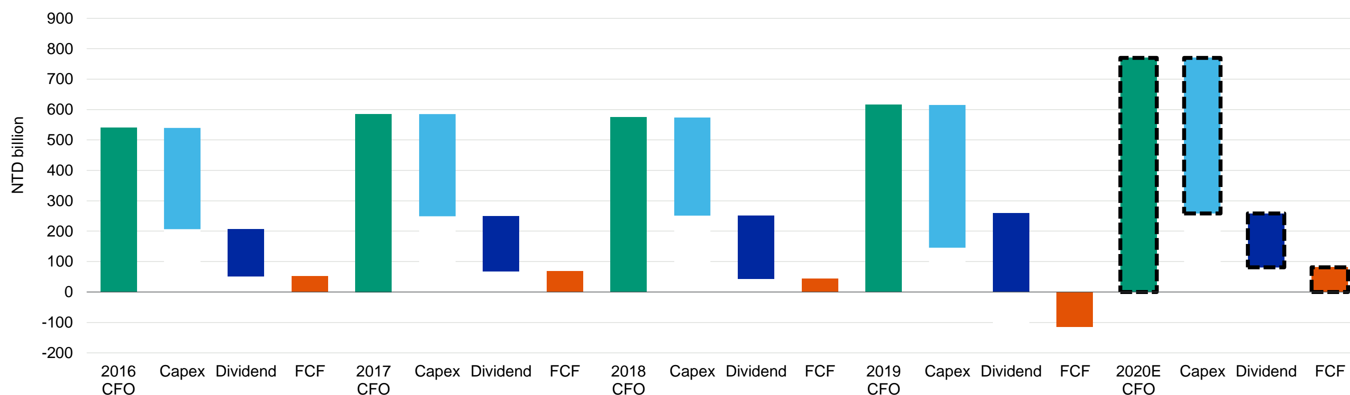
The company reported that its revenue will grow faster than the market's overall growth rate in 2020. Its revenue will increase by more than 20%, above its previous guidance of a mid- to high-teen percentages year on year.

We have raised our revenue growth forecast to 21% to NTD1.29 trillion ($43.3 billion) in 2020 from our previous projection of 15%. TSMC's solid revenue growth will be driven by strong demand from its smartphone, high-performance computing and Internet of Things segments. In 2020, we project that 7-nanometer chips will continue to drive strong revenue growth and for TSMC's new 5-nanometer chips to make a solid revenue contribution.

We expect that the company's adjusted EBITDA margin will improve to 66.5%-67.0% in 2020 from 63.7% in 2019 because of a higher gross margin from strong revenue growth, which will lead to a higher capacity utilization rate. However, the higher gross margin will be partially offset by the introduction of new 5-nanometer chips, with a weaker gross margin at the early production stage.

The company is likely to generate solid free cash flow in the next 12-18 months (see exhibit), driven by strong earnings growth and a stable dividend policy, partially offset by higher capital spending to support advanced technologies developments, including 7-, 5- and 3-nanometer chips. We forecast capital spending at around $16.5 billion in 2020, up from $14.9 billion in 2019. Moreover, the company has a robust net cash position, which provides it with a strong buffer against industry volatilities.

TSMC is likely to generate positive free cash flow in the next 12-18 months



Sources: Moody's Financial Metrics™ and Moody's Investors Service estimates

TSMC is the market leader in pure semiconductor foundry services. The company manufactures products for various platforms, covering a variety of smartphone, high performance computing, Internet of Things, automotive, and digital consumer electronics segments.

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Hancock Whitney incurs second-quarter net loss on energy loan sale, but reduces at-risk concentration

Originally published on 22 July 2020

On 17 July, Hancock Whitney Corporation (Baa3 stable[1]) said that it agreed to sell $497 million of energy loans to Oaktree Capital Management, LP, resulting in a $160.1 million special provision for credit losses in the company's second quarter results.

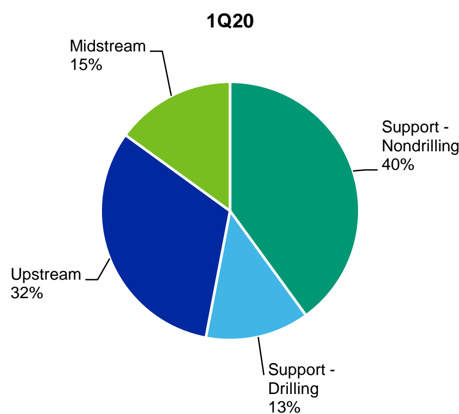
The sale, which subsequently closed on 21 July, is credit negative for Hancock Whitney because the related provision contributed to a second quarter net loss of $117.1 million, as well as a modest decline in capitalization.

However, the sale significantly reduces the company's exposure to troubled energy loans, which will result in lower credit provisions and less earnings volatility.

