



Corporates

# Scope Corporate Ratings Group

## Who we are, what we do and how we are different

# Agenda

---

- **Overview**
- Coverage
- Ratings agreements with significant investors
- Rating framework
- Rating distribution and output
- Team overview





Scope at a glance

## Registered credit rating agency

ESMA accreditation in 2012  
One of the "Big Five" (2023<sup>1</sup>)

(European Securities and Markets Authority)

## 300+ employees

entrepreneurial culture

## Pan-European

Berlin · London · Madrid  
Frankfurt · Milan · Paris · Oslo

## Serving ~350 institutional investors

with total assets under  
management of circa € 49trn

## ECB

Only European rating agency  
holding ECAF<sup>2</sup> status since

## 2023

## Only European rating agency mandated<sup>3</sup> by the European Union

<sup>1</sup> See "[EU Credit Ratings market 2023](#)" (2023) <sup>2</sup> "[ECB accepts Scope Ratings within Eurosystem Credit Assessment Framework](#)" (2023) <sup>3</sup> Please see "[European Commission mandates Scope to rate its creditworthiness](#)" (2022).

# Scope Corporate Ratings - Facts and figures

## → Rating coverage

- ~320 corporates currently rated (corporate family ratings)
- >>3,500 corporate bonds presently rated
- >500 corporate ratings assigned since start of CRA activities

## → 14 rating methodologies covering general ratings approach and sector-level ratings

## → 27 corporate-sector specialists from diversified background

## → Scope has been able to replace one of the American credit-rating agencies' ratings for selective issuers

### Key clients (public solicited ratings)



\*Framework agreement with Magyar Nemzeti Bank for the rating of Hungarian small and medium-sized enterprises (SMEs)

# Ratings recognised by international central banks



Scope received recognition in/by:

- Georgia (2017)
- Hungary (2019)
- Norway (2022)
- Armenia (2023)
- ECB (2023)

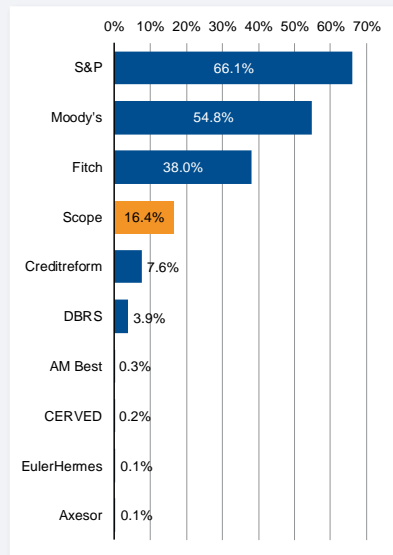
Scope Corporates has been awarded as the credit-rating agency of choice for provision of rating services on Hungarian SMEs participating in the debt purchasing programme “Bond Funding for Growth Scheme” since 2019

Corporates played a central role in the rating agency’s successful adoption last year under the ECB framework by fulfilling Eurosystem criteria concerning solicited and unsolicited corporate credit evaluations

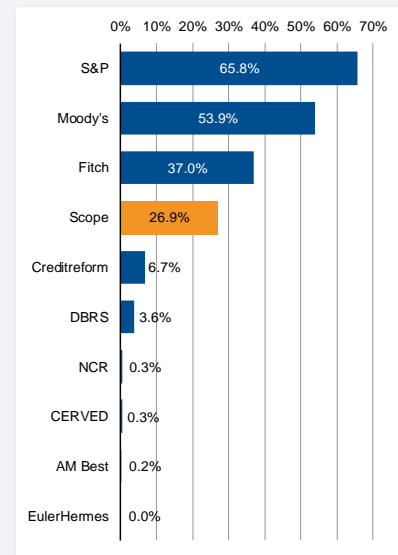
# Corporate Ratings - Market share\*

Scope continues to expand coverage, and is presently the **third-placed agency of the European Union for provision of non-financial corporate ratings**

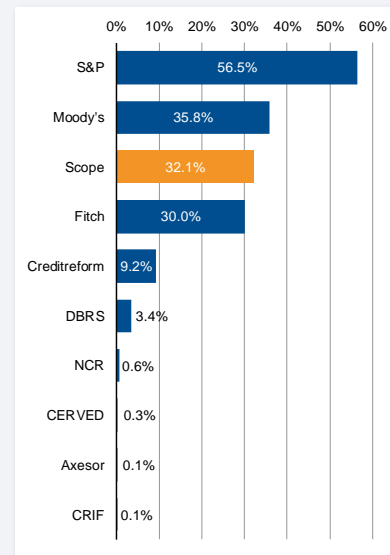
**Nov 2019**



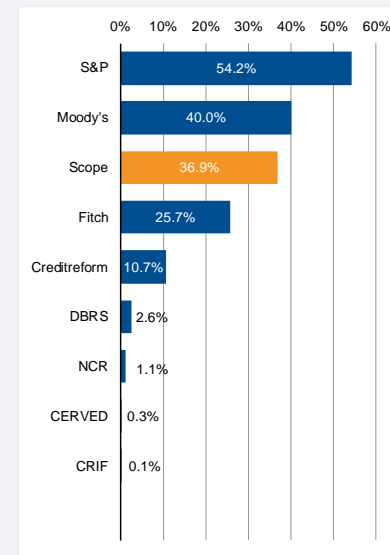
**Sep 2020**



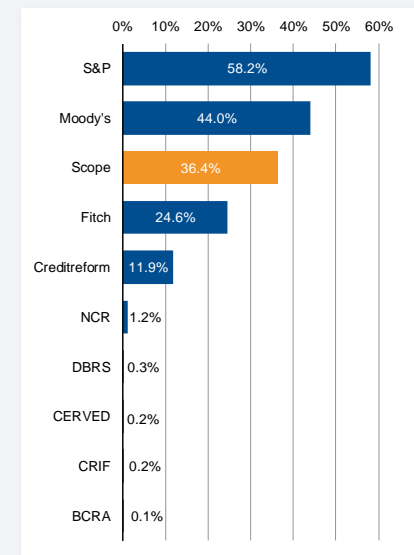
**Sep 2021**



**Sep 2022**



**Sep 2023**



\*Measured by the percentage of the total number of outstanding non-financial corporate instruments that have at least one rating assigned by a specific credit-rating agency registered in the European Union  
Source: European Securities and Markets Authority (ESMA) supervisory data, Scope Ratings

