

Leading Baltic Retailer Maxima Grupe Senior Unsecured Bonds Assigned Preliminary 'BB+' Rating

Primary Credit Analyst:

Mickael Vidal, Paris + 33 14 420 6658; mickael.vidal@spglobal.com

Secondary Contact:

Raam Ratnam, CFA, CPA, London (44) 20-7176-7462; raam.ratnam@spglobal.com

Research Contributor:

Gregoire Rycx, Paris; gregoire.rycx@spglobal.com

PARIS (S&P Global Ratings) Aug. 29, 2018--S&P Global Ratings today assigned its 'BB+' preliminary issue rating to the €350 million senior unsecured bonds to be issued by Lithuania-based Retailer Maxima Grupe UAB (BB+[prelim]/Stable/--). Our long-term issuer credit rating on Maxima remains unchanged.

The 'BB+' preliminary rating on the proposed senior unsecured bonds reflects our assessment that in Maxima's debt structure there is no material structural or contractual subordination to the senior unsecured notes. In our assessment, we take into account that there is no material secured debt in Maxima's debt structure, following the refinancing. We also factor in that the rated debt issued by Maxima under its euro medium-term note (EMTN) program is senior unsecured, unsubordinated, and ranks pari passu with the unsecured debt standing at Maxima Grupe UAB.

Following the bond issuance, Maxima's capital structure will consist of about €595 million of debt, the bulk of it being represented by the new senior unsecured €350 million bond that the group plans to issue. In addition, the group will still have about €245 million of remaining secured debt or unsecured debt standing at the subsidiaries level.

In assigning issue ratings, we consider the total secured debt issued by the issuer and its subsidiaries, combined with the unsecured debt issued by the issuer's subsidiaries, as priority debt. When the priority debt comprises more than 50% of an issuer's total consolidated debt, we consider that the unsecured debt is inherently disadvantaged because the secured lenders have priority over the unsecured lenders.

In Maxima's case, we assess that the proportion of secured debt and unsecured debt both at the group and subsidiaries level will represent about 41%. As a result, we rate Maxima's debt at 'BB+', the same as the issuer credit rating, since no significant elements of subordination risk are present in the capital structure. The bond issuance will be part of a wider unrated €1 billion EMTN program. However, we don't expect the program to be tapped further in our base-case scenario.

The final rating will depend on the completion of the financing and on our receipt and satisfactory review of all final transaction documentation for the proposed bond. Accordingly, the preliminary rating should not be construed as evidence of a final rating. If we do not receive final documentation within a reasonable time frame, or if the final documentation departs from materials reviewed, we reserve the right to withdraw or revise the rating. Potential changes include, but are not limited to: maturity, size, and conditions of the facilities; financial and other covenants; and security and ranking of the bond.

For the rationale behind our issuer credit rating on Maxima, see "Leading Baltic Retailer Maxima Grupe UAB Assigned Prelim 'BB+' Rating On Planned Refinancing; Outlook Stable," published July 17, 2018, on RatingsDirect.

RELATED CRITERIA

- Criteria - Corporates - General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Corporates - Industrials: Key Credit Factors For The Retail And Restaurants Industry, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012

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- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

RELATED RESEARCH

- Leading Baltic Retailer Maxima Grupe UAB Assigned Prelim 'BB+' Rating On Planned Refinancing; Outlook Stable, July 17, 2018

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