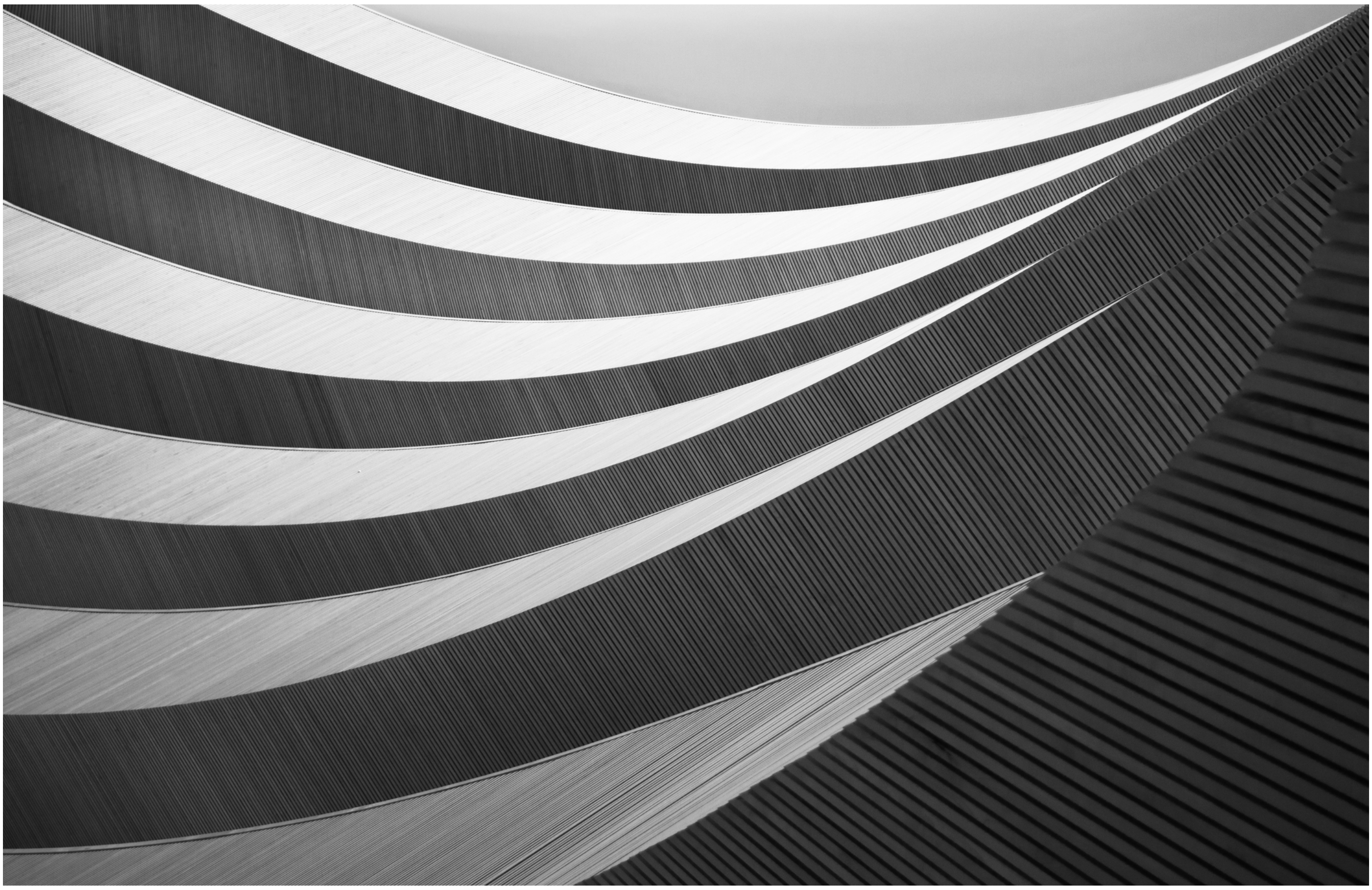
European Corporate Credit Outlook Mid-Year 2020

Living In A Different World



S&P Global Ratings

European Corporate Credit Mid-Year Outlook 2020

Living In A Different World

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Key Takeaways

- **COVID-induced recession**. Some aspects of this recession are following normal tropes, others less so. Cost pressures, accelerated disruption, winning-and-losing product mixes, and renewed country differences are all part of the risk overlay COVID-19 has added to credit risk.
- **Debt hangover.** Swift fiscal, monetary, and loan support have all served to soften the blow and keep financial markets functioning. This has enabled companies to top-up cash balances to help endure the downturn. But the pace of cash burn remains critical, especially if the crisis persists. Solvency concerns will then become more acute. Weaker cash flows and higher debts, on top of already-high debt levels, may well lead to a persistent debt hangover.
- **Limits to support.** The winding down of support and stimulus schemes will present a significant challenge in the months ahead and fragile confidence could unravel.

How can we determine the credit outlook in the face of COVID-19? This is the first global pandemic since 1918, outside of living memory and offering few financial reference points with little obvious relevance given a century of economic change since then. Clearly, most normal rules of economic and credit behavior still apply – businesses with less cash coming in than going out will ultimately fail. And while policymakers have responded with agility and innovation to provide fiscal and monetary support, helping ensure markets are open for issuers, this is unlikely to be cost-free in the longer run. The most obvious route to addressing such uncertain prospects is to set out what we think we know - characteristics of this crisis that we can observe with some certainty – and also what the critical factors are we don't know and what bearing they will have on the path forward.

S&P Global Ratings has published a series of reports that seek to assess the likely trajectory of economic and credit recovery following the initial COVID-19 shock. These are available free to all here. Among them, three in particular set the scene for the credit outlook:

- Global Credit Conditions, The Shape Of Recovery: Uneven, Unequal, Uncharted, July 1, 2020
- COVID-19 Heat Map: Post-Crisis Credit Recovery Could Take To 2022 And Beyond For Some Sectors, June 24, 2020
- Industry Top Trends, July 16, 2020

The European industry top trends reports are gathered together in the second section of this report. They set out what's changed post-COVID, what is the likely path to recovery, and what are the key risks around the baseline for 18 corporate and infrastructure sectors. They also include the sector assessments of the impact of COVID-19, long-term disruption and revenue, EBITDA, and incremental debt drawn from our heat map work. They should be read in conjunction with chart 1, which shows the assumed path to recovery for different industries.

A recession and recovery with COVID-19 characteristics

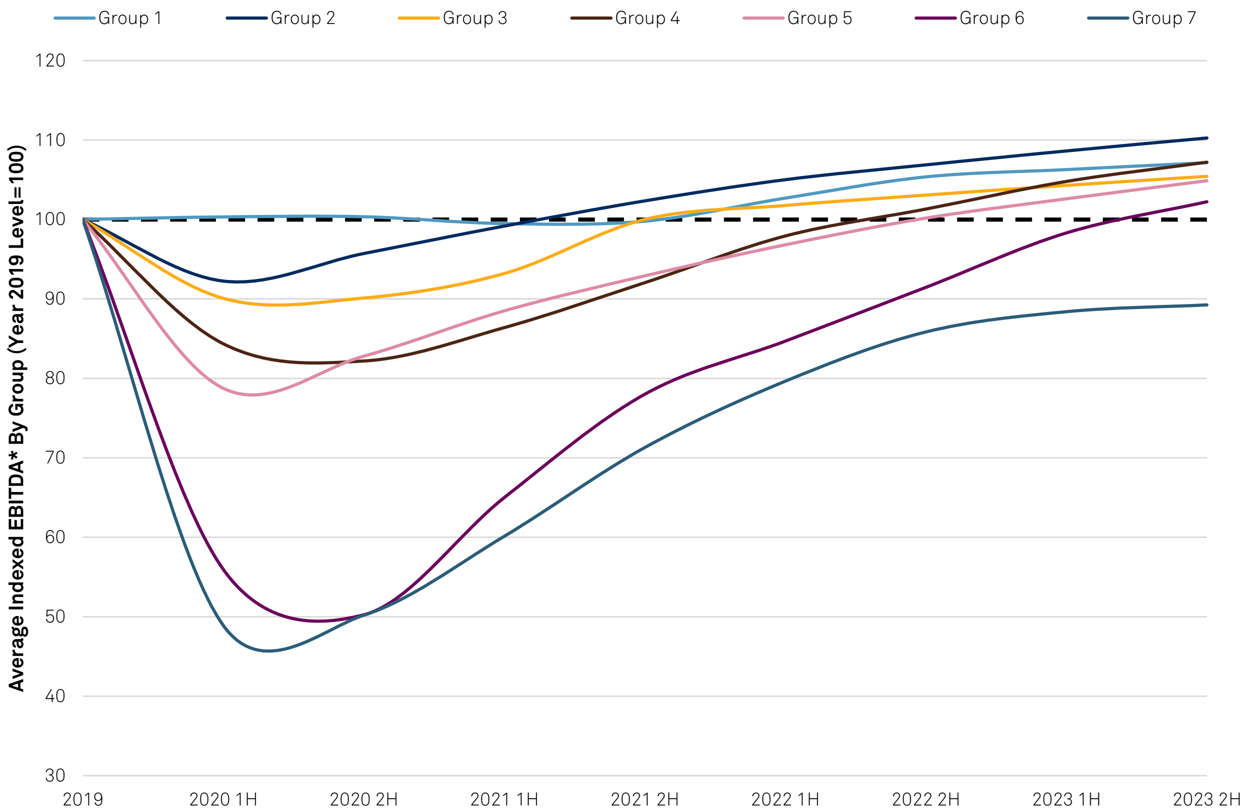
Turning to what we know, the industry top trends reports reveal some common themes about the characteristics of the recession and recovery we face:

A severe global recession. An obvious point, but this is a severe recession: for 2020, we estimate European light vehicle sales will fall 20%-25%, global air travel will likely be down 50%, and even relatively resilient global container shipping volumes will likely decline 10%-15%.

S&P Global Ratings acknowledges a high degree of uncertainty about the evolution of the coronavirus pandemic. The consensus among health experts is that the pandemic may now be at, or near, its peak in some regions, but will remain a threat until a vaccine or effective treatment is widely available, which may not occur until the second half of 2021. We are using this assumption in assessing the economic and credit implications associated with the pandemic (see our research here: www.spglobal.com/ratings). As the situation evolves, we will update our assumptions and estimates accordingly.

Chart 1

Shape Of Recovery: European Industry Groups by Timing of Expected Recovery



Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7
No deterioration	Recovery: 2021 1H	Recovery: 2021 2H	Recovery: 2022 1H	Recovery: 2022 2H	Recovery: 2023	Recovery: Beyond 2023
- Defence contractors - Other services (incl. public) - Pharmaceutical - Retail - essential	- Agr., forestry, & fishing - Cons. - staples - Healthcare - services	- Telecom - Healthcare - equipment - Paper & packaging	- Education - Gaming - Oil & gas - Cons. - tobacco & alcohol - Utilities - Homebuilders & devel. - Infra - toll roads - Professional services - Real estate (REITs)	- Infra - rail - Media & entertainment - Refining - Theme parks & attractions - Building materials - Business & consumer servs. - Capital goods - Chemicals - Engineering & construction - Metals & mining - Shipping	- Airlines - Autos - Cons. - discretionary - Cruise lines - Infra - airports - Lodging & hospitality - Financial services	- Commercial aerospace - Retail - non-essential - Retail - restaurants

* For years 2022 and after, our opinion on credit metrics is used as a proxy for EBITDA (earnings before interest expense, tax, depreciation and amortization). Note: The chart only represents our rated issuers in Europe. After a sector's EBITDA reaches 100 (2019 level), we assume it continues to grow at a multiple of GDP (calculated based on 2017-2019 performance).

Source: S&P Global Ratings

COVID-19 might be here to stay. This recession is different than any other experienced in the last century. It has a notionally binary element--a vaccine that could provide an immediate end to the underlying cause of the downturn. In reality it may not be so clear-cut; there are questions around the duration of antibody immunity, whether it would need one or multiple doses, risks of viral mutation, and the daunting logistical challenge of inoculating the global population. It may be that we have to live with the virus without ever achieving the kind of immunity seen for infectious diseases like smallpox. As with other recessions, there is an element of hysteresis here – the longer a state of disruption exists the more severe the economic and social damage. Persistent uncertainty around the virus risks compounding the problem.

Modified cyclicality. In many respects, the industry impact from the COVID recession has followed the usual patterns – sectors with the most cyclicality and reliance on discretionary spending have been hardest hit, albeit with an overlay determined by COVID containment measures, which have particularly pressured airlines, hotels, media and entertainment, and non-food retail. Discretionary retail spending would always fall in a recession, but limited access to shops and an added element of health risk have magnified that. Similarly, utility sectors are proving resilient as normal.

Margin pressures and disruption. One area of difference is related to costs. Health care would normally be a low-risk sector in a recession. To some degree that remains true, but social distancing measures are hampering normal marketing practices and delaying the rollout of new drugs as COVID-19 is prioritized. Medical equipment manufacturers not involved in critical care face weaker revenue and profitability as priorities have shifted. Margin pressure is a common theme in the industry reports – home developers, for example, face pressures from higher raw material costs and virus-related security measures. Metals and mining rely on labor forces in emerging markets where economic-pressures make virus containment measures harder to sustain. On top of this, cyclical patterns were being affected by longer-term disruption anyway: the trend toward remote working and online shopping to name two, both now hugely magnified by the virus.