# Ratings framework - How are we different



## Reflection of European corporate distinctions

- European corporates are set up and function differently than US-based corporates which requires tailored reflection of:
  - ✓ Business structures and diversified business models
  - ✓ Cash-management strategies
  - ✓ Family ownership and management philosophies
  - ✓ Implicit incorporation of ESG-credit relevant factors, which can affect all elements of an issuer's rating and be difficult to separate from the general analysis



## No country rating

- No mechanical rating ceiling for the Agency's corporate ratings in the investment-grade rated sector
- Corporate ratings can be higher than the sovereign's credit rating, particularly if the former has significant activities outside of the domestic market and/or holds a comparatively-strong financial profile



## Specific rating adjustments

- Reflection of cash balances (no heavy rating discounts on sustained cash balances)
- Ratings reflect economic nature of debt-like provisions such as pensions and asset-retirement obligations



## No "one-approach-fits-all" framework

- No application of pre-determined weightings for core rating factors
- Unique business models require company- and sector-specific over-weighting and under-weighting of rating methodological factors



## Transparency and communication

- Full disclosure of rating components and financial forecasting underpinning relevant credit metrics
- Regularly-updated rating reports

## Agenda

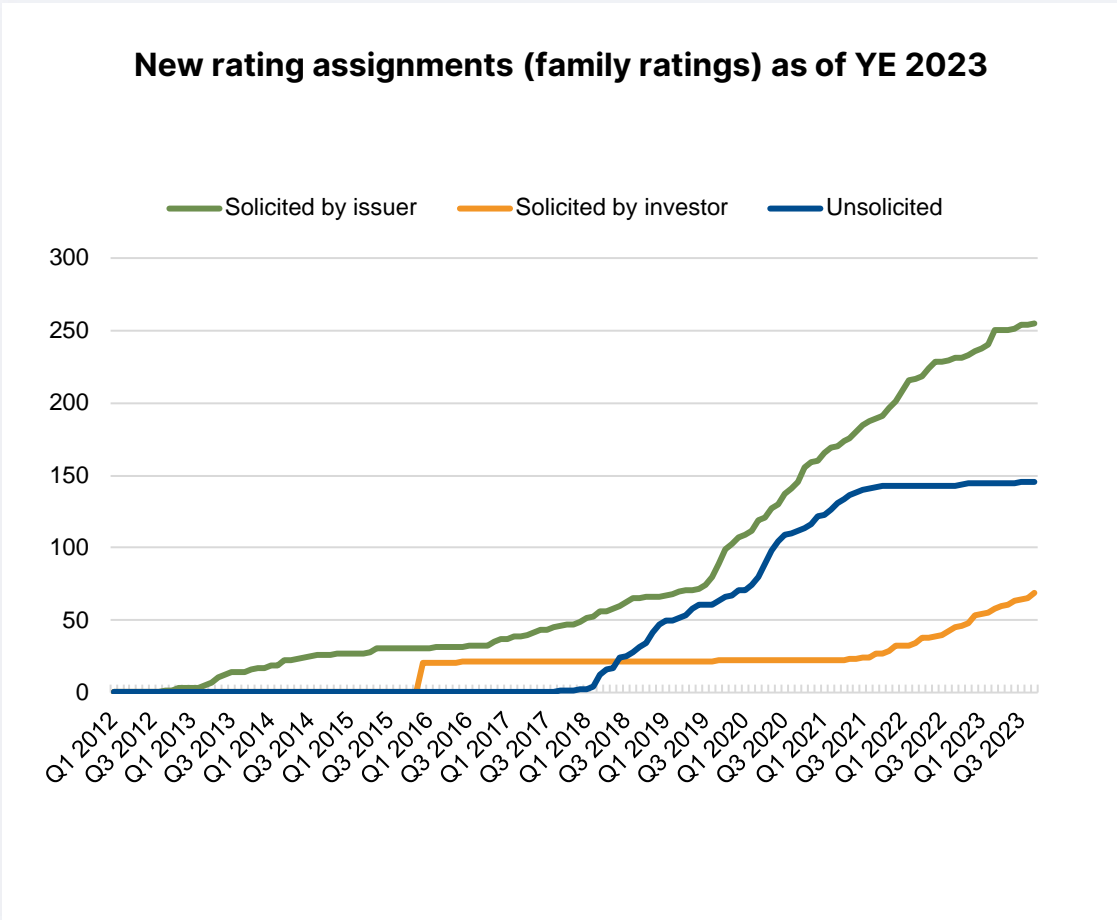
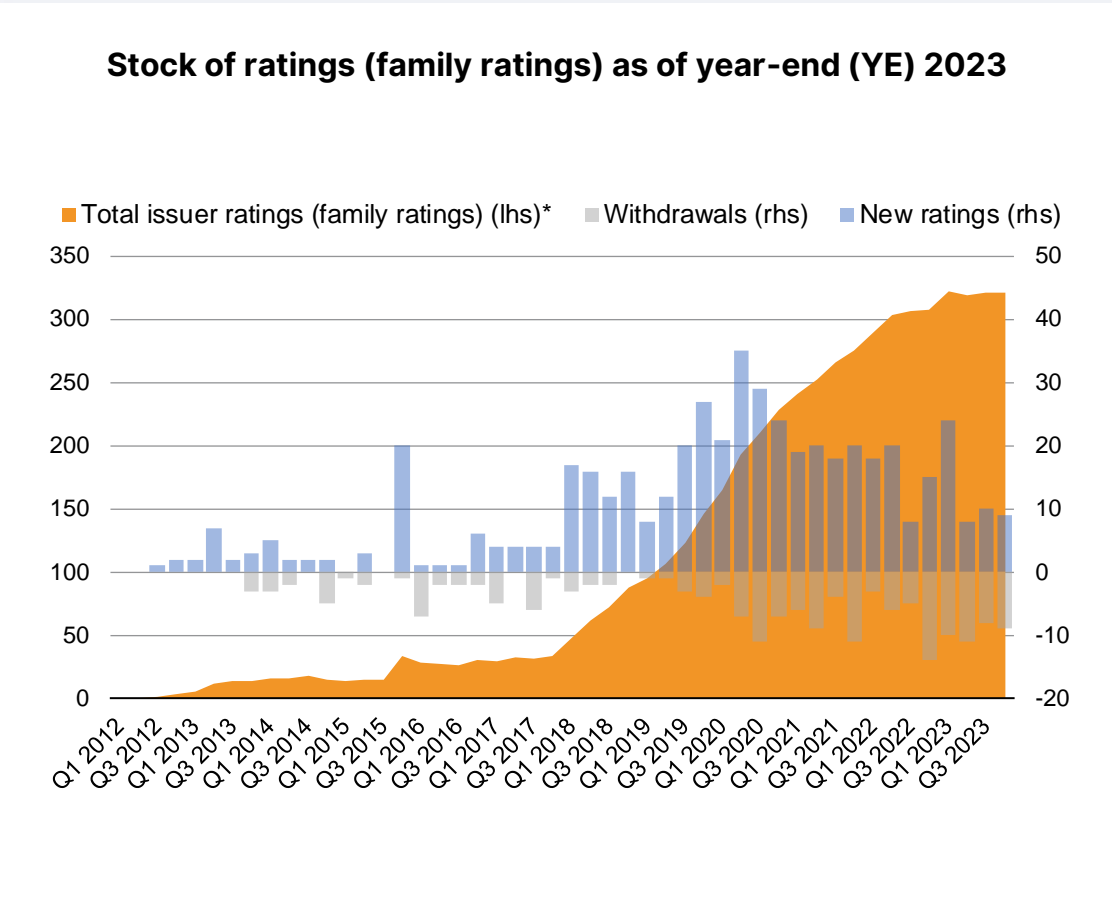
---