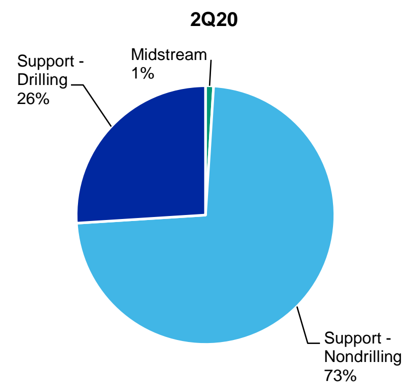
Hancock Whitney received $257.5 million in proceeds from the sale, resulting in a steep 48% discount on the loans. Management indicated on its second-quarter earnings call that it decided to accelerate the reduction in its energy-related exposure because of growing concerns about ongoing supply/demand mismatches that were exacerbated by the coronavirus pandemic, which could lead to further deterioration in the energy portfolio. The sale included reserve-based, midtsream and non-drilling service credits, some of which were already in default.

Despite the negative effect on Hancock Whitney's second-quarter results, the sale reduces the company's energy loan exposure to $352 million or a low 1.7% of total loans as of 30 June from $940 million or 4.4% of total loans as of 31 March. The remaining energy portfolio is comprised mostly of granular support services credits with an average outstanding balance of approximately $670,000 (see exhibit). We view lending to the non-drilling support service subsector as more favorable than other energy subsectors because of better collateral values than the drilling sector. The company's asset quality metrics also improved as a result of the sale, with total reported nonperforming loans declining to 0.95% of total loans as of 30 June from 1.34% as of 31 March.

Hancock Whitney's energy portfolio now focuses on support service subsectors
Energy portfolio composition, 1Q20 vs. 2Q20



Source: Company presentation



Source: Company presentation

We expect this sale to strengthen Hancock Whitney's resilience to future volatility in its remaining energy portfolio. On 2 April, we affirmed Hancock Whitney's ratings given its adequate capitalization and effort to reduce it energy concentration. We changed the company's outlook to stable from positive, reflecting the deterioration in global economic outlook and significant credit shock in the energy sector.

Endnotes

1 The rating shown are Hancock Whitney's senior unsecured rating

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Lloyds targets improved diversity with more Black employees in senior roles, reducing social risk

On 17 July, Lloyds Banking Group plc (Lloyds, A3 negative, a3[1]) announced "Race Action," a plan to drive cultural change in support of its ethnic minorities and in particular its Black workforce. Lloyds' plan includes setting up an advisory board composed of ethnic minorities to influence and monitor the bank's diversity strategy, the development of a race education programme to remove racial bias, publication of an ethnicity pay gap report in 2020, and the development of talented Black staff at the middle management level. The measures are credit positive because they will improve staff diversity at all levels and reduce Lloyds' exposure to social risk.

Despite Lloyds' efforts to promote ethnic diversity across its workforce and in senior management, Blacks are significantly underrepresented at 1.5% of the bank's total workforce, and just 0.6% of senior management as of July 2020. We estimate that around 3.1% of the population of Great Britain, where Lloyds operates, identifies as Black.[2] Lloyds' Race Action plan aims at having Blacks comprise at least 3% of its senior management by 2025.

This is not Lloyds' first plan to improve ethnic diversity. In 2018, Lloyds' strategic plan included broadening the representation of Black, Asian or minority ethnicities to 10% of the overall workforce, and to 8% of senior management by 2020, from 8.9% of its 2018 workforce and 6.4% of senior staff. We believe that Lloyds is close to meeting its 2020 target because 10.3% of the overall workforce and 7.3% of senior management identifies itself as Black, Asian or minority ethnic as of July 2020 – but Blacks remain underrepresented in these groups.

The underrepresentation in financial services of ethnic minorities, and in particular Black staff, and at senior level, is a social issue that is subject to increasing scrutiny by investors, regulators, and politicians in several countries.

In the UK, several banks, including those of HSBC Holdings plc (A2 negative, a2), Barclays PLC (Baa2 stable, baa2), Lloyds, and NatWest Group plc (Baa2 positive, baa2), signed the "Race at Work Charter," which includes the commitment to appoint an executive sponsor for race, capture ethnicity data and publish progress, and take action that support ethnic minorities career progression; the charter, however, does not have a specific section on Black staff. Some UK banks have also started individual programmes. For example, Barclays has been publishing a UK-wide Ethnicity Pay Gap report since 2018; in 2018 NatWest Group set a target to achieve a 14% of senior roles being filled by ethnic minorities by 2025 (from 4% of the top-three tier leadership roles and 8% of the top 4000 in 2018).

The Bank of England set diversity targets for its own staff in 2014, revised upwards in 2017, to have 20% of its staff an ethnic minority by 2020, and 13% among senior management by 2022. In 2019, the Bank of England had a wide gap to fill; ethnic minorities represented 19% of staff below senior management roles, but representation within senior management was 5%. We are not aware of targets or current representation of Black staff for the Bank of England.

Endnotes

1 The ratings shown are the bank's senior unsecured debt and Baseline Credit Assessment.

2 According to the 2011 Census, 3.3% of the population in England and Wales was Black, and 1% of the population in Scotland was Black. In the same year, the population of England and Wales was around 56.1 million, while the population in Scotland was around 5.3 million.