Product mix. Within many industries, chosen product mixes have determined risk outcomes in a way that could not have been expected. Aerospace manufacturers focused on wide-body platforms geared toward long-haul travel have been particularly affected; auto manufacturers with strengths in low-emission vehicles have benefitted from government schemes to boost sales of these model types in Germany, France, Italy, and Spain; media companies geared toward out-of-home entertainment face prolonged and critical revenue shortages; rail operators, normally resilient to recessions, have suffered, while toll roads are more likely to recover given a desire to avoid public transport.

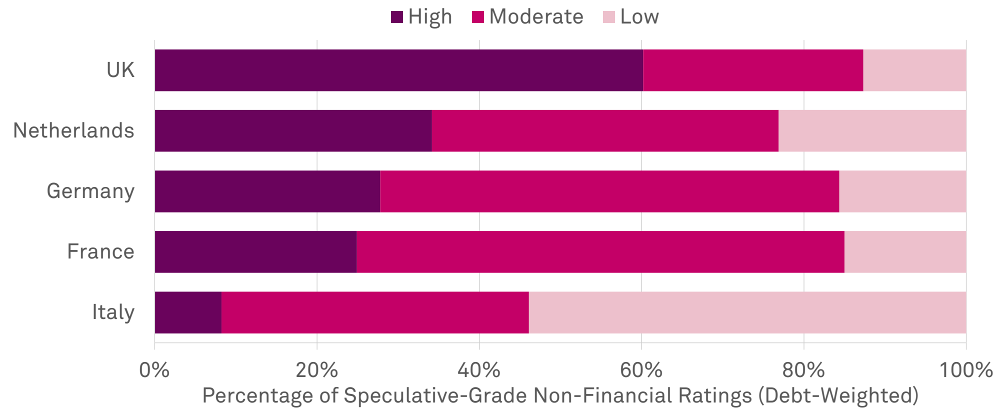
Tax and sovereign risk. Active government support to sustain economies will not come without a longer-term price. Even the telecoms sector – relatively resilient to COVID – flags concerns that recession-hit governments could weigh on issuers via sovereign ratings caps, particularly in the Middle East and Africa and emerging markets. Moreover, corporate taxation might become an issue if governments seek extra value from relatively healthy sectors like telecoms or tech, where digital sales taxes continue to be discussed, particularly as the shift to online shopping during the pandemic has tilted the playing field even further away from physical retail.

Country risk. This has been less of an issue in recent years given cross-border integration and dispersed revenue bases for many, especially large, companies. COVID-19 has brought back an element of variability here in that virus containment efforts and severity have varied so much. Moreover, the sector risks described above – both normal recessionary patterns and unique COVID features – fall unevenly across European countries, given industry exposures, particularly in relation to ratings.

Chart 2 shows a debt-weighted aggregate heat map for corporate and infrastructure ratings in the U.K., Netherlands, Germany, France, and Italy. In simple terms, we have taken each rating, applied the heat map category that applies to its sector, and weighted it by debt outstanding. The U.K. shows the highest share of high-risk exposure, which reflects a relatively high weighting of retail and leisure companies, to name two high-risk sectors. Italy, with a much higher exposure to relatively resilient utility companies, has the greatest weight of low-risk companies. As a final country element, it should be noted that fiscal support efforts have varied widely – even if companies are essentially global, their headquarters often determine which country and banking system is on the hook for insolvency and bailouts.

Chart 2

Non-Financial Speculative-Grade Exposure To COVID-19, Recession, And Oil And Gas Impact By European Country Based On Debt-Weighted Sector Structure



Source: S&P Global Ratings. Shows aggregated risk heat map based on entity industry and weighted by debt outstanding.

Tangible long-term risks may accelerate ESG-related changes

The risk of a global pandemic has sat at or near the top of many global top-risk assessments for years on end, without fully manifesting before COVID-19. Previous scares such as SARS and MERS remained relatively localized at the point of origin. There are many comparable risks: antibiotic immunity, cyber risk, and climate change, for example. Climate change was already becoming much more pivotal given the rising incidence of natural disasters, but COVID-19 has brought home the tangibility of such risks. This is already manifesting itself in some of the details around government support schemes: funding flows from the EU's European Recovery Fund have a link to the European Green Deal, which focuses on renewable energy, circular economy ideas, etc.

For companies this brings opportunities and challenges. Accelerated decarbonization policies in Europe and faster-than-expected progress on hydrogen may put additional pressure on gas assets, and nuclear policies remain in flux. In any event, ESG considerations will likely have greater credit relevance in the wake of this crisis. The unequal way COVID has affected incomes and types of jobs will also likely bring significant policy changes over time that could alter the credit environment.

Companies will emerge from the crisis with a debt overhang

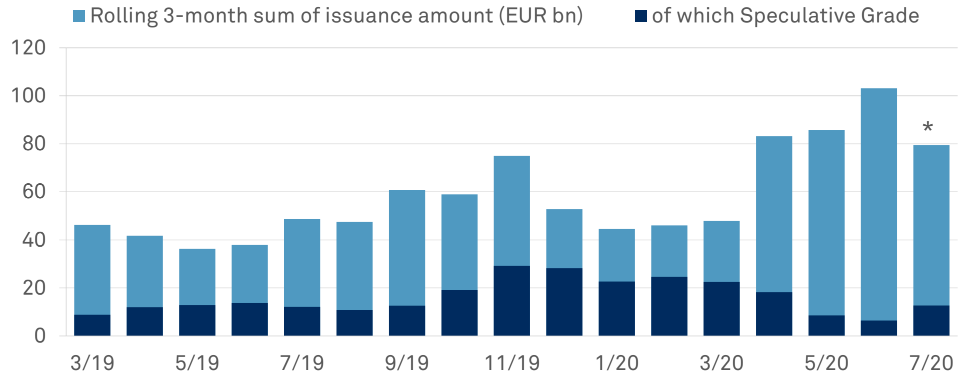
While the ultimate shape and timing of the post-COVID recovery remains uncertain, we can say for sure that the European corporate sector will come out of this with more debt. This can be viewed positively – an infusion of cash that has helped many companies cope with the sudden stop in economic activity and the resulting cash burn, and effectively a bridging loan to the recovery. It is also the case that, as shown by their actions during the height of the crisis, central banks and governments are acutely aware of the need to help debt markets function and to keep funding costs low.

Nevertheless, there are two important points of risk: while European companies did enter the crisis with aggregate cash holdings higher than the 2008-2009 financial crisis (rated European nonfinancial corporates' cash and equivalents/total assets were 7.9% in 2019, versus 6.8% in 2008), aggregate debt levels were also much higher and capital structure sustainability was under pressure at many lower-rated, companies. These two factors, combined with the slump in and likely slow recovery of EBITDA over the next few years, frame a challenging credit environment. While S&P Global Ratings and others have warned about the risks around rising global leverage, the suddenness of COVID's onset has left the corporate sector less well prepared than it might have been for a more typical recession.

In the near term, cash preservation and access to additional financing has been key. Fixed income debt issuance by rated European nonfinancial corporates surged from April through June (see chart 3), with €272 billion of debt issued. The vast majority of this was investment-grade issuance; the speculative grade component was just under €28 billion, and speculative-grade issuance only picked up again in July.

Chart 3

European Nonfinancial Fixed Income Issuance By Rated Issuers

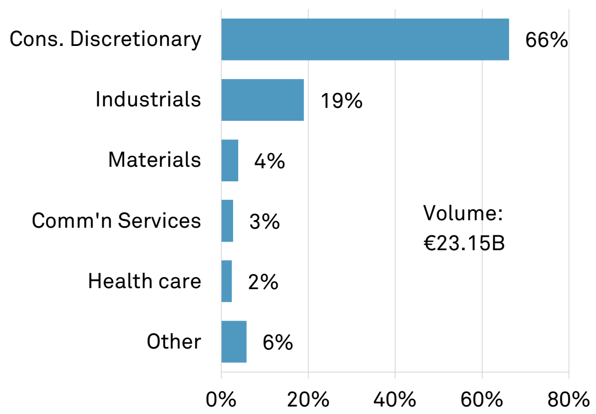


Source: S&P Global Market Intelligence, S&P Global Ratings. * Data to July 23, 2020.

Speculative-grade companies drew heavily on loan facilities, notably drawing down €23.1 billion of revolving credit facilities (RCF; see charts 4 and 5) according to Leveraged Commentary & Data. Again, this reinforces the prior points about sector and country risk: consumer discretionary companies accounted for 66% of RCF drawdown volumes, and U.K.-domiciled companies were the largest single country element at 49%.

Chart 4

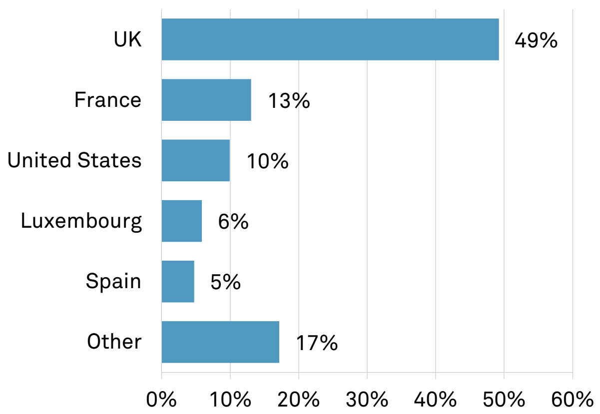
European Speculative Grade Revolving Credit Facility (RCF) Drawdowns Since March 5, By Volume



Source: LCD, an offering of S&P Global Market Intelligence.

Chart 5

European Speculative Grade Revolving Credit Facility (RCF) Drawdowns Since March 5, By Issuer Country Per Volume

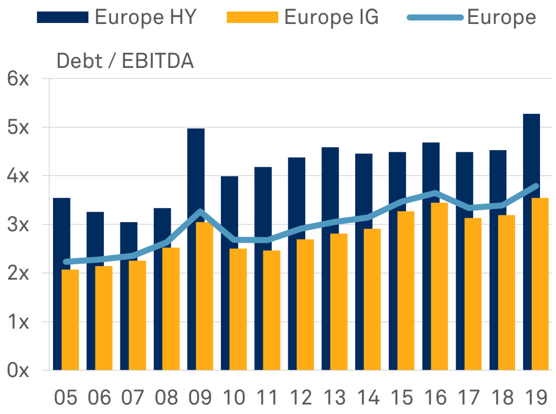


Source: LCD, an offering of S&P Global Market Intelligence.

With regard to the starting point for debt levels, chart 6 shows aggregate debt to EBITDA for rated European nonfinancial companies overall and for investment- and speculative-grade elements (based on current ratings). In all three cases, last year saw the highest recorded level for this metric over the period shown. And despite exceptionally low interest rates rendering debt servicing costs relatively low, even as debt levels have risen, there remains a significant proportion (just under 14%) of speculative-grade companies for which EBIT interest cover has been less than one for three consecutive years or more (see chart 7). Last year saw a marked improvement in this measure, but the impact of COVID will likely lead to renewed deterioration.

Chart 6

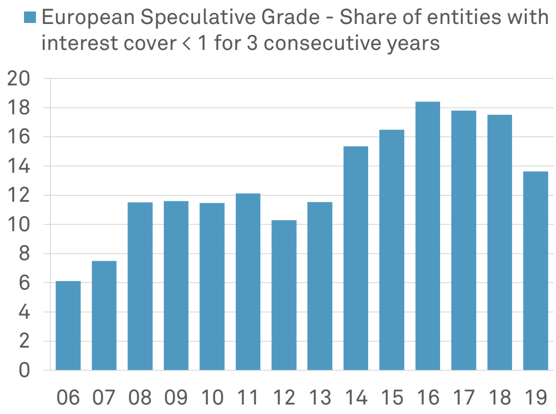
Debt Levels At New Peak Pre-COVID
European rated nonfinancial corporate debt/EBITDA (x)



Source: S&P Global Market Intelligence, S&P Global Ratings.

Chart 7

Capital Structure Sustainability Had Been Improving But Is Likely To Deteriorate Post-COVID-19



Source: S&P Global Market Intelligence, S&P Global Ratings. Shows proportion of European speculative-grade rated nonfinancial corporates whose interest coverage ratio (EBIT/interest expense) has been less than one for at least three consecutive years.

On the other side of the equation, EBITDA forecasts have slumped in the wake of COVID, with 12-month forward consensus estimates having fallen 11% over the past year (see chart 8), a decline similar to what ensued in the last financial crisis. Oil and consumer discretionary companies have seen the largest downward revisions to forecasts (see chart 9). In terms of prospects for EBITDA recovery, the industry heat maps that follow detail S&P Global Ratings analysts' estimates for EBITDA in 2021 and 2020 in relation to where they were pre-crisis in 2019.

Chart 8

Consensus EBITDA Estimates For Nonfinancial Rated Companies Have Slumped...