- Overview
- **Coverage**
- Ratings agreements with significant investors
- Rating framework
- Rating distribution and output
- Team overview





# Corporate Ratings Expansion of coverage

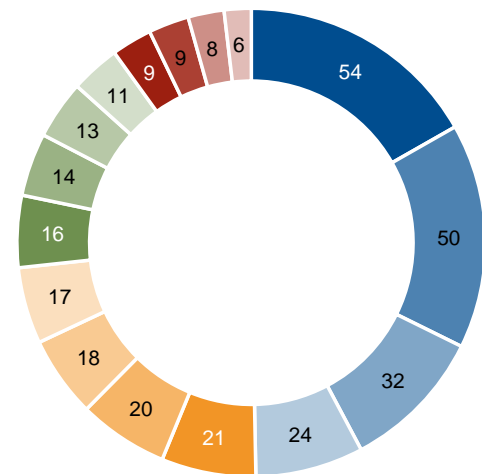


\* incl. 33 renewed point-in-time ratings / Source: Scope Ratings

Source: Scope Ratings

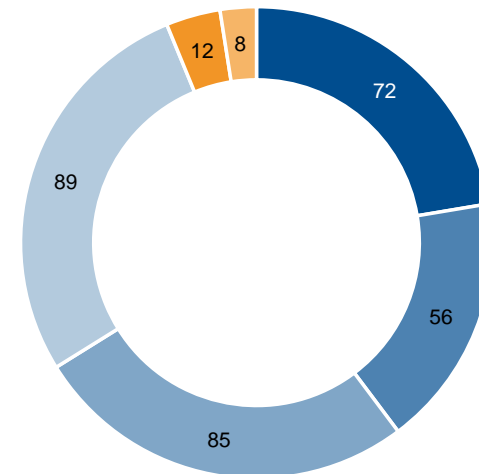
# Corporate Ratings - Coverage at YE 2023 (number of family ratings)

Rated borrowers, by sector



- Utilities
- Real Estate
- Food & Beverage
- Healthcare
- Financial Services
- Technology
- Oil & Gas
- Personal & Household Goods
- Industrial Goods & Services\*
- Retail
- Chemicals
- Construction & Materials
- Telecommunications
- Automobiles & Parts
- Travel & Leisure
- Other