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Equity raise strengthens Yes Bank's capital and reduces risks for creditors

Originally published on 21 July 2020

On 17 July, Yes Bank Limited (Caa1/Caa1 positive, ca[1]) announced the closure of an INR150 billion (about $2 billion) equity capital raise. The capital raise is credit positive because it strengthens the bank's capitalization and loss-absorbing buffers and will reduce default risk for its creditors.

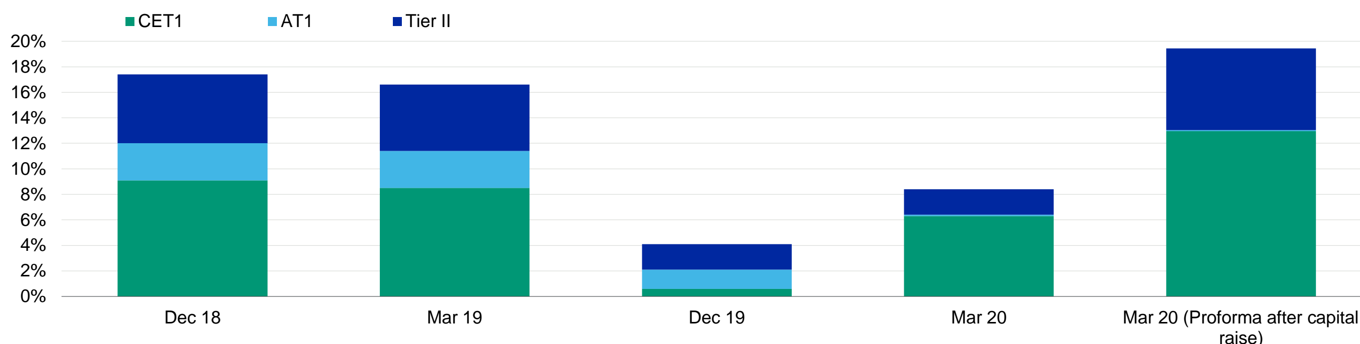
The successful equity raise reflects Yes Bank's regained access to external market funds, which in turn shows its improving financial strength and will help to support depositor confidence.

On 5 March 2020, the Reserve Bank of India (RBI) placed Yes Bank under a moratorium because of weakening solvency and liquidity. Following the moratorium, the RBI and the Government of India (Baa3 negative) completed a rescue plan that included a capital infusion by a consortium of Indian public and private sector banks and liquidity support from the RBI. Also, the bank's Basel III compliant Additional Tier 1 securities amounting to INR84.15 billion were written down in full. On 18 March, the RBI lifted the moratorium on Yes Bank.

Based on the bank's capital position as of the end of March 2020, we estimate that pro forma the new capital from the equity raise will nearly double the bank's Common Equity Tier 1 (CET1) ratio to 12.9%[2] from 6.3% as of the same date (Exhibit 1).

Exhibit 1

New equity capital will help double Yes bank's CET 1 ratio



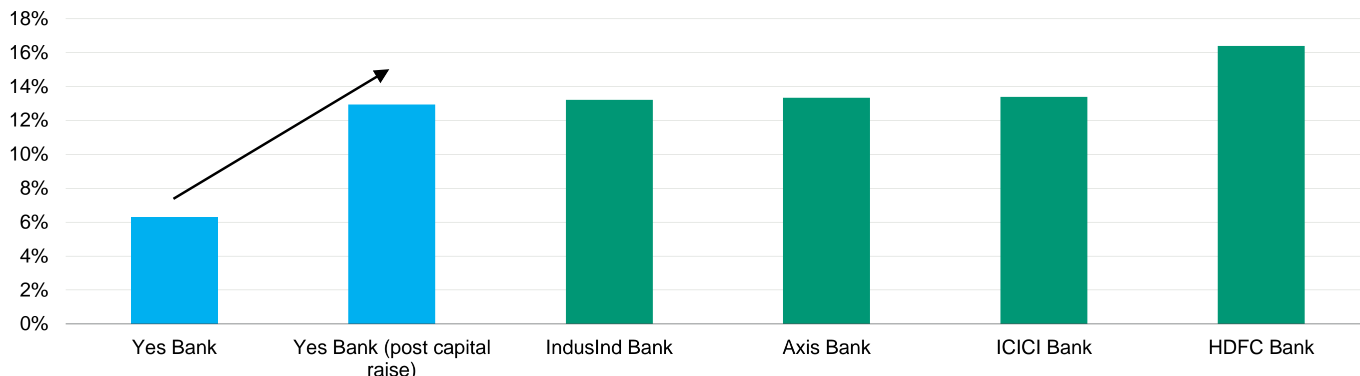
Tier II capital ratio is capped at 2% if CET 1 ratio is below regulatory requirements of 7.375%
Sources: Yes Bank and Moody's Investors Service

The capital raise brings Yes Bank's capitalization closer to its private sector peers (Exhibit 2) and will strengthen the bank's resilience to potential asset quality stress because of coronavirus-related disruptions to India's economy.