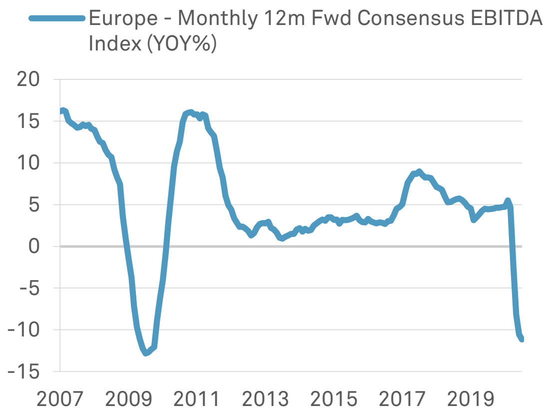
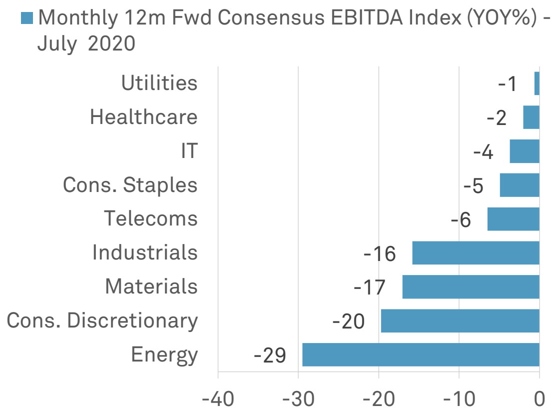


Chart 9

...With oil And Consumer Discretionary EBITDA Forecasts Cut The Most



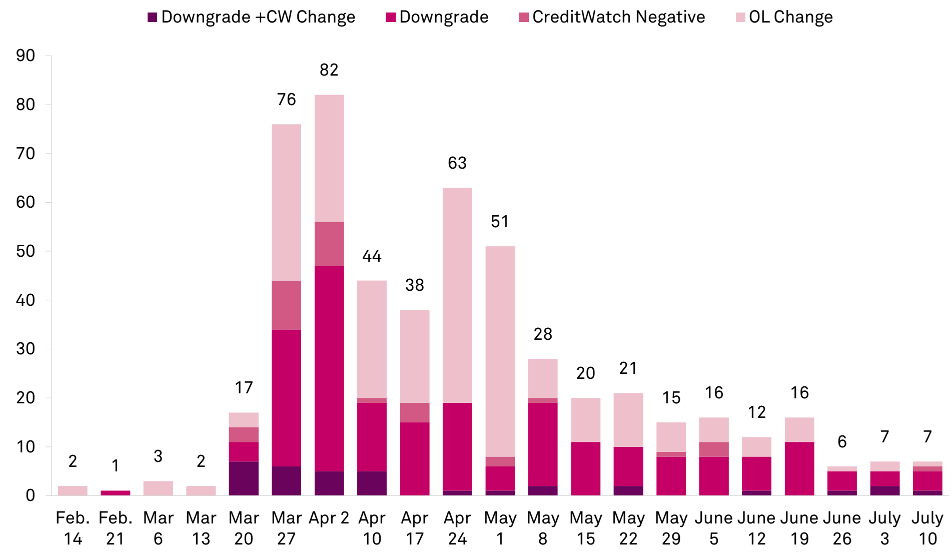
Source: S&P Global Market Intelligence, S&P Global Ratings. Data for global rated nonfinancial corporates, using equal-weighted local-currency revisions.

The pace of downgrades has eased, but rating levels remain at risk

After a substantial wave of downgrades in response to the changed circumstances created by the pandemic, the pace of negative ratings actions has slowed (see chart 10).

Chart 10

Weekly Distribution Of European Corporate Issuers' Ratings Affected By COVID-19 And Oil Prices

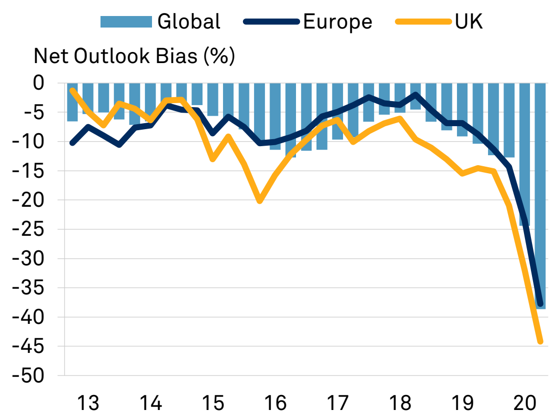


Source: S&P Global Ratings.

Nevertheless, risks here remain firmly to the downside, with the net outlook bias slumping to a post-financial-crisis low (see chart 11) and some 33% of European nonfinancial corporates having a negative outlook and 8% on CreditWatch negative (see chart 12).

Chart 11

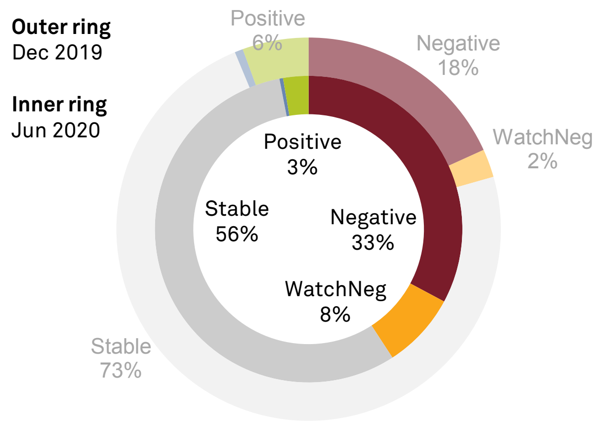
Nonfinancial Corporate Net Outlook Bias



Source: S&P Global Ratings. Data as of end-quarter to June, 2020.

Chart 12

European Nonfinancial Corporate Ratings Outlook

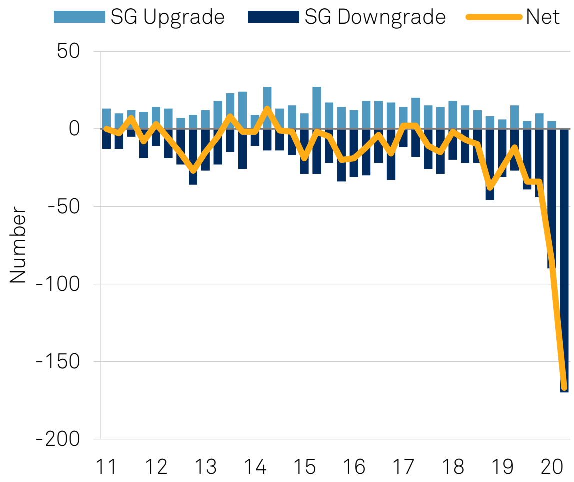


Source: S&P Global Ratings. Data as of end-quarter.

Risks remain most acute for speculative-grade companies, which have less financial resilience to shocks of this kind. They account for the bulk of negative ratings actions, with a very heavy pace of downgrades through the first half (see chart 13). Chart 14 shows how the distribution of speculative-grade ratings has shifted since end-December and the biggest swing occurring from 'B' to 'B-' ratings. As one illustration, 70% of European chemicals rating changes occurred on speculative-grade issuers, many of which had only limited headroom at the start of the pandemic following leveraged buyouts and refinancing. The downward shift in the credit quality spectrum overall reinforces the point about the duration of this crisis being critical. We already assume a multiyear process of recovery. If renewed virus outbreaks result in reinstated lockdowns, this could create an environment where some businesses won't survive in their current form due to liquidity depletion and an inability to refinance existing capital structures.

Chart 13

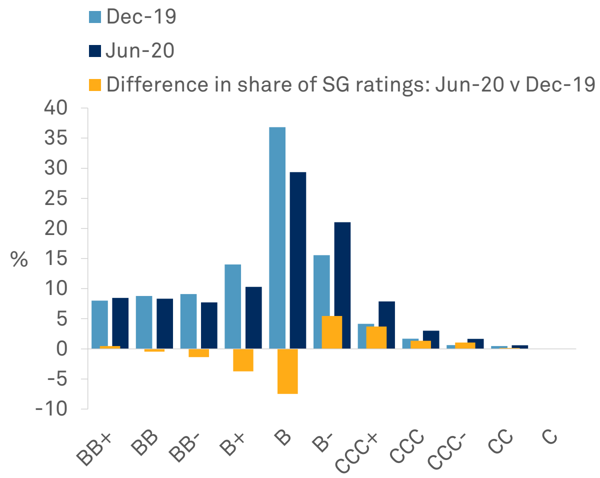
European Nonfinancial Speculative-Grade Rating Actions By Quarter



Source: S&P Global Ratings.

Chart 14

Change In Distribution Of European Nonfinancial Speculative-Grade Ratings From December 2019-June 2020

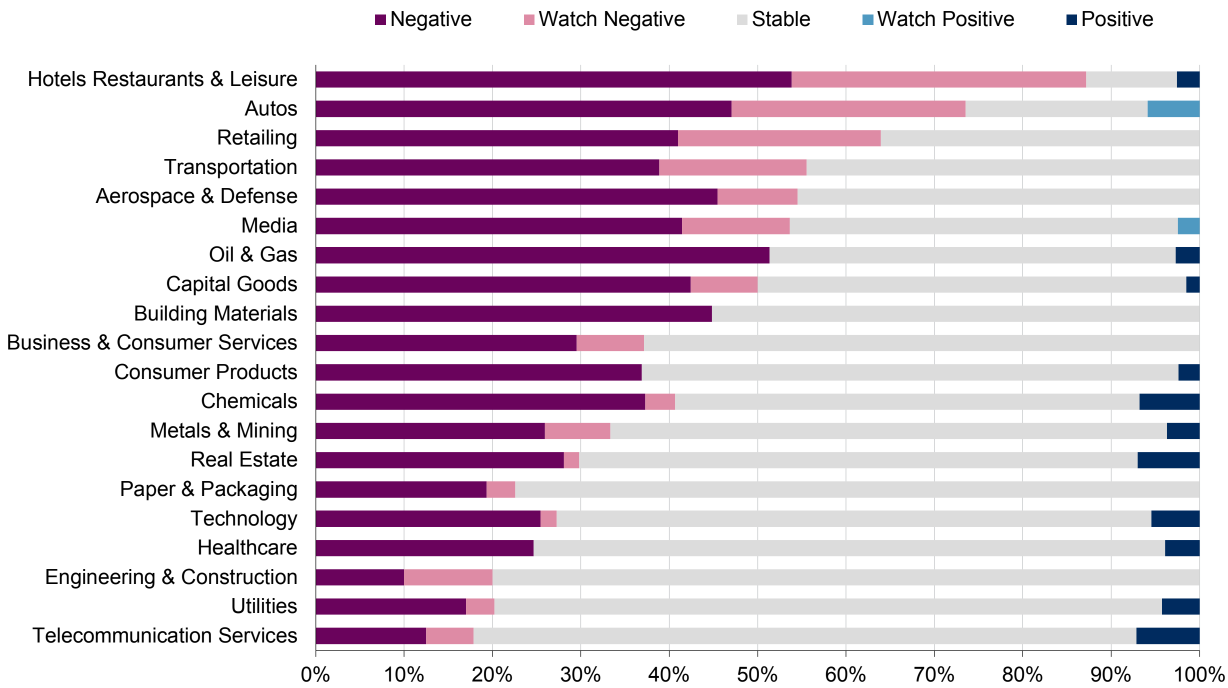


Source: S&P Global Ratings.

Chart 15 shows the relative ratings outlook distribution of European rated nonfinancial issuers by industry, with sectors most exposed to consumer confidence and activity unsurprisingly having the largest share of negative outlooks.

Chart 15

European Ratings Outlook Distribution By Industry (Ranked By Net Outlook Bias)



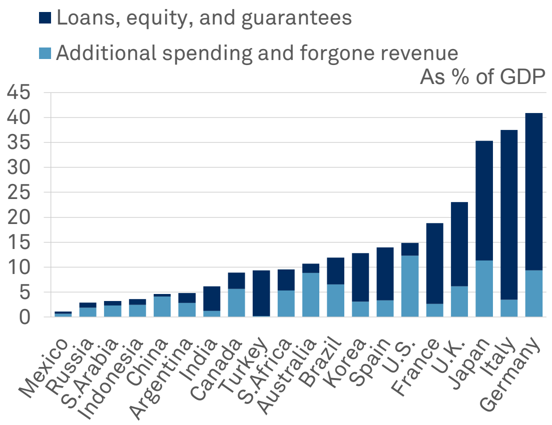
Source: S&P Global Ratings. Data as of end-June, 2020.

Swift action by European policymakers might ameliorate the COVID damage

Amid the gloom, there are some positive aspects of the European response to COVID that could have positive credit implications. G20 European countries have undertaken some of the largest fiscal responses in relation to GDP via loans, equity, guarantees, additional spending, and foregone revenue (see chart 16). The consequence of this has been to soften the blow of unemployment, certainly relative to the U.S. (see chart 17) which, while undertaking considerable spending, has not seen anywhere near the same level of loans, equity injections, or guarantees enacted. Whether this differential persists in the face of partially reinstated lockdowns in some European regions and a fragile summer tourism season remains to be seen. Small and medium-sized enterprises – the largest segment of business employment in the U.K., for example - appear particularly vulnerable. But swift government support across Europe has helped many businesses to continue to function and may ultimately soften the blow in terms of defaults.