Rated borrowers, by region



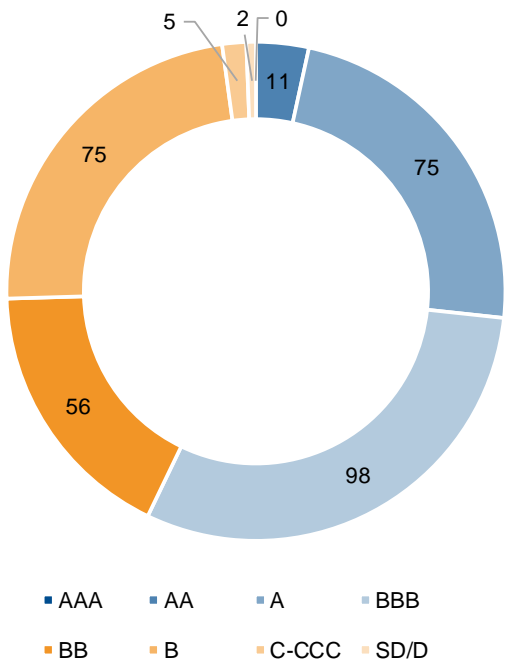
- DACH (Germany, Austria, Switzerland)
- Nordics
- Western Europe
- Southern Europe
- Central and Eastern Europe
- Rest of world

\* Very heterogeneous sector, which comprises capital goods, business services, and transportation / Source: Scope Ratings

Source: Scope Ratings

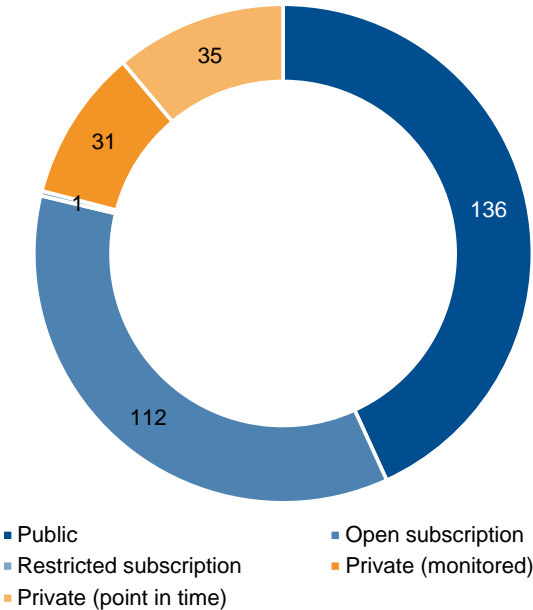
# Corporate Ratings - Coverage at YE 2023 (number of family ratings)

Rated borrowers, by rating class



Source: Scope Ratings

Rated borrowers, by type of rating



Source: Scope Ratings

## Agenda

---

- Overview
- Coverage
- **Ratings agreements with significant investors**
- Rating framework
- Rating distribution and output
- Team overview

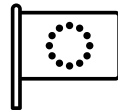


# Successful execution of rating frameworks agreed with significant investors



## Hungarian National Bank

- Support for the National Bank's Bond Funding for Growth scheme
- 2019 – ongoing
  - ✓ >110 issuer ratings assigned since the start of the programme
  - ✓ 74 issuer ratings currently outstanding



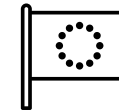
## Large European asset manager<sup>1</sup>

- Providing private ratings and credit estimates for a debt fund
- 2020 – ongoing
  - ✓ 33 issuer ratings and related debt ratings assigned
  - ✓ 9 credit estimates provisioned



## Large US-based asset manager<sup>1</sup>

- Providing private ratings and credit estimates for a debt fund
- 2022 – ongoing
  - ✓ 11 issuer ratings and related debt ratings assigned
  - ✓ 13 credit estimates issued



## Large European asset manager<sup>1</sup>

- Providing private ratings and credit estimates for a debt fund
- 2015 – 2021
  - ✓ 21 issuer ratings and related debt ratings assigned

<sup>1</sup>No disclosure of the debt managers' names as ratings are provided on a private confidential basis / Source: Scope Ratings

# Hungary – MNB's Bond Funding for Growth Scheme



Total amount: HUF 1,550bn<sup>1</sup> (~EUR 4.2bn)

Start of the Programme: 1 July 2019

Issuers: domestic non-financial corporations

Maturity of bonds to be purchased: 3 – 30 years

Credit rating required: at least B+ on the bond

Minimum volume per issuance: n/a

Maximum exposure MNB<sup>2</sup>: HUF 70bn



- Scope Ratings plays a pivotal role in the development of the Hungarian capital market
- Since the start of the programme, ratings assigned on more than 110 companies
- ~90% coverage of the outstanding debt volume
- Agency acted as the 'gatekeeper' as not every company was eligible to enter this programme
- 74 issuers currently rated publicly
- Rating primarily on SMEs
- Ratings across a broad industry range

<sup>1</sup> Size of the programme increased multiple times from an initial programme size of HUF 300bn <sup>2</sup> Maximum exposure to one company group / Source: MNB, Scope Ratings

# Hungary – Selected rated borrowers

 <p>Country of origin: Hungary Telecommunication</p>	 <p>Country of origin: Hungary Utilities</p>	 <p>Country of origin: Hungary Retail</p>	 <p>Country of origin: Hungary Real Estate</p>	 <p>Country of origin: Hungary Agribusiness</p>	 <p>Country of origin: Hungary Business Services</p>
 <p>Country of origin: Hungary Real Estate</p>	 <p>Country of origin: Hungary Construction</p>	 <p>Country of origin: Hungary Business Services</p>	 <p>Country of origin: Hungary Construction</p>	 <p>Country of origin: Hungary Real Estate</p>	 <p>Country of origin: Hungary Consumer Goods</p>
 <p>Country of origin: Hungary Pharmaceuticals</p>	 <p>Country of origin: Hungary Agribusiness</p>	 <p>Country of origin: Hungary Transportation</p>	 <p>Country of origin: Hungary Construction</p>	 <p>Country of origin: Hungary Consumer Goods</p>	 <p>Country of origin: Hungary Telecommunication</p>
 <p>Country of origin: Hungary Construction</p>	 <p>Country of origin: Hungary Construction Materials</p>	 <p>Country of origin: Hungary* Automotive</p>	 <p>Country of origin: Hungary Utilities</p>	 <p>Country of origin: Hungary Investment Holding</p>	 <p>Country of origin: Hungary Integrated Chemicals</p>
 <p>Country of origin: Hungary Consumer Goods</p>	 <p>Country of origin: Hungary Real Estate</p>	 <p>Country of origin: Hungary Utilities</p>	 <p>Country of origin: Hungary Retail</p>	 <p>Country of origin: Hungary Consumer Goods</p>	 <p>Country of origin: Hungary Real Estate</p>

\* Mercedes-Benz Manufacturing Hungary Kft.