Exhibit 2

Capital raise will align Yes Bank's CET1 ratio with private sector peers

CET1 ratios as of 31 March 2020



Sources: Banks disclosures and Moody's Investors Service

In June 2020, the RBI prohibited the bank from paying coupons on its Tier II bonds because it failed to meet regulatory capital requirements. The bank reported a capital adequacy ratio (CAR) of 8.5% as of 31 March 2020, below the minimum requirement of 9%. With this capital raise, we expect the bank will be able to service the coupon of its Tier II debt because its CAR, pro forma for the new capital raise, of 19% will be well above the regulatory capital requirements, thereby reducing risks to the holders of its Tier II debt.

Endnotes

1 The ratings shown are Yes Bank's deposit rating, senior unsecured debt rating and Baseline Credit Assessment

2 Adjusted for capital raise of INR150 billion and lower deferred tax assets deduction from capital

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China's regulators take over four insurers and five other troubled financial institutions to cut risks

Originally published on 21 July 2020

On 17 July, the China Banking and Insurance Regulatory Commission and the China Securities Regulatory Commission announced that they had taken control of four insurers, as well as two trust firms and three brokers for a period of one year. The insurers are Tianan Property Insurance Company Limited of China, Huaxia Life Insurance Company Limited, Tianan Life Insurance Company Limited of China and E An Property & Casualty Insurance Co., Ltd.; the trusts are New Times Trust Co., Ltd., and New China Trust Co., Ltd; and the brokers are New Times Securities Co., Ltd., Guosheng Securities Co., Ltd., and Guosheng Futures Co., Ltd.. The regulators cited legal and regulatory violations, along with poor corporate governance and internal controls as significant solvency and operational risks for these companies.

The authorities' control of these nine companies is credit positive for China's (A1 stable) financial sector because the seizures will restrain systemic risk. According to the authorities, the companies will continue with normal business operations under the management of working groups appointed by the regulators.

The regulators will adopt an orderly resolution to rectify the troubled companies' risk management and corporate governance procedures. We do not expect their senior creditors, counterparties or policyholders to incur losses.

In the takeover, the authorities will appoint large insurers, trust companies and securities firms to manage and operate the companies. This will help stabilize their business operations and minimize risks of disruption and contagion to the broader financial system. Meanwhile, the authorities will also pursue the creation of new entities and disposal of assets where necessary to ensure that troubled companies meet their financial obligations.

Of the seized insurance companies, Huaxia Life Insurance Company Limited is the fourth largest life insurer in China with market share of 6.2% by premium income in 2019. The company raised its market share very quickly over the past few years because of strong premium growth, but has maintained weak capitalization. At the end of March 2020, it reported a comprehensive solvency ratio of 130.26%, which is above the minimum regulatory requirement of 100%, but below the commonly accepted warning level of 150%. We expect the regulator will adopt a market-based approach to stabilize its normal operation, protect policyholders' benefit and seek potential restructuring.

Tianan Life Insurance Company Limited of China is the 12th largest life insurer with a premium income market share of 1.8% in 2019. It also has a modest capitalization with comprehensive solvency ratio of 128.27% at the end of March 2020. Tianan Property Insurance Company Limited of China is the 10th largest P&C insurer in China with a market share of 1.2% by premium income in 2019. E An Property & Casualty Insurance Co., Ltd. is a much smaller P&C insurer, with market share of less than 0.1%. Both P&C companies reported a comprehensive solvency ratio above 150% at the end of March 2020 (Exhibit 1).

Exhibit 1

Financial positions of the seized insurers

	Total Asset	Shareholders Equity	Comprehensive Solvency Ratio	Core Solvency Ratio
	RMB, million, end-2019	RMB, million, end-2019	%, end-March 2020	%, end-March 2020
E An Property & Casualty Insurance Co., Ltd.	1,312	609	175.19%	175.19%
Huaxia Life Insurance Company Limited	586,345	22,418	130.26%	113.83%
Tianan Life Insurance Company Limited of China	194,251	3,869	128.27%	112.01%
Tianan Property Insurance Company Limited of China	61,138	29,815	237.24%	191.74%

Source: Company reports

Insurance policies issued before the regulatory takeover will remain valid and policyholder benefits will be protected regardless of the changes to the shareholding structure and corporate governance procedures of the four insurers. Therefore, we do not expect its policyholders to incur losses.

The takeover will rectify the shortfalls of these insurers' internal controls and corporate governance. It will prevent any controlling shareholders from using policyholders' funds through related-party transactions or other financial arrangements to meet their own funding or investment objectives. The resolution will help ensure the quality of capital provided by shareholders and the adequacy of the insurers' capitalization.

The three brokers now under control of the regulators are also small operations. Their total assets of RMB53.6 billion at the end of May 2020 accounted for 0.7% of the securities industry's total assets (see Exhibit 2). The three brokers have complicated shareholding structures, and poor corporate governance and internal controls, which present severe solvency and operational risks. The effect on the brokers' clients and counterparties will be limited because broker's clients' deposits are in segregated accounts and repo financings are generally collateralized. The effect on the market will be mitigated because the three brokers can continue to operate and will be managed by large securities firms.