Chart 16

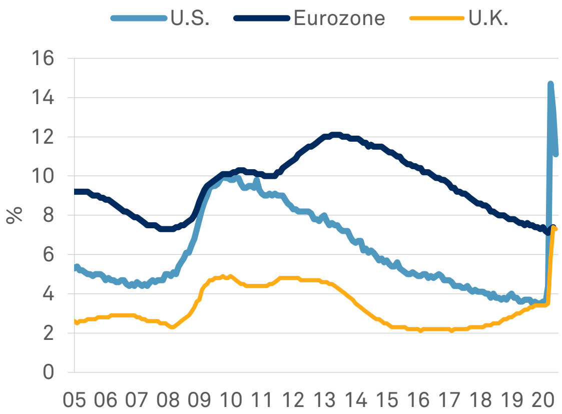
European Countries Rank Highly In Terms Of G20 Fiscal Responses To The COVID-19 Pandemic



Source: IMF. Data are as of June 12, 2020. Revenue and spending measures exclude deferred taxes and advance payments.
For details, see the IMF's *Fiscal Monitor Database of Country Fiscal Measures in Response to the COVID-19 Pandemic.*

Chart 17

Eurozone Unemployment Has Not Yet Seen A COVID-19 Surge In Contrast To The U.S. And U.K.

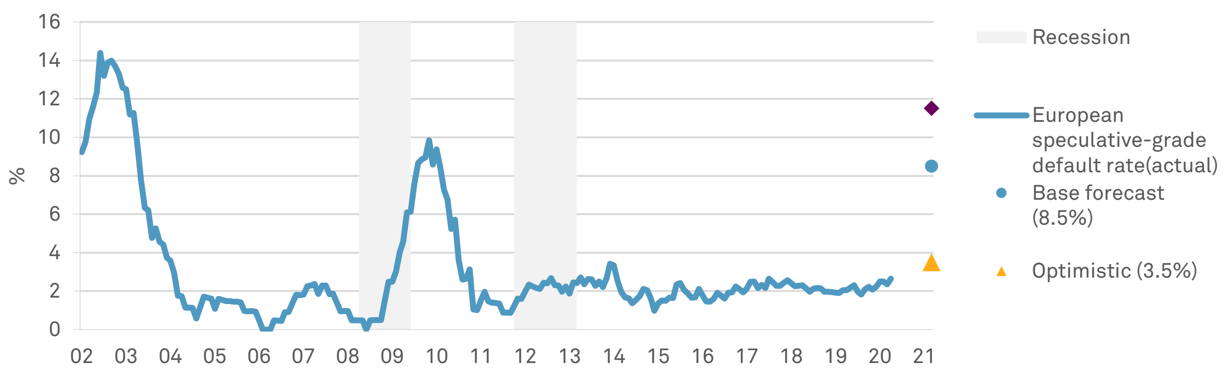


Source: Refinitiv (BLS, Eurostat, ONS).

Bringing it all together, chart 18 shows our base-case, optimistic, and pessimistic projection for the 12-month forward speculate-grade default rate. The base case projects a rise in the default rate to 8.5%, lower than the 10% peak after of the 2008 financial crisis, and a long way short of the 14% peak seen during the early 2000s TMT crash. This base case is lower than the equivalent 12.5% projection for the U.S., partly reflecting lower exposure to oil companies – U.S. shale especially – but also a recognition that Europe's policy response has been swift and supportive and that the COVID-19 case trajectory has evolved more favorably. Even so, barring speedy progress on the vaccine front, risks remain heavily tilted to the downside.

Chart 18

European Trailing-12-Month Speculative-Grade Default Rate And March 2021 Forecast



Source: S&P Global Ratings and S&P Global Market Intelligence's CreditPro®. Note: Shaded areas are periods of recession as defined by the CEPR-EABCN. Data as of April 30, 2020.

Related Research

- European Leveraged Finance And Recovery Second-Quarter 2020 Update: Finding Equilibrium, Jul. 20, 2020
- Market Liquidity In A Crisis: Five Key Lessons From COVID-19, Jul. 16, 2020
- Global Credit Conditions, The Shape Of Recovery: Uneven, Unequal, Uncharted, Jul. 1, 2020
- Credit Conditions Europe: Curve Flattens, Recovery Unlocks, Jun. 30, 2020
- Economic Research: Eurozone Economy: The Balancing Act To Recovery, Jun. 25, 2020
- COVID-19 Heat Map: Post-Crisis Credit Recovery Could Take To 2022 And Beyond For Some Sectors, Jun. 24, 2020
- The European Speculative-Grade Corporate Default Rate Could Reach 8.5% By March 2021, Jun 08, 2020

This report does not constitute a rating action

Industry Top Trends Update

Aerospace and Defense

Commercial aerospace is reeling; defense is resilient for now

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What's changed post-COVID?

Large commercial passenger aircraft production rates have been slashed. The pandemic-related decline in global air travel (likely down more than 50% in 2020) has resulted in airlines trying to negotiate deferred delivery or cancel orders for new aircraft. Airbus has materially cut production, particularly for wide-body aircraft, weighing on already-strained suppliers and resulting in lower earnings and cash flow. This has resulted in numerous downgrades and outlook changes.

Commercial aerospace suppliers are adjusting to lower demand until at least 2023. Engine makers and tier 1 producers with high exposure to wide-body platforms have been particularly affected. We expect there may be material one-off costs, write-downs, and impairments in many issuers' fiscal 2020 and possibly fiscal 2021 results, as a result of measures taken to scale down production.

COVID-19 has had a limited impact on defense, with likely rising pressures. Despite some cross-border supply chain disruption in the EMEA defense industry, the pandemic's effect on large defense primes has been limited so far (as most are afforded "essential" status by their respective governments). However, smaller defense players with highly leveraged capital structures and limited financial flexibility could see pressure on their credit quality as budgets come under scrutiny.

What is the likely path to recovery?

Aircraft supply chain right sizing, then gradual recovery. Aircraft production is likely to stay at reduced levels through at least 2021 and may not return to 2019 levels until at least 2023. As domestic air travel is likely to recover before long-haul international travel, narrow-body aircraft deliveries are likely to increase before wide-body aircraft, which could stay low for an extended period. Improvements in earnings will depend on both increasing volumes and rationalizing cost structures.

Defense budgets may be constrained. Defense spending is unlikely to be materially affected in the near term, but we expect defense budgets could come under pressure in the medium to long term due to higher sovereign debt levels.

What are the key risks around the baseline?

A second wave of COVID-19. Particularly if it is accompanied by further large-scale lockdowns, a second wave could further undermine air travel prospects, resulting in potential airline bankruptcies and even-lower-than-expected original equipment manufacturer production rates of large commercial passenger aircraft.

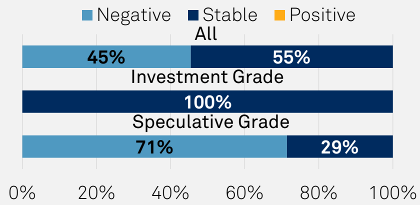
Further supply chain disruptions. Parts of the global aerospace supply chain had already been suffering due to the prolonged grounding of the Boeing 737 MAX. The lower volumes now on other programs could cause some companies, especially very small companies, to fail or exit the market, interrupting aircraft production.

Pressure on cash flows and liquidity of smaller issuers. Weaker profitability and cash flows, the cash cost of right sizing and restructuring businesses, and retooling for new opportunities could weigh on liquidity. Many issuers have fully drawn their revolving credit facilities and bolstered liquidity where they can, but risks remain.

Latest Related Research

- Rolls-Royce PLC Downgraded To 'BB'; Outlook Negative, May 28, 2020
- Six European Airlines Downgraded As COVID-19 Impact Erodes Credit Metrics, May 20, 2020

Outlook Distribution



Ratings Statistics (YTD)

	IG	SG	All
Ratings	4	7	11
Downgrades	1	2	3
Upgrades	0	0	0

Ratings data as of end-June, 2020

COVID-19 Heat Map

Commercial Aerospace

COVID-19, Recession, and O&G Impact	High
Potential Negative Long-Term Industry Disruption	Yes

2020 Estimates v. 2019

Revenue Decline	EBITDA Decline	Incremental Borrowings
25% to 50%	40% to 60%	>10%

2021 Estimates v. 2019

Revenue Decline	EBITDA Decline
20% to 30%	30% to 40%

Defense Contractors

COVID-19, Recession, and O&G Impact	Low
Potential Negative Long-Term Industry Disruption	Yes

2020 Estimates v. 2019

Revenue Decline	EBITDA Decline	Incremental Borrowings
0% to 5%	No decline	No increase

2021 Estimates v. 2019

Revenue Decline	EBITDA Decline
0% to 10%	0% to 10%

Industry Top Trends Update

Autos

Long and bumpy recovery for European autos

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What's changed post-COVID?

Demand has taken an additional hit. We had already expected demand to be weak in 2020, even before the pandemic. Now autos are taking an additional hit as a result of the devastating effects of COVID-19 on the bulk of Europe's economies. We now see decline in light vehicle sales in Europe of 20%-25% in 2020, before recovering in 2021 by 10%-15%.

Capacity utilization remains low. Auto production restarted as soon as lockdowns eased but uncertainties related to demand recovery are weighing on capacity utilization. This indicates an unclear outlook for the entire auto value chain ranging from auto suppliers to dealers.

Subsidy schemes favor low-emission vehicles. Schemes adopted by governments (Germany, France, Spain, and Italy to date) to revive demand are skewed toward boosting sales of low-emission vehicles. These typically made a lower contribution to operating margins compared to traditional internal combustion engine vehicles. In any case, bottlenecks in the supply of battery cells are constraining production of electric and hybrid vehicles and are limiting upside to sales volumes.

What is the likely path to recovery?

Auto sales recoveries across Europe will be uneven. Fiscal stimulus is differing markedly among European governments in both magnitude and timing. Recovery in Southern European markets and in the U.K. will likely lag a rebound in markets such as Germany and France.

Cost-containment will remain important, but R&D spending is needed. 2022 sales volumes are likely to remain below the 20.7 million vehicles sold in 2019 in Europe. This highlights the need to redouble efforts regarding cost containment. That said, we see R&D and capex growing in 2021 and 2022 compared to 2020 because auto makers will need to keep investing in electrification and connectivity, as well as autonomous vehicles.

Liquidity management will remain high on agendas. This is particularly so as we expect production ramp-ups to be bumpy, which could lead to higher-than-usual cash-flow volatility.

What are the key risks around the baseline?

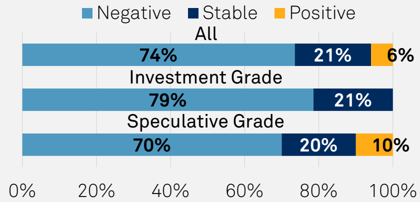
A second COVID-19 wave. If social-distancing measures were reinstated this would undermine the expected recovery in the second half of 2020, amplifying both credit and residual value risks, and weighing on funding conditions.

Compliance with environmental obligations. The deferral of new product launches caused by lockdowns could jeopardize strategic roadmaps to complying with environmental obligations, exposing auto producers to regulatory fines in Europe.

Latest Related Research

- Q&A: COVID-19 And the Auto Industry—What's Next, June 9, 2020

Outlook Distribution



Ratings Statistics (YTD)

	IG	SG	All
Ratings	14	20	34
Downgrades	5	10	15
Upgrades	0	0	0

Ratings data as of end-June, 2020

COVID-19 Heat Map

Automotive	
COVID-19, Recession, and O&G Impact	High
Potential Negative Long-Term Industry Disruption	--

2020 Estimates v. 2019		
Revenue Decline	EBITDA Decline	Incremental Borrowings
15% to 25%	40% to 60%	>10%

2021 Estimates v. 2019	
Revenue Decline	EBITDA Decline
0 to 10%	10% to 20%

Industry Top Trends Update

Building Materials

The sector should hold up better than after the last crisis

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What's changed post-COVID?

Moderate exposure to the current recession. We have taken negative rating actions on about one-third of the sector—mostly revising outlooks to negative and mostly on speculative-grade companies in the 'B' rating category.

About two-thirds of speculative-grade companies have negative outlooks. This is because they entered the crisis with high financial leverage following recent rounds of refinancing, which means reduced rating headroom ahead of the downturn. Also, most of them are smaller and less geographically diversified than investment-grade companies, so more sensitive to the current recession.

All investment grade companies still have stable outlook. This is because they entered the crisis with solid balance sheets as result of strong operating performances in 2019, and quickly adapted their financial policy to the downturn.

What is the likely path to recovery?

A rebound to pre-pandemic levels in late 2022. The sector is among those taking a midsize hit from pandemic-induced shocks and should gradually recover in 2021 and 2022. We anticipate revenue declines of 15%-20% in 2020 for rated companies.

The recovery should be quicker than after the 2009 financial crisis. This reflects governments' and the European Commission's more rapid and effective fiscal stimulus in 2020. It also reflects the ECB's continued expansionary monetary policy, and accelerated demand by households for sustainable products due to new tax incentives to support green building renovation.

The recovery path will be uneven, however. Companies focused on innovative and energy-saving building products should benefit from a quick rebound, compared with traditional building products. We expect companies to invest more than in the past to modernize product offerings with green and sustainable solutions.

What are the key risks around the baseline?

Weak consumer confidence in 2021. This could delay growth in residential construction, one of two main contributors to recovery in the sector in 2021-2022 in our baseline, and dampen the success of tax incentives to promote green building.