Source: Scope Ratings

# Debt funds exposure

## European and US-American debt fund managers<sup>1</sup>

Debt fund managers in needs of private rating assessments

Decision making for investing as investment need to fulfill minimum criteria



- Scope Ratings provides private rating services
  - Credit estimates
  - Monitored private ratings
  - Point-in-time private ratings
  - Annually updated point-in-time private ratings
- Rating primarily related to LBO and large exposure to shareholder loans
- More than 80 ratings and CEs provided since 2015

<sup>1</sup>No disclosure of the debt managers' name as ratings are provided on a private confidential basis / Source: Scope Ratings



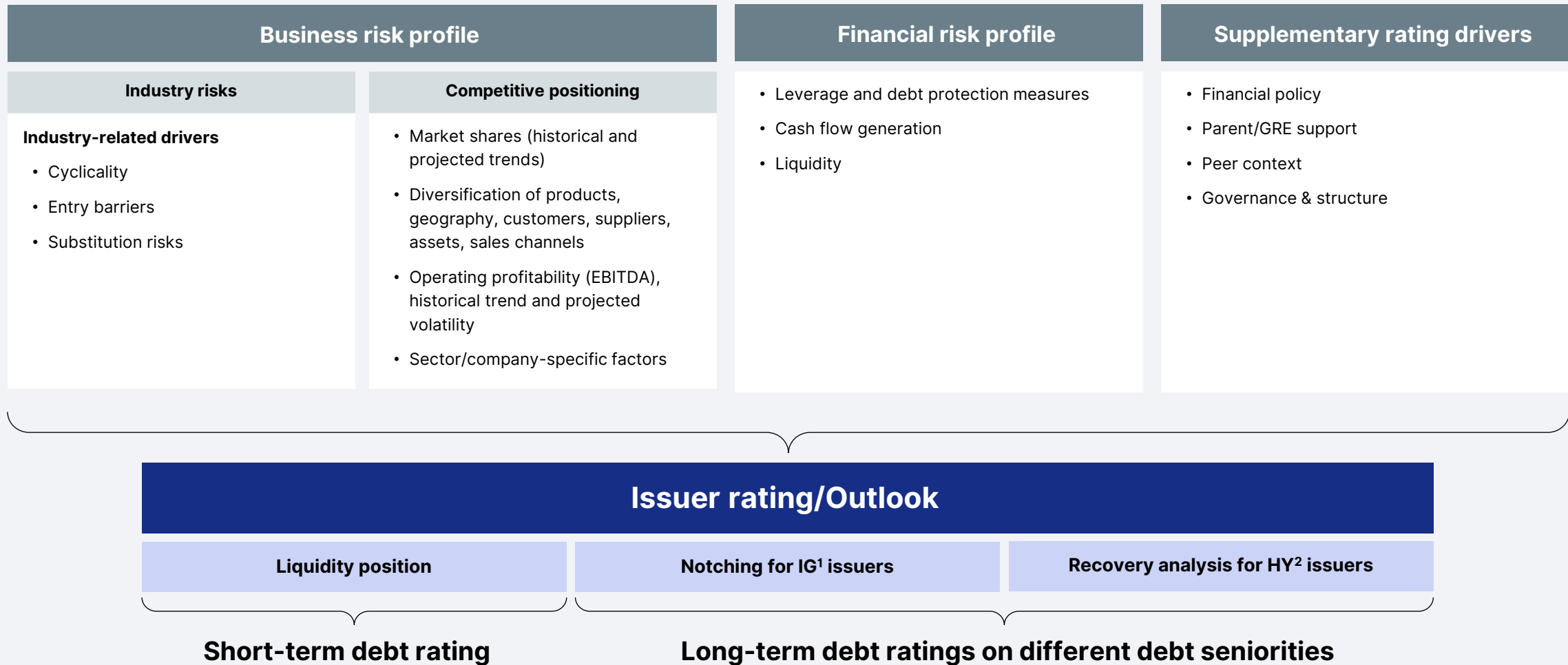
## Agenda

---

- Overview
- Coverage
- Ratings agreements with significant investors
- **Rating framework**
- Rating distribution and output
- Team overview