Exhibit 2
Financial positions of the seized brokers

	RMB million	RMB million	%	%
As of May 2020	Total Assets	Shareholders Equity	Liquidity Coverage ratio	Net Stable Funding Ratio
Guosheng Securities Co., Ltd.	30,800	9,800	367%	184%
New Times Securities Co., Ltd	22,100	9,500	1156%	165%
As of May 2020	Total Assets	Shareholders Equity	Current Assets/ Current Liabilities	
Guosheng Futures Co., Ltd	746	89	974%	

Source: China Securities Regulatory Commission

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China eases restrictions on insurers' equity investments, a credit negative

On 17 July, the China Banking and Insurance Regulatory Commission announced that it will ease restrictions on insurers' equity investments, effective immediately. The new rule gives insurers greater investment decision-making autonomy and allows them to invest up to 45% of prior quarter total assets in equities[1], depending on their solvency, asset liability management and the relevant risk.

The new rule is credit negative for China's insurers because equity investments tend to add risk and volatility to the insurers' capital and earnings. However, the increase in equity allocation will not be high when asset liability management and liquidity are taken into account. As of May 2020, insurers stock and securities investments accounted for 11.9% of their total assets, well below the previous equity investment cap of 30%. Some insurers will have substantial capacity to take advantage of the new equity investment cap, but we do not expect them to increase their equity exposure significantly up to the allowable 45% because of caution around equity volatility.

China's insurers already have greater equity exposure than insurers in other countries. For example, as of year-end 2019, China insurers' stock and securities investments accounted for 11.8% of total assets, higher than 4.7%[2] for Korean insurers and 5.7%[3] for Japanese insurers. For six listed Chinese insurers or insurance groups – China Life Insurance Co Ltd (China Life, insurance financial strength A1 stable), Ping An Insurance (Group) Co of China, Ltd, China Pacific Insurance (Group) Co., Ltd, New China Life Insurance Company Ltd. (New China Life, insurance financial strength A2 positive), The People's Insurance Company (Group) of China Limited and China Taiping Insurance Group Ltd – equity investments, including common stock, funds, investments in associates and joint ventures, and equity investment plans accounted for 13.9% of total assets on average as of year-end 2019.

According to the latest solenvcy reports for the period ending March 31, 2020, some midsized to large insurers including China Life, China Pacific Life Insurance Co., Ltd. (insurance financial strength A1 stable), New China Life and PICC Property and Casualty Company Limited (insurance financial strength A1 stable) could raise their equity investment caps to 35% from 30% of prior quarter total assets because they had comprehensive solvency ratios above 250%. Although the increasing equity investments could boost insurers investment income, it could also raise income volatility, especially when investing in a single company, which would lead to higher concentration risk.

Regulatory safeguards mitigate investment income volatility and high concentration risk. Only companies with a comprehensive solvency ratio of no less than 100% can add new equity investments. The new rule will also constrain the flexibility of smaller insurers with weak solvency to invest in additional equity because the cap declines with insurer's solvency ratio. The investment to prior quarter total assets ratio cannot exceed 15% for companies with a liability reserve coverage ratio (assets minus other liabilities plus expense adjustments over the statutory liability reserve) of less than 100% or with critical capital or asset liability management issues. Also, stock investment in a single listed company cannot exceed 10% of the invested company's total share capital to guard against concentration risk.

Endnotes

1 Assets including stock, equity and hybrid funds, and long-term equity investments.

2 Includes equities, investments in associates and joint ventures, and overseas equities.

3 Includes domestic equity; foreign equity investment is around 62% of domestic equity investment among our rated insurers in Japan.

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Heightened military tension is credit negative for Armenia and Azerbaijan

Originally published on 21 July 2020

As of 18 July, a flare-up of border tensions between Armenia (Ba3 stable) and Azerbaijan (Ba2 stable) resulted in around 17 deaths and 13 wounded, the most since the two countries' 2016 Four-Day War in the contested region of Nagorno-Karabakh, according to International Crisis Group, a non-governmental organisation.

Should heightened tensions persist, they will weigh on economic confidence already strained by the coronavirus and divert fiscal resources from fighting the pandemic and supporting the economy, a credit negative. A protracted and escalated conflict involving greater numbers of military personnel and wider use of military equipment beyond localised ceasefire violations would exacerbate credit-negative pressure and threaten medium-term economic and fiscal prospects for both countries.