Delays to public infrastructure investments. This may reduce Europe's construction backlog in 2021-2022 and constrain the civil engineering segment, the other main contributor of building materials recovery in 2021-2022 in our baseline.

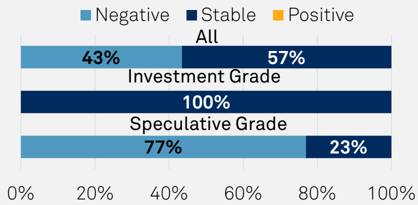
A weak volume rebound. This would likely constrain speculative-grade companies' free operating cash flows and put pressure on ratings.

A turn to more aggressive financial policies. This happening before credit metrics have fully recovered is a key risk for investment-grade companies.

Latest Related Research

- Europe's Construction And Building Materials Sector Should Hold Up Better Than After The Last Crisis, June 16, 2020
- Building Material And Construction Webcast, June 18, 2020

Outlook Distribution



Ratings Statistics (YTD)

	IG	SG	All
Ratings	10	13	23
Downgrades	0	1	1
Upgrades	0	0	0

Ratings data as of end-June, 2020

COVID-19 Heat Map

Building Materials	
COVID-19, Recession, and O&G Impact	Moderate
Potential Negative Long-Term Industry Disruption	--

2020 Estimates v. 2019		
Revenue Decline	EBITDA Decline	Incremental Borrowings
10% to 15%	15% to 25%	5% to 10%

2021 Estimates v. 2019	
Revenue Decline	EBITDA Decline
0 to 10%	0 to 10%

Industry Top Trends Update

Capital Goods

Weaker recovery and elevated debt are main credit risks

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What's changed post-COVID?

Credit quality is weakening across the sector portfolio. For the European capital goods sector, the impact of COVID-19 and global recession will result in significant declines in revenue and EBITDA in 2020, diminishing credit quality. The sector in Europe is predominantly speculative grade (61% of ratings) and has been hit hard by COVID-19 accounting for about 80% of our rating actions since March, while 39% is investment grade and significantly less affected so far.

The negative outlook bias is widening despite a high number of downgrades. We expect rating actions to remain decidedly negative over the next 12 months, particularly for issuers with higher exposure to weaker end markets such as oil & gas, autos, or commercial aviation.

What is the likely path to recovery?

Credit metrics are expected to recover to 2019 levels by 2022. We anticipate a gradual recovery to begin in second-half 2020. Despite a rebound in industrial demand and cost reduction measures, we expect sector revenues in 2021 to remain up to 10% below 2019 levels while EBITDA is likely to remain 10%-20% below. We think this will be a multi-year recovery and don't foresee metrics recovering to 2019 pre-pandemic levels until the end of 2022.

The speed of recovery depends mainly on end-market exposure. Economic contraction and reduced capex in key end markets will curtail demand for original equipment and, to a lesser extent, aftermarket parts. The extent of the impact, and the path to recovery, depends on end-market, with weaker end-markets such as autos, commercial aviation, oil & gas, and to some extent metals and mining facing a longer path to improving topline, margins, and credit metrics.

What are the key risks around the baseline?

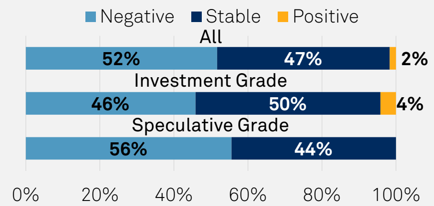
A new wave of outbreaks would dismantle business and investment confidence. While the impact on the sector is pronounced, we currently do not see the pandemic causing long-term structural disruption. The highest-impact risk to our recovery scenario is another economic shock driven by a potential second wave of COVID-19, reducing global demand, halting investment, lowering production levels, and disrupting industrial manufacturing supply chains. In this scenario, we would expect more downgrades and a spike in speculative grade companies defaulting.

Recent high volumes of debt issuance could stall recovery in credit metrics. We expect issuers to adjust capital allocations to reduce share repurchases or adjust dividends if weak operating conditions persist. This would help preserve financial flexibility, particularly in investment grade. However, issuers across the rating spectrum have incurred incremental debt on balance sheet—not just additional credit lines—to ensure liquidity through the crisis. We expect some of this debt will linger on balance sheets, leading to overall higher debt volumes in the sector. Combined with slower than expected economic recovery, this would delay recoveries of credit ratios beyond our base case forecasts.

Latest Related Research

- Capital Goods Companies Face Shocks From COVID-19 And Economic Recession, April 27, 2020
- Industry Top Trends 2020: Capital Goods, Nov. 18, 2019

Outlook Distribution



Ratings Statistics (YTD)

	IG	SG	All
Ratings	24	37	61
Downgrades	0	18	18
Upgrades	0	0	0

Ratings data as of end-June, 2020

COVID-19 Heat Map

Capital Goods	
COVID-19, Recession, and O&G Impact	Moderate
Potential Negative Long-Term Industry Disruption	--

2020 Estimates v. 2019		
Revenue Decline	**EBITDA Decline**	**Incremental Borrowings**
10% to 15%	15% to 25%	<5%

2021 Estimates v. 2019	
Revenue Decline	**EBITDA Decline**
0 to 10%	10% to 20%

Industry Top Trends Update

Chemicals

Protracted path to recovery for European chemicals

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What's changed post-COVID?

Weakening financial performance in 2020. EMEA's chemicals industry has been hit by supply chain disruptions and a severe drop in demand in key end-markets such as automotive, manufacturing, oil and gas, and construction caused by the COVID-19 pandemic and the related global recession. We expect revenues for most EMEA chemical companies to decline by 10%-15% and EBITDA by 15%-25% in 2020 compared to 2019. Issuers have responded with credit supportive measures such as cost cutting, reducing capex, and lowering shareholder distributions. Companies have issued new debt and drawn on credit facilities to bolster liquidity.

Deteriorating credit quality. Since February, we have taken rating actions on 35% of the 59 companies we rate in the sector, including nine downgrades. About forty percent of the ratings in our chemicals coverage now carry a negative outlook or are on CreditWatch negative. Still, due to end-market diversity and exposure to some more resilient sectors, the impact on chemicals has been moderate overall compared to other sectors such as the automotive industry.

Speculative-grade chemicals are more vulnerable. Our rating actions were not equally distributed across the portfolio but 70% occurred on speculative-grade rated chemical issuers, many of which had only limited headroom at the start of the pandemic following leveraged buyouts and refinancings.

What is the likely path to recovery?

Recovery will be gradual, with risks to the downside. In line with our macroeconomic scenario we factor in a gradual recovery starting second-half 2020, with risks to the downside. As lockdown measures in many countries are being eased, we note early signs of an economic uptick such as strongly improved business expectations in the German chemical industry.

Credit metrics to recover to 2019 levels only by 2022. We believe the path of recovery will be protracted and in 2021 revenues and EBITDA of EMEA chemicals companies will still be up to 10% below 2019 levels. We believe the pace of the recovery in China as a main growth market for many global chemical companies will be a key driver. We don't foresee a full recovery in chemical companies' revenues, EBITDA, and credit metrics to pre-COVID levels until the second half of 2022, particularly for those issuers more exposed to commodity products.

What are the key risks around the baseline?

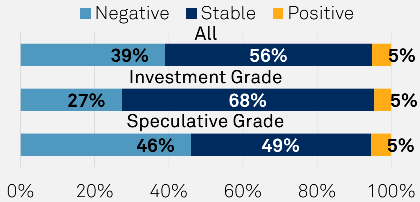
Higher earnings decline and weaker-than-anticipated credit metrics. Our baseline factors in a trough in revenues and earnings in the just-concluded second quarter of 2020. The upcoming reporting season will provide more visibility regarding individual issuers' earnings declines, the extent of pressure on credit metrics, and the size of residual rating headroom.

Delayed recovery if downside risks materialize. Given the evolving pandemic and hard-to-predict future measures to contain the spread of the virus there are clear risks to the downside that could impair demand for chemicals in certain regions or end-markets and could result in a delayed recovery in revenues and earnings.

Latest Related Research

- Q&A: EMEA Chemicals Face A Long Climb Back From COVID-19 Disruption, June 29, 2020

Outlook Distribution



Ratings Statistics (YTD)

	IG	SG	All
Ratings	22	37	59
Downgrades	2	10	12
Upgrades	0	0	0

Ratings data as of end-June, 2020

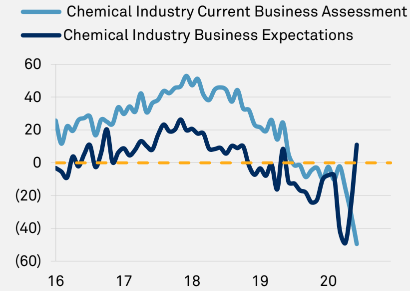
COVID-19 Heat Map

Chemicals	
COVID-19, Recession, and O&G Impact	Moderate
Potential Negative Long-Term Industry Disruption	--

2020 Estimates v. 2019		
Revenue Decline	EBITDA Decline	Incremental Borrowings
10% to 15%	15% to 25%	5% to 10%

2021 Estimates v. 2019	
Revenue Decline	EBITDA Decline
0% to 10%	0% to 10%

IFO Sentiment Survey for German Chemical Industry



Source: Ifo Institute for Economic Research, June 2020

Industry Top Trends Update

Consumer Products

Pockets of resilience supported by in-home consumption

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What's changed post-COVID?

Shift in consumption from outside to inside the home. We are seeing robust growth in packaged food and homecare, with subdued demand for discretionary goods. The disruption to international travel has hit travel retail, with a significant impact on personal luxury and prestige beauty products.

Brand power is reinforced. Companies with global brands, diversified portfolios at different price points, and nimbler supply chains and digital capabilities will be more resilient and gain market share in a more volatile environment. Brand equity is also moving to center stage as ecommerce gathers pace.

The shift in consumer preferences will become more noticeable. The pandemic has placed health and wellness center stage, and consumers and companies are paying more attention to food sustainability. However, given that this shift will come at a cost, it's likely to be more pronounced in developed markets. The fall in disposable incomes will also see many consumers favor value for money products.

What is the likely path to recovery?

Better capitalized investment-grade companies will fare better. Geographically diversified companies, with solid brands and pricing power, will remain largely resilient. Those offering essentials or staples may even emerge stronger from the pandemic following defensive actions to reduce costs and investments.

Out-of-home consumption and travel-related spending will remain disrupted. Alcoholic beverages and food services will take time to recover lost sales, as out-of-home consumption will begin to recover only gradually from 2021. Chinese customers should remain the underlying driver of prospects for luxury goods.

Smaller companies with discretionary products will see their credit quality weaken further. The decline in topline will exacerbate weaker margins and cash flow for these companies, diminishing already-tight credit ratings headroom.

What are the key risks around the baseline?

A second pandemic wave. Weaker macroeconomic conditions and a drop in consumer confidence from a second wave would damage recovery prospects for out-of-home consumption and depress discretionary spending even further.

Elevated leverage and higher working capital. This could result from higher than expected investment into working capital to support undercapitalized distribution networks and retail partners. Return to high shareholder remuneration and M&A before the earnings have recovered could pressure ratings.

COVID-19 has revealed the fragility of global supply chains. A strategic shift to using more localized supply chains could add costs and exacerbate trade conflicts. Companies that fail to make an effective transition to ecommerce will struggle.

Latest Related Research

- COVID-19 Will Shape The Future Of Consumer Goods, July 1, 2020
- Overview Of The Most Recent Industry Trends Within Consumer Goods In EMEA Published, June 25, 2020
- Sustainable Agriculture: Governments Need To Weigh In To Effect Lasting Change, Mar 03, 2020
- Inside Credit: The Health Of Branded European Consumer Goods Companies Isn't Immune To The New Coronavirus, Feb. 3, 2020

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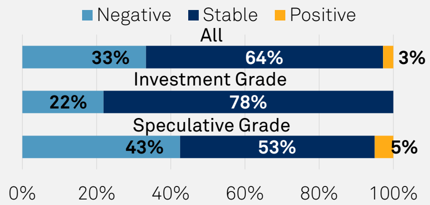

Ratings Statistics (YTD)

	IG	SG	All
Ratings	32	41	73
Downgrades	1	17	18
Upgrades	0	1	1

Ratings data as of end-June, 2020

COVID-19 Heat Map

COVID-19, Recession, and O&G Impact	
Pack.Food/Pers & Home Care/Agr&Ingr.	Low
Tobacco & Alcoholic Beverage	Low
Luxury & Discretionary	High
Potential Neg. Long-Term Industry Disruption	
Pack.Food/Pers & Home Care/Agr&Ingr.	--
Tobacco & Alcoholic Beverage	--
Luxury & Discretionary	--

2020 Estimates v. 2019

Revenue Decline	EBITDA Decline	Incremental Borrowings
Pack.Food/Pers & Home Care/Agr&Ingr.		
No decline	0% to 10%	No Increase
Tobacco & Alcoholic Beverage		
5% to 10%	0% to 10%	No Increase
Luxury & Discretionary		
15% to 25%	25% to 40%	No Increase

2021 Estimates v. 2019

Revenue Decline	EBITDA Decline
Pack.Food/Pers & Home Care/Agr&Ingr.	
≥2019	≥2019
Tobacco & Alcoholic Beverage	
0% to 10%	0% to 10%
Luxury & Discretionary	
10% to 20%	10% to 20%

Industry Top Trends Update

Health Care

Still resilient but full recovery could remain bumpy for some

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What's changed post-COVID?