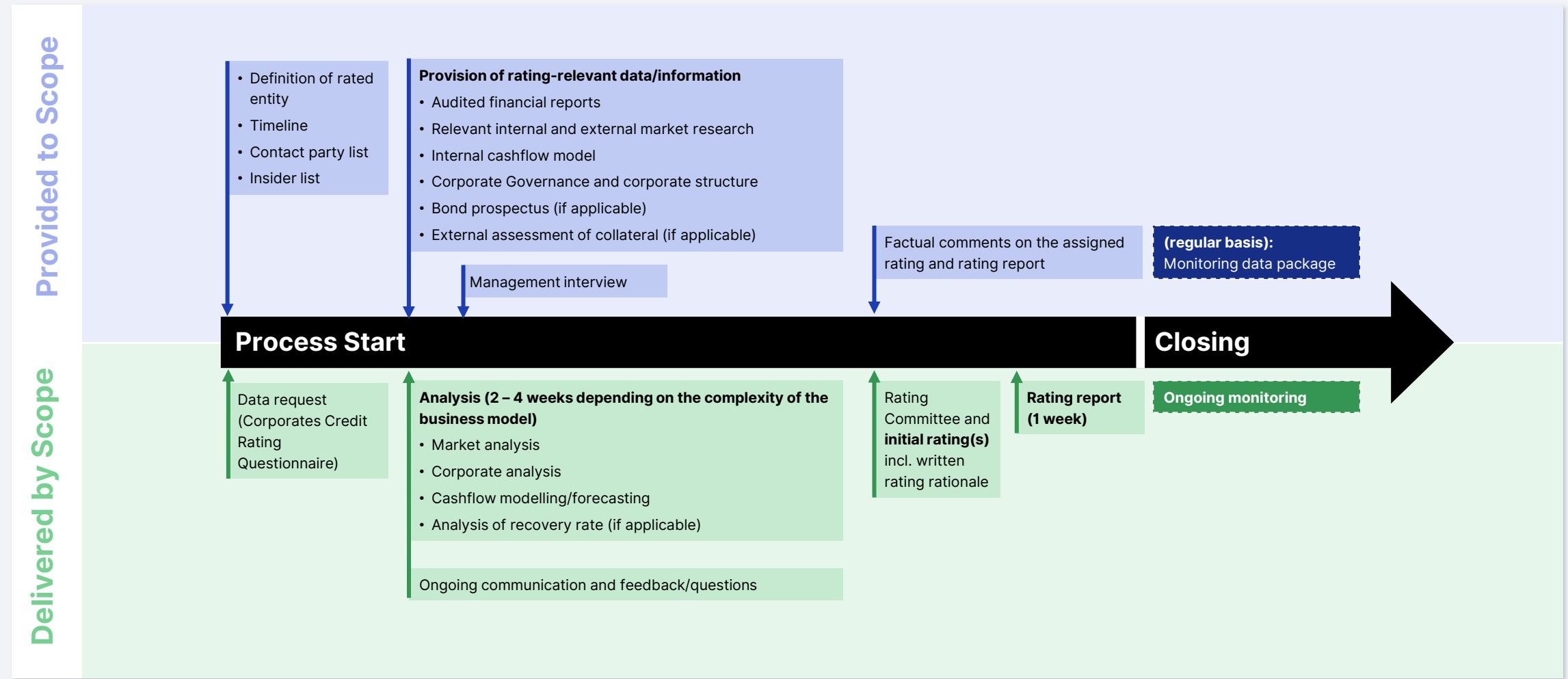


# Ratings framework - Transparent, modular and structured methodology



<sup>1</sup>Investment grade <sup>2</sup>High yield / Source: Scope Ratings

# Corporate Ratings - Rating process timeline



# Ratings framework - Applicable credit-rating methodologies

---

<a href="#">Construction and Construction Materials Rating Methodology</a>	25-Jan-24
<a href="#">European Real Estate Rating Methodology</a>	25-Jan-24
<a href="#">Business and Consumer Services Rating Methodology</a>	15-Jan-24
<a href="#">Oil &amp; gas Rating Methodology</a>	22-Dec-23
<a href="#">Automotive and Commercial Vehicle Manufacturers Rating Methodology</a>	19-Dec-23
<a href="#">Consumer Products Rating Methodology</a>	3-Nov-23
<a href="#">Metals and Mining Rating Methodology</a>	25-Oct-23
<a href="#">General Corporate Rating Methodology</a>	16-Oct-23
<a href="#">Government Related Entities Rating Methodology</a>	13-Jul-23
<a href="#">Investment Holding Rating Methodology</a>	19-May-23
<a href="#">Retail and Wholesale Rating Methodology</a>	27-Apr-23
<a href="#">Chemicals Rating Methodology</a>	17-Apr-23
<a href="#">European Utilities Rating Methodology</a>	17-Mar-23
<a href="#">European Automotive Suppliers Rating Methodology</a>	6-Feb-23
<a href="#">Pharmaceutical Companies' Rating Methodology</a>	10-Jan-23

## Agenda

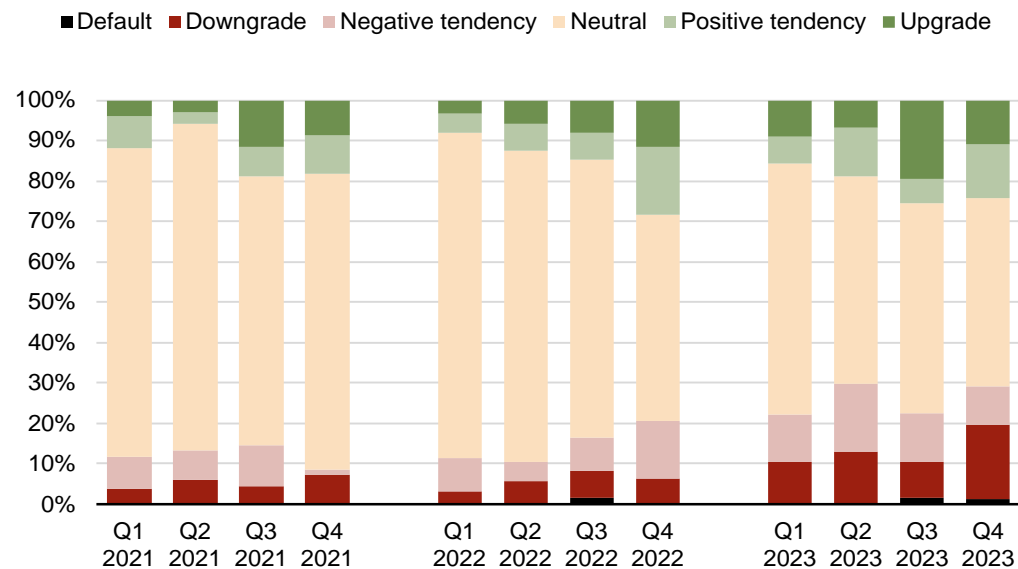
---

- Overview
- Coverage
- Ratings agreements with significant investors
- Rating framework
- **Rating distribution and output**
- Team overview