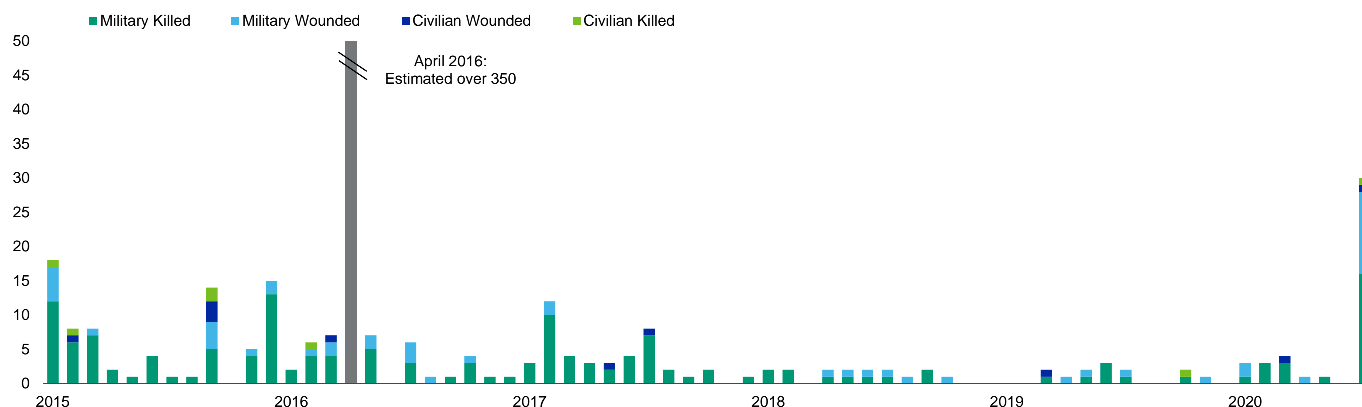
For Armenia, a further escalation in violence for a prolonged period could cause significant damage to its growth potential. The country's landlocked location coupled with geopolitical constraints already impede the long-term development of goods trade. Any threat to national security that hampers the development of the fast-growing services sector, including information technology and tourism, would dent economic prospects over the longer term. A wider conflict would also be likely to impede the government's institutional reform agenda, which is aimed at raising economic competitiveness. In terms of the fiscal effect, greater military spending and any narrowing of the revenue base would make it harder for the government to meet its debt reduction objectives over the medium term.

Similarly for Azerbaijan, a large-scale military conflict would hinder the government's planned strategic diversification away from hydrocarbons and significantly reduce the country's attractiveness to investors outside of this sector, hurting long-term growth prospects. In particular, national security uncertainties would undermine Azerbaijan's ambitions to become a transport and logistics hub and an important tourist destination for the region. Any damage to infrastructure, especially oil and gas assets, from a wider conflict would also weigh heavily on government revenue and exports, with a potentially long-lasting impact on the government's fiscal and external profile.

We forecast the two economies will contract in 2020 as movement and social restrictions stifle domestic activity, while weak global demand and travel barriers weigh on exports and tourism. We also expect fiscal deficits for both Armenia and Azerbaijan to widen to around 5.0% of GDP. This would result in the debt burden rising to around 55% of GDP for Armenia and 37% for Azerbaijan by the end of this year, compared to 50% and 32% in 2019, respectively. Any increase in military spending would put further pressure on government finances and debt burdens.

The ongoing tensions reverse the progress since the 1994 ceasefire agreement was reaffirmed after the 2016 Four-Day War. This includes increased dialogue between Armenia and Azerbaijan under the auspices of the Organization for Security and Co-operation in Europe's (OSCE) Minsk Group (created in 1994 after a ceasefire agreement) meetings between Armenia's prime minister and Azerbaijan's president, which have led to a direct line of communication between the two countries, as well as exchange visits by journalists. These closer links had allowed both countries to de-escalate tensions, including when ceasefire violations resulted in deaths. Before the latest jump in the death toll, reported violations and casualties had generally been low and on a declining trend since mid-2017 (see exhibit).

Death toll across both countries rises sharply, but still far lower than during the Four-Day War
(Number of wounded or deceased as a result of military conflict)



Sources: International Crisis Group, US Department of State and Moody's Investors Service

Our political risk scores for Armenia and Azerbaijan take into account persistent geopolitical tensions between the two countries over the disputed territory of Nagorno-Karabakh. In particular, we assign a low probability to a high-impact scenario involving an escalation to full-scale hostilities, similar to the 1990s. At the same time, we assume that a far-reaching resolution to the conflict is a distant prospect, despite progress over the past few years.

We do not expect the current tensions to escalate into a large-scale conflict akin to that of the 1990s, but the rising number of casualties and limited visible efforts to de-escalate tensions could hurt already weak confidence after the coronavirus outbreak.

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Debt restructuring is likely on new Suriname government's economic reform agenda

On 16 July, Suriname's (Caa3 negative) National Assembly elected Chandrikapersad Santokhi as the country's next president. The results end Desi Bouterse and the National Democratic Party's 10 years in power. President Santokhi's Progressive Reform Party (VHP) won a majority of seats in the May general elections and formed a coalition with three other parties to obtain 33 out of 51 seats in the National Assembly. The new administration faces severe economic and financial stress and we expect it to seek a comprehensive debt restructuring as part of a broad economic reform program to reduce the government's debt burden, ease liquidity pressure, and stabilize the economy.

Suriname's distressed liquidity position led the previous administration to launch a consent solicitation to defer a $15.6 million principal payment due 30 June on its sovereign bond maturing in 2023. The consent solicitation was granted and provided some liquidity relief. However, we expect liquidity is not enough to cover the country's significant fiscal and funding needs. We estimate potential losses to private creditors could exceed 35%, which is reflected in our negative outlook for Suriname's Caa3 rating.

The large fiscal and external imbalances relate to significant institutional weaknesses, including limited policy effectiveness and structural vulnerabilities from reliance on natural resources. Government debt increased substantially over the past five years to 75% of GDP at year-end 2019 from around 43% in 2015, while persistently large fiscal deficits contributed to funding risk and shortages of foreign currency in the economy.