New products may see slower uptake. Pharma companies are still expecting at least low-single-digit revenue growth in 2020, although with some quarterly volatility. Newly launched products are likely to see slower uptake in 2020 and early 2021 as social distancing hampers normal marketing practices and healthcare services' roll outs of new drugs across wider patient populations.

Costs are higher but government support is ongoing. EMEA hospitals and nursing homes continue to receive government support to compensate for higher costs. Laboratories and diagnostic services saw a dip in demand for non-urgent testing in the first half of 2020, but are recovering as healthcare services resume delayed treatments. Once the prospects for a vaccine or effective treatment are clearer, in 2021, healthcare services will need to review their medical protocols, especially in infection control, and reflect the new standards in tariffs.

What is the likely path to recovery?

Pharmas that launched products in or before 2019 will continue to grow. This will be broadly in line with pre-COVID-19 assumptions. Those relying on 2020 launches to drive growth will need efficient digital marketing to deliver on expectations.

Margins pressure will persist. Health care services are gradually resuming scheduled surgeries and the placement of people in nursing homes. Pressure on margins will remain into 2021 due to social distancing measures, at least until a vaccine is available to medical staff and high-risk patient groups.

Medical equipment makers will see a drop in profits. Manufacturers of medical equipment not involved in critical care will see a drop in top line and profitability in 2020 as COVID-19-related closures of medical facilities and social distancing reduce the volumes of surgical procedures and related care. Second-half 2020 should bring clarity regarding the capacity of healthcare services to clear the backlog of delayed treatments in 2020 through to early 2021.

What are the key risks around the baseline?

A second wave and a lack of vaccine. A resurgence in infections this autumn, or no effective vaccine or treatment widely available by 2021, are the main sector risks.

Government support ending. Governments could decide to cease providing promised assistance to support the delivery of services and to cope with higher costs, which would pressure margins.

Unexpected working capital outflows. These would be mainly owing to the timing of government support payments to healthcare services. Medical equipment manufacturers may also experience working capital volatility until a more normal sell-through pattern resumes for their products.

Latest Related Research

- COVID-19: The Road Ahead Is Bumpy As The European Health Care Sector Recovers, May 19, 2020
- What Does Pharma's Quest For A COVID-19 Vaccine Mean For Its Credit Quality And ESG Profile?, July 8, 2020
- Pharma Industry Only Moderately Affected While Helping Mitigate COVID-19 Pandemic Impact, March 16, 2020

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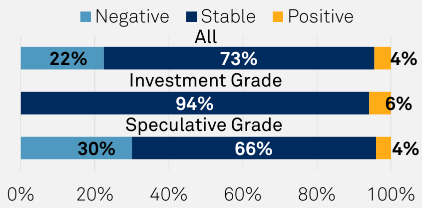

Ratings Statistics (YTD)

	IG	SG	All
Ratings	17	50	67
Downgrades	1	7	8
Upgrades	0	1	1

Ratings data as of end-June, 2020

COVID-19 Heat Map

COVID-19, Recession, and O&G Impact	
Healthcare - Pharmaceuticals	Neutral
Healthcare - Services	Low
Healthcare - Equipment	Moderate
Potential Neg. Long-Term Industry Disruption	
Healthcare - Pharmaceuticals	--
Healthcare - Services	--
Healthcare - Equipment	--

2020 Estimates v. 2019

Revenue Decline	EBITDA Decline	Incremental Borrowings
Healthcare - Pharmaceuticals		
No decline	No decline	No Increase
Healthcare - Services		
0% to 5%	0% to 10%	<5%
Healthcare - Equipment		
10% to 15%	10% to 15%	5% to 10%

2021 Estimates v. 2019

Revenue Decline	EBITDA Decline
Healthcare - Pharmaceuticals	
≥2019	≥2019
Healthcare - Services	
≥2019	≥2019
Healthcare - Equipment	
≥2019	≥2019

Industry Top Trends Update

Homebuilders & Developers

Weaker economies will weigh on developers

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What's changed post-COVID?

Safety and administrative challenges have delayed the supply of newly built properties in 2020. Most construction halted for one-to-four months, despite often being allowed and even encouraged to operate.

Weakening economies will likely weigh on future demand and selling prices. Higher unemployment or lower disposable incomes stand to drag on sales and lead to lower price growth.

We have taken eight negative rating actions, mostly revising outlooks to negative, on the 11 property developers we rate in EMEA, all based or partially based on the pandemic's effects.

What is the likely path to recovery?

We expect revenue to decline by 10%-30% in 2020, and grow by 10%-20% in 2021. Construction that was due to complete in 2020 will likely be realized next year.

Developers' margins will be under pressure in 2020, and possibly also in 2021. This is as a result of lower cash inflows, higher prices of raw materials, and costs associated with new security measures.

Governments and central banks' measures should partly offset pressures. Steps by various authorities are encouraging the purchase of newly built assets and supporting average selling prices against the economic turmoil.

What are the key risks around the baseline?

New lockdowns or reduced access to loans could soften markets. If new lockdown measures are introduced or access to mortgage loans tightens, this could affect supply and demand more negatively.

Intervention from governments or central banks could increase. This could also lead us to positively reconsider our operating assumptions.

Latest Related Research

- Three Dubai-Based Real Estate Companies Downgraded On Increased Economic Pressures Stemming From Spread Of COVID-19, July 9, 2020
- COVID-19 Dampens The Prospects Of EMEA Real Estate Developers And Homebuilders, April 22, 2020
- Various Rating Actions Taken On Dubai-Based Real Estate Firms On Economic Pressure And COVID-19 Uncertainty, March 26, 2020

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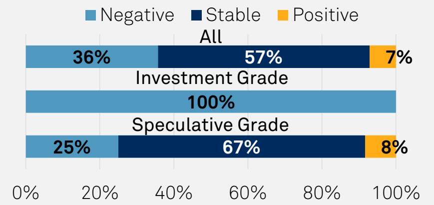

Ratings Statistics (YTD)

	IG	SG	All
Ratings	2	12	14
Downgrades	1	3	4
Upgrades	0	0	0

Ratings data as of end-June, 2020

COVID-19 Heat Map

Homebuilders and Developers	
COVID-19, Recession, and O&G Impact	Moderate
Potential Negative Long-Term Industry Disruption	--

2020 Estimates v. 2019		
Revenue Decline	EBITDA Decline	Incremental Borrowings
25% to 50%	25% to 40%	5% to 10%

2021 Estimates v. 2019	
Revenue Decline	EBITDA Decline
10% to 20%	10% to 20%

Industry Top Trends Update

Hotels, Gaming, and Leisure

Uncertain recovery path with divergence among subsectors

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What's changed post-COVID?

About 85% of the leisure portfolio in Europe is speculative grade. More than 85% of the total EMEA portfolio is on a negative outlook or CreditWatch negative. For now, most companies have been able to access the debt markets, albeit at high rates, and the number of defaults to date remains low.

The leisure sector may be among the last to recover. After the 2008-2009 global financial crisis, leisure was among the first subsectors to rebound. But we believe that social-distancing requirements and quarantine restrictions mean that post COVID-19, leisure will take longer than many other sectors to recover.

What is the likely path to recovery?

Differences within the subsector. We expect recovery to spread across 2022 and 2023, with meaningful divergence among the various subsectors. Gaming companies, holiday homes, and theme parks should recover earlier, in 2021-2022, while hotels, lodging, and cruise operators could take longer to reach 2019 levels.

A fragile recovery process. While the hotels and lodging subsector is showing improvement following the easing of lockdowns, with occupancy in the mid-40% to early-50% range in certain regions, the recovery is fragile. Economy and lower-midscale subsegments within hotels should recover faster than premium and luxury, due to a higher dependence on small and midsize business travelers. Early trading post lockdown has been encouraging for land-based gaming operators; however, in the face of lower consumer confidence and a recessionary environment, it remains to be seen whether a material recovery can be sustained.

Staycation tourism to benefit. Due to ongoing economic recession, travel restrictions, and shaken consumer confidence in case of a second or third wave, we expect the staycation trend to strengthen, with domestic tourism—such as holiday parks and theme parks, dependent on locals—expected to benefit.

What are the key risks around the baseline?

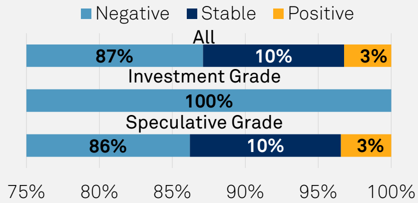
Structural shifts and solvency. Lingering health risks could continue to dampen consumer confidence. This could translate to occupancy remaining at a subdued level, compared with the minimum 40% average needed to break even for hotels and lodging. Additionally, solvency remains in question for some speculative-grade companies due to already-high leverage, negative free operating cash flow, and consistent cash burn owing to a high fixed-cost base in certain cases. Liquidity and refinancing risk could continue to be a medium-term problem for these companies.

Regulation. Trends in gaming we are watching include: the potential for adverse developments in the U.K., particularly for online; the legalization and regulation of online gaming in Germany in 2021; speed and scope of U.S. online sports betting legalization; the potential for increased gaming taxes in Europe following government revenue-raising needs post COVID-19.

Latest Related Research

- Negative Rating Actions Taken On Three European Gaming Operators As COVID-19 Pandemic Continues, April 16, 2020
- Negative Rating Actions On Three European Holiday Park Operators On Closures Due To COVID-19 Containment Measures, April 14, 2020

Outlook Distribution



Ratings Statistics (YTD)

	IG	SG	All
Ratings	2	29	31
Downgrades	1	17	18
Upgrades	0	0	0

Ratings data as of end-June, 2020

COVID-19 Heat Map

COVID-19, Recession, and O&G Impact	
Gaming	High
Lodging and hospitality	High
Cruise lines	High
Theme park and other visitor attractions	High
Potential Neg. Long-Term Industry Disruption	
Gaming	Yes
Lodging and hospitality	--
Cruise lines	--
Theme park and other visitor attractions	

2020 Estimates v. 2019

Revenue Decline	EBITDA Decline	Incremental Borrowings
Gaming		
25% to 50%	40% to 60%	5% to 10%
Lodging and hospitality		
>50%	40% to 60%	5% to 10%
Cruise lines		
>50%	>60%	<5%
Theme park and other visitor attractions		
>50%	>60%	>10%

2021 Estimates v. 2019

Revenue Decline	EBITDA Decline
Gaming	
10% to 20%	20% to 30%
Lodging and hospitality	
20% to 30%	20% to 30%
Cruise lines	
30% to 40%	30% to 40%
Theme park and other visitor attractions	
20% to 30%	30% to 40%

Industry Top Trends Update

Media and Entertainment

Hit hard by COVID with a long road to recovery

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What's changed post-COVID?

Out-of-home (OOH) entertainment is not available now. Lockdowns and social distancing have put all large gatherings on hold. As a result, companies managing live events like sports, trade shows, conferences, concerts, theaters, and cinemas are generating no earnings, while burning cash on high fixed costs.

Macroeconomic shock is curbing advertising. Demand for advertising has significantly reduced, affecting advertising-dependent companies, including TV broadcasters, print and digital publishers, radio, outdoor, and ad agencies.

Subscription businesses show resilience but are not completely immune. Streaming services, B2B online service providers, and professional data publishers operating via subscription-based business models were not severely hit, as most of their revenues are contracted. However, as some clients are asking for delays in payments, working capital and cash flows are affected.

What is the likely path to recovery?

A long way back for OOH entertainment. We expect recovery will be very slow with cinemas and trade shows returning to 2019 pre-COVID activity only toward end-2022 due to ongoing social distancing and consumers' health and safety concerns.

Uneven recovery in advertising. Digital advertising should be the first to recover, absorbing the pent-up demand from low activity during the pandemic. More traditional advertising media like television, print, and radio, will take longer. In outdoor advertising, demand for transport advertising will hinge on lockdown releases, while street furniture and billboards should bounce back faster.

Ratings will be under pressure as leverage spikes in 2020, before slowly reducing. Due to high cash burn and negative free cash flows in 2020, liquidity will be key for many companies. As a result, borrowing will significantly increase, including drawing on RCFs. From 2021, cash generation should start improving slowly but we expect leverage will remain elevated until 2022-2023.

What are the key risks around the baseline?

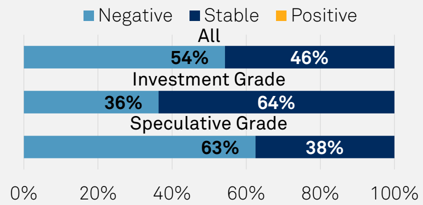
Second pandemic wave could delay recovery further. If a second wave happens later in summer or in autumn and lockdowns are imposed again, the recovery for OOH entertainment will be even later than 2023. Some businesses might not survive due to depletion of liquidity and an inability to refinance existing capital structures.

Longer term secular trends to accelerate. Negative trends in segments that already were in secular decline pre-COVID might accelerate, especially in print, radio, and TV-advertising, while digital advertising continues to strengthen.