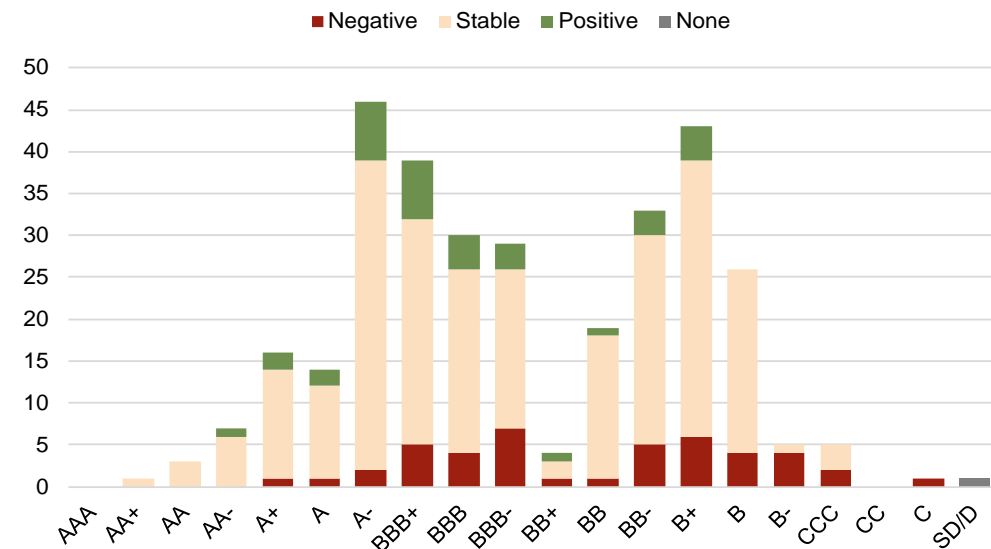
# Corporate Ratings – Rating actions and Outlook distribution

## Rating actions by year and quarter\*



- Negative ratings migration resumed in Q4 2023
- Negative ratings migration remains higher than that seen during the previous two years

## Distribution of rating Outlooks, by rating level



- Negative ratings bias remains currently for HY borrowers
- 18% of HY issuers have a Negative Outlook (11% for IG-rated issuers)
- 7% of HY issuers have a Positive Outlook (14% for IG-rated borrowers)

\* Excl. rating action pertaining to under review due to methodology changes / Source: Scope Ratings

Source: Scope Ratings

# Corporate Ratings - Analytical output for rated entities and investors

WEDNESDAY, 24/01/2024 - Scope Ratings GmbH [Download PDF](#)

**Scope upgrades issuer rating of Norwegian utility Eidsiva to A-/Stable from BBB+/Stable**

The upgrade is driven by the improved financial risk profile enabled by a stronger-than-expected performance, continued robust cash flows from its grid operation and...

FRIDAY, 22/12/2023 - Scope Ratings GmbH [Download PDF](#)

**Scope assigns BBB-/Stable issuer rating to Neova Oy**

The moderate business risk and financial risk profiles drive the issuer rating, further supported by the group's status as a government-related entity ensuring wide state support.

MONDAY, 25/09/2023 - Scope Ratings GmbH [Download PDF](#)

**Scope affirms Uniper's BBB-/Stable issuer rating**

The rating action reflects the improved standalone credit quality largely balanced out by the lowered rating uplift relating to Uniper's status as a government-related entity.

The latest information on the rating, including rating reports and related methodologies, is available on this [LINK](#).

**Rating action**

Scope Ratings GmbH (Scope) has today affirmed Uniper SE's BBB-/Stable issuer rating. Concurrently, Scope has affirmed the senior unsecured debt rating at BBB- and upgraded the short-term debt rating to S-2 from S-3.

**Rating rationale**

The rating affirmation reflects Uniper's improved standalone credit quality, supported by normalising gas prices and volatilities and the company's hedging of nearly all its risk from gas supply curtailments, that has been largely balanced out by the one-notch reduction in the rating uplift for government-related entity status as the company is now less likely to fall into financial distress and be in need of extraordinary state support.

In December 2022, the stabilisation package agreed between Uniper, the German government and Fortum was implemented after receiving EU approval, subject to a number of remedies. Implemented measures include two capital increases totalling

26 September 2023

**Magyar Telekom Nyrt**  
Hungary, Telecommunications Services

SCOPE **BBB+** POSITIVE

19 April 2023

**Sanofi S.A.**  
French Republic, Pharmaceuticals

SCOPE **AA** STABLE

12 January 2024

**Mercedes-Benz Group AG**  
Germany, Automotive and Commercial Vehicles

SCOPE **A+** STABLE

**Key metrics**

	2021	2022	2023E	2024E
Scope credit ratios				
Scope-adjusted EBITDA/interest cover	>30x	>30x	Net interest income	Net interest income
Scope-adjusted debt/EBITDA	Net cash	Net cash	Net cash	Net cash
Scope-adjusted funds from operations	Net cash	Net cash	Net cash	Net cash
Scope-adjusted free operating cash	Net cash	Net cash	Net cash	Net cash

**Rating rationale**

Scope Ratings has upgraded its issuer rating on Mercedes-Benz Group AG to A+/Stable from A/Positive. Senior unsecured debt issued by Mercedes-Benz Group AG and related issuing entities has been upgraded to A+ from A. Scope has also upgraded Mercedes-Benz Group AG's short-term debt rating to S-1 from S-1.