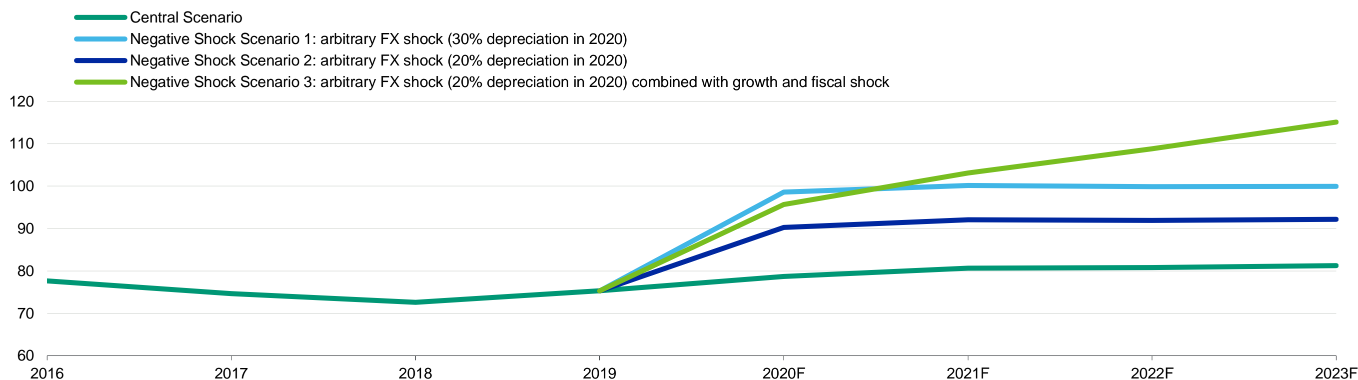
The situation has deteriorated in recent months amid the coronavirus pandemic and the May general elections. In particular, central bank claims on the government increased to 31% of GDP as of April 2020 compared with 13% of GDP at year-end 2019. We expect a fiscal deficit of 10% of GDP annually in 2020-21 but with significant downside risks given evidence of previously undisclosed spending in late 2019 and the months prior to the general elections, as well as continued containment measures to limit the spread of the coronavirus.

The new government has an economic stabilization plan that includes reducing government debt to 60% of GDP. Given the increase in debt, and the severity of the country's economic crisis, we expect the government's fiscal consolidation efforts will attempt to broaden the tax base by introducing a value-added tax. We also expect it to reduce electricity subsidies and limit government spending in order to narrow the fiscal deficit. These reforms could gradually improve Suriname's fiscal strength and ease liquidity pressure from the government's large gross borrowing requirements.

In addition to a rising debt burden, foreign exchange shortages led the government to restrict or prohibit certain foreign currency transactions and limit banks' foreign currency sales to individuals.

These developments and Suriname's devaluation of its dollar after elections in 2010 and 2015 add to the risk of a future currency devaluation, which would increase the country's debt burden. Based on our estimates, a one-off 20% currency depreciation increases government debt by 11 percentage points relative to our baseline forecast. Meanwhile, a 30% devaluation of the exchange rate would increase government's debt-to-GDP ratio to almost 100% (see exhibit).

Suriname's debt burden is highly vulnerable to potential currency depreciation
% of GDP



Source: Moody's Investors Service

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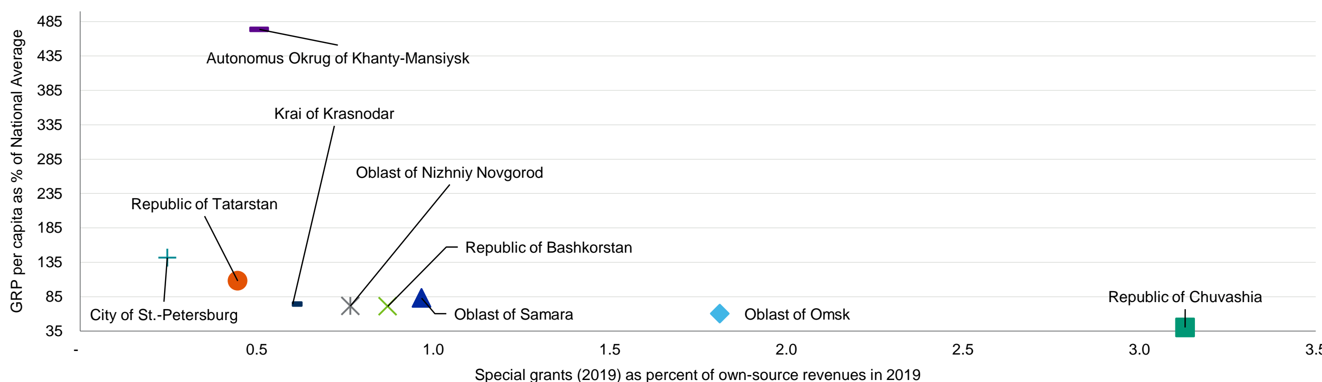
Russia's cancelation of governance-linked rewards is credit negative for small regions

Originally published on 22 July 2020

On 20 July, the Russian government announced that in 2021-23 it will not provide federal grants to regions that perform best on key governance performance indicators President Vladimir Putin set in 2019. The cancelation is credit negative for regions with weak economies and budgets such as the Republic of Chuvashia (Ba2 stable) and Oblast of Omsk (Ba3 stable). Without the federal grants, the regions will have reduced incentives and weaker financial capacity to develop their local economies and improve living conditions.