Latest Related Research

- Cineworld Rating Affirmed At 'CCC+' And Removed From Watch Negative On Improving Liquidity; Outlook Stable, June 26, 2020
- Banijay Group SAS Ratings Lowered To 'B' From 'B+' On Weakening Metrics; Off Watch; Outlook Negative, June 11, 2020
- Television Francaise 1 'BBB+' Rating Affirmed On Expected Weaker Operating Performance, Higher Leverage; Outlook Stable, May 21, 2020

Outlook Distribution



Ratings Statistics (YTD)

	IG	SG	All
Ratings	11	24	35
Downgrades	2	10	12
Upgrades	0	0	0

Ratings data as of end-June, 2020

COVID-19 Heat Map

Media and Entertainment	
COVID-19, Recession, and O&G Impact	High
Potential Negative Long-Term Industry Disruption	Yes

2020 Estimates v. 2019		
Revenue Decline	**EBITDA Decline**	**Incremental Borrowings**
25% to 50%	40% to 60%	5% to 10%

2021 Estimates v. 2019	
Revenue Decline	**EBITDA Decline**
20% to 30%	20% to 30%

Industry Top Trends Update

Metals and Mining

Steel takes the strain while miners dig on

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What's changed post-COVID?

Steel and aluminum are suffering in EMEA. This follows the collapse in auto and other demand. Up to 18.9 million tonnes of steel capacity was temporarily cut, but overcapacity will remain an issue beyond COVID-19.

Gold and iron ore producers benefit from strong prices. Some industrial metals, such as copper, have rebounded.

Rating actions outside steel have been company or commodity specific. Big miners' credit metrics remain mostly solid.

What is the likely path to recovery?

Demand from China is underpinning many commodities. This is especially so for iron ore. Post-COVID progress in China carries disproportionate importance.

In Europe, ongoing government support is key for steel producers until auto and construction demand has recovered.

Containment of COVID-19 is essential. This is especially so in emerging markets, as it will help mines and mining companies maintain steady production.

What are the key risks around the baseline?

Softening Chinese demand. This could negatively impact both demand for key minerals and increase exports, thereby depressing global prices.

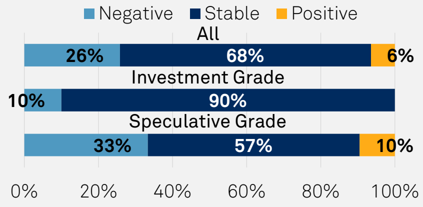
Fewer production issues. Supply disruptions, including COVID-19-related shutdowns, may be resolved earlier than expected. Stock build-ups along supply chains may weigh on prices, as with aluminum.

Excessive volatility. Smaller companies can be vulnerable to unpredictable outages and swings in working capital needs.

Latest Related Research

- Metal Price Assumptions: Gold Shines, While Slow Recovery Flattens Other Metal Prices, July 1, 2020
- Rating Actions Taken On Four Russian And European Steel Companies As A Bad 2019 Turns Into A Worse 2020, March 31, 2020

Outlook Distribution



Ratings Statistics (YTD)

	IG	SG	All
Ratings	10	22	32
Downgrades	0	4	4
Upgrades	0	2	2

Ratings data as of end-June, 2020

COVID-19 Heat Map

Metals and Mining	
COVID-19, Recession, and O&G Impact	Moderate
Potential Negative Long-Term Industry Disruption	--

2020 Estimates v. 2019		
Revenue Decline	EBITDA Decline	Incremental Borrowings
10% to 15%	15% to 25%	5% to 10%

2021 Estimates v. 2019	
Revenue Decline	EBITDA Decline
0 to 10%	10% to 20%

Industry Top Trends Update

Oil and Gas

Second crash in five years is stress-testing resilience

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What's changed post-COVID?

Prices are lower. After excess supply swamped COVID-19-affected demand in April, oil prices have been rising, but companies are preparing for lower oil and gas prices as well as refining margins in 2020 and in the longer term.

Crisis management has ramped up. Companies that could, have bolstered liquidity. They have cut outgoings aggressively across costs, capex, and shareholder distributions. This has induced more pain for oilfield services.

The ratings impact varies by credit quality. Negative outlooks on investment-grade entities could mean downgrades if metrics do not rebound in 2021. For lower-rated entities we have typically cut ratings by one notch, given less headroom.

What is the likely path to recovery?

Demand is rebounding from the 20% drop in the second quarter. Miles traveled should substantially recover during 2021, except air miles. OPEC+ supply restraints have been critical to underpinning the oil price rebound since April.

Base-case projections typically show metrics below rating thresholds in 2020 on weaker cash flows. Most metrics should recover, or close to, rating thresholds by 2022 on higher prices and contained costs and capex.

What are the key risks around the baseline?

Lower mobility due to a COVID-19 resurgence or home working.

Loss of supply discipline. Increased production, from the U.S. or elsewhere, would constrain or reverse recent price increases.

2021 prices and metrics. We assume Brent averages $50/bbl in 2021. If lower in 2021 and 2022, metrics may recover too slowly for some investment-grade ratings.

Latest Related Research

- Global Oil And Gas Company Rankings Published, June 24, 2020
- Severe Downturn Prompts Rating Actions Across The European Oil And Gas Value Chain, March 31, 2020
- Harsh Downturn Prompts Rating Actions On Multiple European Oil And Gas Companies, March 25, 2020
- S&P Global Ratings Cuts WTI And Brent Crude Oil Price Assumptions Amid Continued Near-Term Pressure, March 19, 2020

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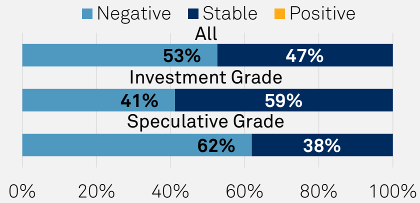

Ratings Statistics (YTD)

	IG	SG	All
Ratings	17	25	42
Downgrades	0	16	16
Upgrades	0	1	1

Ratings data as of end-June, 2020

COVID-19 Heat Map

Oil and Gas	
COVID-19, Recession, and O&G Impact	High
Potential Negative Long-Term Industry Disruption	--

2020 Estimates v. 2019		
Revenue Decline	**EBITDA Decline**	**Incremental Borrowings**
25% to 50%	25% to 40%	<5%

2021 Estimates v. 2019	
Revenue Decline	**EBITDA Decline**
10% to 20%	10% to 20%

Industry Top Trends Update

Real Estate (REITs)

A longer path to recovery for retail and office

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What's changed post-COVID?

Lockdowns have eroded the credit quality of tenants. Some have suspended rental payments. However, many real estate companies have avoided downgrades because of long-term leases, sound tenant quality, and ratio headroom.

Longer term trends will likely affect the retail and office segments the most. The pandemic is accelerating the penetration of ecommerce and remote working trends, thereby reducing demand for physical space.

Most of our rating actions have been outlook changes. We took rating actions on 12 companies out of 61. Retail has been the most affected segment, with10 rating actions, including two downgrades.

What is the likely path to recovery?

Retail rental income will shrink by 20%-25% in 2020, then rebound by 5% in 2021. This reflects low rent collection during the outbreak. Bankruptcies and downward rent renegotiation will continue to hamper growth in 2021.

Office rental income will decline by 0%-5% in 2020, then modestly rebound in 2021. Rent reliefs and vacancies should only hit a limited share of revenue this year. But falling market rents could threaten recovery in 2021.

Valuations may experience pressure. For the retail and office segments, we assume declines of 10% and 5% respectively in 2020, reflecting lower cash flow expectations and possibly some yield expansion.

What are the key risks around the baseline?

More store closures or downward rent renegotiations. These factors would likely push down our revenue expectations.

Valuations could decline. If valuations decline by more than 10%, financial flexibility would be reduced more than we currently expect.

Latest Related Research

- How Are Lockdown Measures And Remote Working Affecting European Office Landlords?, May 27, 2020
- COVID-19 Will Likely Ruin European Retail Property Companies' Efforts To Contain Competition From E-Commerce, April 1, 2020
- COVID-19: Implications For European Real Estate Investment, As Tenants Begin To Suspend Rent Payments, March 26, 2020

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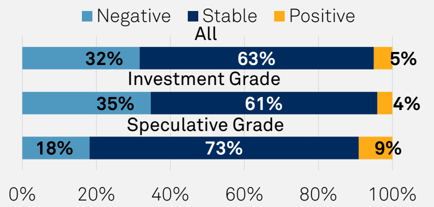

Ratings Statistics (YTD)

	IG	SG	All
Ratings	49	12	61
Downgrades	4	5	9
Upgrades	2	3	5

Ratings data as of end-June, 2020

COVID-19 Heat Map

Real Estate (REITs)	
COVID-19, Recession, and O&G Impact	Moderate
Potential Negative Long-Term Industry Disruption	Yes

2020 Estimates v. 2019		
Revenue Decline	EBITDA Decline	Incremental Borrowings
5% to 10%	0% to 10%	<5%

2021 Estimates v. 2019	
Revenue Decline	EBITDA Decline
0% to 10%	0% to 10%

Industry Top Trends Update

Retail & Restaurants

Diverging fortunes of essential and non-essential retail

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What's changed post-COVID?

The rift between essential and discretionary retail has widened. The lockdowns have been quite favorable for grocers and supermarkets due to the essential nature of food retail. At the same time, increased operating costs associated with wages, distribution, cleaning, and sanitization procedures will limit the positive effects of topline growth on margins.

Ecommerce will accelerate and omnichannel will become more crucial. Almost all nonfood retailers, with the exception of some retail segments like home improvement had to close their stores during the lockdowns or at least restrict their offerings to focus on core and essential goods. For many nonfood retailers, ecommerce has emerged as a lifeline. But the pandemic will lead to enduring change in shopping habits and retailers' capabilities regarding omnichannel platforms will become an essential component of their competitive advantage.

What is the likely path to recovery?

Nonfood retailers face longer term disruption, which will impede recovery. We do not expect credit metrics for non-essential retailers to recover to 2019 levels until 2024 at least. Many retailers will be forced to invest more in technology and their supply chains, to improve ecommerce capabilities. This is a challenge given that the pandemic has damaged their financial health, but also because of the accelerated digital disruption and tough competitive landscape they have endured in recent years. It is paramount that retailers reevaluate their cost structures, which will need to become a lot more flexible.

Restaurants and pubs face far-reaching challenges. When they opened after the lockdowns eased, many of these businesses had to make extensive operating changes and adjustments as to how they are configured and serve customers. Growth in food delivery and takeaway will not cover lost sales on premises. Lower capacity utilization will exacerbate weaker margins and cash flow for these companies, diminishing already-tight headroom in their credit ratings.

What are the key risks around the baseline?

A second wave of COVID-19 would set back the recovery. This will damage macroeconomic conditions and consumer confidence even further and will continue to depress discretionary spending and out-of-home consumption.

Elevated leverage will lead to unsustainable capital structures. Weaker topline and increased operating costs, with additional financing to boost liquidity, will mean higher leverage. With more than one-third of all retailers and restaurants in EMEA rated 'B-' and below, rising leverage will result in many of their capital structures becoming unsustainable and, inevitably, some businesses will suffer financial distress.

Latest Related Research

- COVID-19 Will Shape The Future Of Consumer Goods, July 1, 2020
- COVID-19 Will Shape The Future Of Retail, May 27, 2020
- Impact Of The Coronavirus Likely To Drag U.S. Retail And Restaurants Ratings Down Further, April 24, 2020

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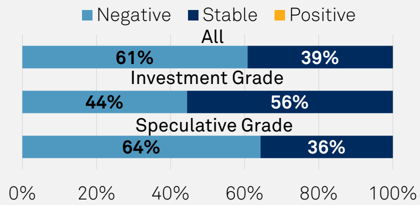

Ratings Statistics (YTD)

	IG	SG	All
Ratings	9	43	52
Downgrades	2	20	22
Upgrades	0	1	1

Ratings data as of end-June, 2020

COVID-19 Heat Map

COVID-19, Recession, and O&G Impact

Retail - Essential/Grocery	Neutral
Retail - Non-essential	High
Retail - Restaurants	High

Potential Neg. Long-Term Industry Disruption

Retail - Essential/Grocery	--
Retail - Non-essential	Yes
Retail - Restaurants	Yes

2020 Estimates v. 2019

	Revenue Decline	EBITDA Decline	Incremental Borrowings
Retail - Essential/Grocery	No decline	No decline	No Increase
Retail - Non-essential	25% to 50%	40% to 60%	>10%
Retail - Restaurants	25% to 50%	>60%	>10%

2021 Estimates v. 2019

	Revenue Decline	EBITDA Decline
Retail - Essential/Grocery	≥2019	≥2019
Retail - Non-essential	20% to 30%	30% to 40%
Retail - Restaurants	10% to 20%	20% to 30%

Industry Top Trends Update

Telecommunications

Resilient to COVID-19, but sector growth remains stagnant

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What's changed post-COVID?

Pockets of weakness will test resilience. We took COVID-19-related negative actions on about 11% of EMEA telcos, driven by lower sovereign rating caps and weaker expected financials. We forecast the biggest 2020 revenue hit will be from low-margin equipment sales, and the largest effect on earnings will come from lower SME spending and roaming. Telcos with outsized mobility and media exposure will also suffer.

Demand spiked, revenues didn't. Network usage was up 50%-100% in most markets during quarantines, supporting the sector. But the unmetered nature of fixed-line broadband left issuers little ability to monetize outside of business spending on secure remote connectivity and modest consumer upgrades.

Cash impact is manageable. With a few notable exceptions, we expect reduced 2020 capex and, in some cases, dividend cuts will offset the cash impact of lower funds from operations to support stable credit ratios.

What is the likely path to recovery?

Investment in home broadband. We expect issuers will accelerate fiber rollouts over the next two-to-three years, extending customer upgrade prospects. This may be partly financed by a slower 5G spend, which remains hampered by spectrum and handset delays, low short-term commercial prospects, and Huawei uncertainty.

Asset sales will continue. We expect more infrastructure sales, supported by investor access to capital markets, high valuations, and telcos' appetite to improve balance sheets and financial flexibility.

Supportive government policy. The strategic importance of telecom networks rose during quarantines, and we expect more accommodative fiber regulation and spectrum pricing to encourage investment. Tolerance for M&A is also likely be retested after the EU General Court overturned the European Commission's 2016 decision to block consolidation in the U.K.

What are the key risks around the baseline?

Deeper recession. Although benefiting from utility-like demand characteristics, bad debt and reduced corporate spending on telecom services will hit operators. We assume an average B2B revenue growth impact in the mid-to-high single digits for 2020, but uncertainty remains subject to the depth and duration of the recession.

Price erosion. Competitive markets could face weaker consumer prospects if high unemployment and low consumer spending increase demand elasticity. Low-price value challengers may have a window to grow market share, reigniting price competition after reduced churn rates during quarantines.

Sovereign ratings pressure. Recession-hit governments, particularly in MEA, could weigh on telcos via sovereign rating caps, or, in isolated cases, through increased demands to extract value from relatively healthy sectors to shore-up fiscal budgets.

Latest Related Research

- COVID-19: EMEA Telecoms Will Prevail, But Not Completely Unscathed, April 6, 2020

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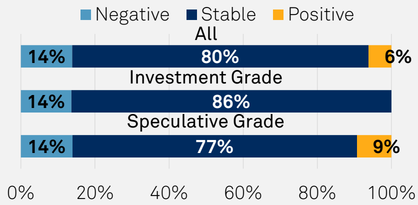

Ratings Statistics (YTD)

	IG	SG	All
Ratings	22	44	66
Downgrades	1	5	6
Upgrades	0	0	0

Ratings data as of end-June, 2020

COVID-19 Heat Map

Telecommunications	
COVID-19, Recession, and O&G Impact	Low
Potential Negative Long-Term Industry Disruption	--

2020 Estimates v. 2019		
Revenue Decline	EBITDA Decline	Incremental Borrowings
0% to 5%	0% to 10%	5% to 10%

2021 Estimates v. 2019	
Revenue Decline	EBITDA Decline
≥ 2019	≥ 2019

Industry Top Trends Update

Transportation Infrastructure

Severe COVID-19 traffic drop is driving downgrades

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What's changed post-COVID?

The unprecedented traffic decline is testing the sector's resilience. The worst hit is air traffic, which we now expect to decline by 55%-70% in 2020, affecting European airports more than their global counterparts. Toll roads, car parks, and rail could witness traffic drops of up to 30% while ports' exposure to the pandemic is moderate.

Cash flow ratios have reduced to levels not commensurate with ratings. In 2020 we expect negative or barely breakeven EBITDA for European airports and a more than 50%-60% EBITDA decline for some rail operators. Ratios for these sub-sectors will remain depressed at least until 2023 bar state aid funds for rail.

Inherently high fixed-operating costs. This will limit cost savings to participation in furlough schemes and volume-driven maintenance. Rail and port operators will stick to their large capital programs to mitigate climate change and cyber risk. European airports can reduce capex by €10 billion, although similar moves after the global financial crisis exacerbated congestion.

What is the likely path to recovery?

Air traffic to return slowly to pre-pandemic levels by 2024. Our forecasts for 2020 and 2021 are closely aligned with IATA's outlook for the next five years, however we expect a more prolonged recovery reflecting operational challenges and unknown consumer behaviors.

Toll-road and car-park traffic to revive faster with full recovery by 2022. This is because cars will be the preferred mode of transport for health and safety reasons. Trucks volumes, which were more resilient during lockdown, could take longer to normalize than cars because they are correlated to the state of the economy.

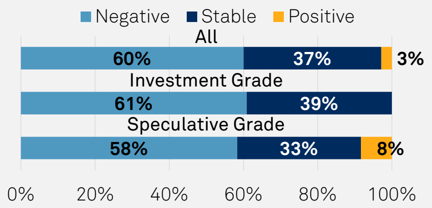
What are the key risks around the baseline?

Timing and pace of traffic recovery is uncertain. The question is whether European airports and toll roads will catch the lucrative 2020 summer season. Recessionary conditions could affect disposable incomes and the propensity to travel, in particular in the leisure segment.

Future aero charges will be driven by the airlines' financial condition. Tariff affordability and potential consolidation of airlines will determine, to a greater extent, the level of future charges and discounts offered by the airports.

Uncertain user behaviors. Accelerated trends in remote working, virtual business meetings, and online tutoring could affect the future usage of transportation infrastructure. Demand drop could be compounded by continuing social distancing measures and a less globalized world.

Outlook Distribution



Ratings Statistics (YTD)

	IG	SG	All
Ratings	23	13	36
Downgrades	2	7	9
Upgrades	0	0	0

Ratings data as of end-June, 2020. Public ratings only and only issuer-level ratings shown.

COVID-19 Heat Map

COVID-19, Recession, and O&G Impact	
Transport Infra - Toll Roads	Moderate
Transport Infra - Rail	High
Transport Infra - Airports	High
Potential Neg. Long-Term Industry Disruption	
Transport Infra - Toll Roads	--
Transport Infra - Rail	--
Transport Infra - Airports	Yes

2020 Estimates v. 2019

	Revenue Decline	EBITDA Decline	Incremental Borrowings
Transport Infra - Toll Roads	15% to 25%	25% to 40%	<5%
Transport Infra - Rail	>50%	>60%	>10%
Transport Infra - Airports	>50%	>60%	>10%

2021 Estimates v. 2019

	Revenue Decline	EBITDA Decline
Transport Infra - Toll Roads	0% to 10%	10% to 20%
Transport Infra - Rail	10% to 20%	20% to 30%
Transport Infra - Airports	20% to 30%	30% to 40%

Latest Related Research

- Rating Actions Taken On Seven European Airports Due To More Protracted Passenger Recovery Jul 14, 2020
- Infrastructure: Global Toll Roads' Steep Climb Out Of COVID-19, June 19, 2020
- Airports Globally Face A Long Haul To Recovery, Report Says, May 28, 2020

S&P Global Ratings Webinar: COVID-19 Is Taking A Toll On EMEA Toll Road Ratings, April 22, 2020

Industry Top Trends Update

Transportation

A long journey to a new normal, with airlines the hardest hit

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What's changed post-COVID?

Airlines hardest hit. Within the European transportation sector, airlines and airline service providers have been the most adversely affected, with downgrades of several notches for many.

Unprecedented government travel restrictions and quarantine orders. Government support has poured in for airlines, as they temporarily grounded most of their fleets. Much of it needs to be repaid, however, and will lever up balance sheets and extend the length of a recovery.

Cargo traffic significantly more resilient than passenger traffic. We expect declining global trade to reduce global container volumes by 10%-15% in 2020, but muted new containership deliveries and lower bunker costs will partly offset sluggish demand.

What is the likely path to recovery?

Air traffic is not expected to rebound to pre-pandemic levels before 2023. We forecast a 55% drop in European air traffic in 2020 versus 2019, with passenger numbers still 30% below 2019 levels in 2021. **Domestic and European short haul travel will ramp up first.** Intercontinental traffic will take longer to rebound, and the return of corporate travel is likely to be sluggish.

Negative EBITDA generation forecast in 2020 for the vast majority of rated airlines. The severity of losses will depend on how effectively cost bases were contained when fleets were grounded, and how well they will be controlled when operations slowly restart. The recovery will be influenced by how airlines restructure and downsize their fleets to meet lower demand. Management of working capital (particularly of ticket refunds) and capex (new aircraft orders) will also contribute to cash burn.

Cargo traffic to recover earlier. However, a recovery in trade volumes could be delayed if the global recession drags on.

What are the key risks around the baseline?

Changes to passenger behavior and perceived affordability of travel. Consumers' willingness to travel and discretionary spending levels may remain subdued if countries see second waves of COVID-19 infections and unemployment levels continue to rise as the economic recession progresses.

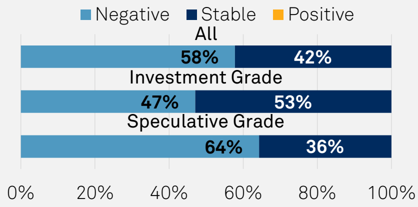
Governments hesitating to lift international travel restrictions. Social distancing measures will likely continue for some time, and travel restrictions could persist.

Structural industry changes. These include reduced fleet sizes, changes to business (premium) and leisure passenger mixes, and intensified competition for reduced passenger volumes at the expense of ticket fares.

Latest Related Research

- Six European Airlines Downgraded As COVID-19 Impact Erodes Credit Metrics; Majority Still On Watch Negative, May 20, 2020
- Credit FAQ: Airlines And Airports Worldwide Confront An Unprecedented Plunge In Traffic And An Uncertain Recovery, April 6, 2020

Outlook Distribution



Ratings Statistics (YTD)

	IG	SG	All
Ratings	17	31	48
Downgrades	5	10	15
Upgrades	0	0	0

Ratings data as of end-June, 2020

COVID-19 Heat Map

Transportation - Airlines	
COVID-19, Recession, and O&G Impact	High
Potential Negative Long-Term Industry Disruption	Yes

2020 Estimates v. 2019		
Revenue Decline	EBITDA Decline	Incremental Borrowings
>50%	>60%	>10%

2021 Estimates v. 2019	
Revenue Decline	EBITDA Decline
20% to 30%	30% to 40%

Transportation - Shipping	
COVID-19, Recession, and O&G Impact	Moderate
Potential Negative Long-Term Industry Disruption	--

2020 Estimates v. 2019		
Revenue Decline	EBITDA Decline	Incremental Borrowings
10% to 15%	15% to 25%	<5%

2021 Estimates v. 2019	
Revenue Decline	EBITDA Decline
0 to 10%	0% to 10%

Industry Top Trends Update

EMEA Utilities

Despite COVID-19, European utilities are set for growth

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What's changed post-COVID?

Resilience is showing. European utilities are showing solid credit resilience in the COVID-19 crisis: we have downgraded only 3% of our rated portfolio since March, while in total 20% have a negative outlook or are on CreditWatch negative.

De-risking. Regulated networks and long-term contracted renewables, which represent a growing proportion of utilities' core businesses, continue to offer solid growth prospects.

Weaker power prices and demand. We expect some weakening in earnings for power generators given that power prices are hit by low commodity prices and weak demand.

What is the likely path to recovery?

Sustained investments. We anticipate ongoing strong new investment by utilities over the next two-to-three years, while past investments will yield additional cash flows over 2021-2023 as projects are commissioned.

Supportive policies. We expect Europe's Green Deal will be a key enabler of the European economic recovery. However, we believe support will be spread over the next decade rather than provide short-term help.

Refocusing. For companies with stretched credit metrics, we anticipate ongoing disposals as utilities concentrate on core businesses and improve balance sheets.

What are the key risks around the baseline?

Rising bad debt. Regulators, governments, and some utilities have advocated payment holidays, leading to a spike in working capital. We anticipate default rates will increase and so will bad debt. The extent remains uncertain, though.

Power price recovery. Lower demand and a prolonged economic slowdown could hurt prices beyond our expectations, resulting in weaker recovery prospects.

Role of gas and nuclear. Accelerated de-carbonization policies in Europe and faster-than-anticipated progress on hydrogen may put additional pressure on gas assets, while European taxonomy is yet to decide on the role of nuclear.

Latest Related Research

- Despite COVID-19 Disruption, European Utilities Are Set For Growth, June 8, 2020
- The Energy Transition And What It Means For European Power Prices And Producers: Midyear 2020 Update, June 8, 2020
- Credit FAQ: Energy Transition: The Outlook For Power Markets In The Age Of COVID-19, June 8, 2020

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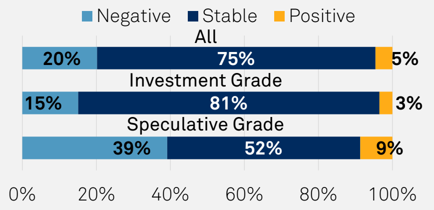

Ratings Statistics (YTD)

	IG	SG	All
Ratings	86	23	109
Downgrades	3	4	7
Upgrades	1	1	2

Ratings data as of end-June, 2020

COVID-19 Heat Map

Utilities	
COVID-19, Recession, and O&G Impact	Low
Potential Negative Long-Term Industry Disruption	--

2020 Estimates v. 2019		
Revenue Decline	EBITDA Decline	Incremental Borrowings
0% to 5%	0% to 10%	<5%

2021 Estimates v. 2019	
Revenue Decline	EBITDA Decline
0 to 10%	0% to 10%

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