The RUB150 billion of canceled grants for 2021-23 is immaterial for the sector (annualized grants are less than 1% of sectorwide own source revenues in 2019), but material to regions such as Chuvashia and Omsk (among rated regions) that have a low or insignificant own-source revenue base and weaker economies (see exhibit). These regions will have to cut their already-modest capital expenses to avoid increased deficits. Without the grants, the weaker regions will have more incentive to protect their funds and less incentive to finance longer-term economic growth and social objectives. They will have to reduce capital expenses and social spending or face increased fiscal deficits and debt.

Republic of Chuvashia and Oblast of Omsk are most sensitive to grants cancellation among rated regions



Sources: Russian Federal Treasury, Russian Ministry of Finance and Moody's Investment Services

The regions' key performance indicators assess how well regional authorities are implementing Russia's national priorities. The 15 indicators include, among other things, real wage growth, poverty rate, SME sector, population growth, the number of private-sector jobs with high productivity, real investment, the share of local roads meeting federal requirements, life expectancy and housing affordability. The indicator-linked grants particularly benefitted regions with small economies and limited sources of revenue that achieved good results on the economic agenda and living standards indicators.

The performance-linked grants improved regional governance by rewarding regions that achieved federal priorities without increasing debt. The regions were urged to balance economic growth and improvements in living standards against fiscal consolidation objectives (in cooperation with the federal government over the past five years).

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Show me the money: liquidity access will dictate US and EMEA corporates survival or default from pandemic

Originally published on 22 July 2020

Liquidity support remains pivotal for survival. As the global pandemic crisis continues, liquidity availability will play an increasingly pivotal role for speculative-grade company performance in the US and EMEA – as well as the default and recovery cycle. We expect that the default rate for the US will be 10.5% a year from now, exceeding the 6.2% for EMEA, while debt recoveries will be lower for both regions than during prior recessions.

Government support, flexible covenants are integral to the liquidity solution. Liquidity access has been surging for better-performing US companies and also some of the weakest in the high-yield bond markets on the back of US government support. It has been far quieter in Europe, where markets are notably smaller and have had a mere trickle of activity through June. While more accommodating covenants help short-term liquidity, these breaks for the issuers sometimes only stall default.

Weakest issuers with eroding liquidity will push defaults even higher in 2021. Liquidity for weak issuers will continue to erode as both regions struggle with declining earnings and rising debt. LBOs have fueled a growing proportion of low ratings in both markets. While Europe has seen a big rise in B3 ratings, the increase has trailed that of the US, one of the reasons our US default forecast is higher.

Private-equity backed LBOs, most vulnerable to default, will favor distressed exchanges. While US and European private equity firms have ample liquidity, we expect many to withhold capital from weaker issuers and push them instead toward distressed exchanges. This is an increasingly common and efficient form of default that favors private equity ownership but also can result in higher than average recoveries.

Rising emphasis on first lien will hurt recoveries. When gauging recovery scenarios, one of the most important drivers is the relative position of the investor in the issuer's capital structure. Our research shows that recoveries for first-lien creditors are higher when there is more debt junior to first-lien credit facilities in the capital structure.

Private equity's pent up capital will fuel M&A, contributing to an eventual market recovery. We expect that private equity will eventually start buying companies at distressed prices with “cheap” debt based on low rates. We expect those in the corporate arena will do the same, with M&A providing an engine for eventual market recovery. However, companies and private equity will need to resolve restructurings and the economy will need to be healthier.

Click here for the full report.

Articles in last Monday's Credit Outlook

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- Dell's potential spin-off of VMware's stake increases uncertainty for both
- Ocado Group's changing consumer behaviour drives strong online grocery growth, a credit positive
- Shenzen, China's moves to cool property market are credit negative for developers there

Infrastructure

- CAL FIRE determines PG&E equipment caused 2019 Kincade fire, increasing utility's social risk

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- US global investment banks preserved capital strength in second quarter amid heavy credit provisions
- Fiscal stimulus and forbearance defer US banks' asset quality erosion in second quarter
- Greek banks' low-cost deposits increase, mitigating pressure on margins and profitability

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- UnitedHealth Group's strong earnings, lower leverage is credit positive
- Travelers preannounces large second-quarter catastrophe losses, and a small coronavirus-related impact
- Mexico's second-quarter car thefts and collisions decline, benefitting auto insurers

Sovereigns

- Tunisian prime minister's resignation and the ensuing political deadlock exacerbate mounting liquidity risks

Sub-Sovereigns

- British Columbia projects broader sectoral weakness in 2020-21, resulting in higher deficit and debt
- Mexican State of Nuevo León's pension reform will alleviate liquidity pressures over the next decade

CREDIT IN DEPTH

- Airline industry disruption has far-reaching effects

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REPORT NUMBER 1238824