The upgrade is driven by Mercedes-Benz's improved business risk profile on the back of structurally higher operating profitability, stemming from the strategic shift to the luxury space coupled with a continuous strengthening of the fixed cost base. In addition, Mercedes-Benz Group's issuer rating continues to be strongly supported by its financial risk profile, which has further improved in terms of debt protection and net cash position. Market position as well as product and geographical diversification remain supportive.

**Outlook and rating-change drivers**

The Outlook is Stable and reflects our expectation that Mercedes-Benz Group's operating profitability will structurally improve and show strong resilience amid continued inflationary pressures, a challenging demand environment and intensified competition in the electric vehicle (EV) space. We anticipate that Mercedes-Benz Group's profitability will be supported by further efficiency gains, enhanced pricing power, and a richer mix driven by the portfolio reshaping toward the top-end of the premium segment. Our base case assumes a Scope-adjusted EBITDA margin of around 15% in 2023-2025, above industry average and well above historical levels. The stable Outlook also reflects our expectation that the company will maintain a strong financial risk profile and solid credit metrics, even in a less supportive environment in the next 12-18 months. The company is expected to remain in a net cash position over the forecast period.

A positive rating action is remote but could occur if Mercedes-Benz Group successfully shifted its portfolio toward higher-margin products, leading to Scope-adjusted EBITDA margins substantially above 15% on a sustained basis while displaying strong margin and cash flow resilience in adverse market conditions.

A negative rating action could be considered if Mercedes-Benz Group's Scope-adjusted EBITDA margin fell around 10% on a sustained basis, as this would trigger a lower business risk assessment. This could be driven by more challenging industry business conditions or poor execution of the group's premium and electrification strategy. A negative rating action could also be warranted if free cash flow generated in the group's industrial business turned negative, triggered by a sustained decrease in operating profitability and/or a significant rise in investment spending.

**Rating history**

Date	Rating action	Initial rating & Outlook
22 Dec 2023	Upgrade	A+/Stable
23 Dec 2022	Outlook change	A/Positive
27 Jan 2022	Affirmation	A/Stable
03 Feb 2021	Affirmation	A/Stable

12 January 2024

BRG\_RR\_CCR\_23-1

1/12

**Scope Ratings GmbH**  
Landsknecht 5  
10785 Berlin  
Phone: +49 30 27891 0  
Fax: +49 30 27891 100  
info@scoperatings.com  
www.scoperatings.com  
in X  
Bloomberg: RESP SCOP

**Hungary's corporate credit**

Lead Analyst  
Baris Özşakir  
+49 30 278913 25

**Italian utilities play catch-up in Europe's energy transition**

Analysts  
Marco Romeo  
+39 0284758 456

**Corporates Outlook 2024**

Stable outlook with a negative bias; inflation, high interest rates and slack demand weigh down on key sectors, including real estate and chemicals.

Figure 1: It

Source: S

19 December 2

info@scoperatings.com | www.scoperatings.com

in X | Bloomberg: RESP SCOP

**Rating action releases and monitoring notes**

**Rating reports**

**Research and commentaries**

# Agenda

---

- Overview
- Coverage
- Ratings agreements with significant investors
- Rating framework
- Rating distribution and output
- **Team overview**



## Corporates team – Who we are

**100+ years combined rating experience at Scope**

### European analytical DNA

Analysts operating in Scope offices in Paris, Oslo, Berlin, Frankfurt, Milan, London and Poznan

### Diversity as a value added

Analysts come from a variety of personal and professional backgrounds: rating agencies, equity and credit analysis, portfolio controlling, business advisory

### Languages we speak





Group

[scopegroup.com](https://scopegroup.com)

## Contact

### Headquarters EU

BERLIN  
Lennéstraße 5  
D-10785 Berlin  
Phone +49 30 27891 0

### Headquarters UK

LONDON  
52 Grosvenor Gardens  
UK, London, SW1W 0AU  
Phone +44 20 3 93 68 151

### Nordics & Baltics

OSLO  
Karenslyst allé 53  
N-0279 Oslo  
Phone +47 21 09 38 35

### Central & Eastern Europe

FRANKFURT AM MAIN  
Eurotheum  
Neue Mainzer Straße 66-68  
D-60311 Frankfurt am Main  
Phone +49 69 66 77 389 0

### POZNAŃ

Władysława Andersa 7  
PL, 61-894 Poznań

### Southern Europe

MADRID  
Paseo de la Castellana 141  
E-28046 Madrid  
Phone +34 919 491 662

### MILAN

Via Nino Bixio, 31  
IT-20129 Milano MI  
Phone +39 02 8295 8254

### Western Europe

PARIS  
10 avenue de Messine  
FR-75008 Paris  
Phone +33 6 62 89 35 12



**in** | Bloomberg: RESP SCOP



Group

## Disclaimer

---

© 2024 Scope SE & Co. KGaA and all its subsidiaries including Scope Ratings GmbH, Scope Ratings UK Limited, Scope Fund Analysis GmbH, and Scope ESG Analysis GmbH (collectively, Scope). All rights reserved. The information and data supporting Scope's ratings, rating reports, rating opinions and related research and credit opinions originate from sources Scope considers to be reliable and accurate. Scope does not, however, independently verify the reliability and accuracy of the information and data. Scope's ratings, rating reports, rating opinions, or related research and credit opinions are provided 'as is' without any representation or warranty of any kind. In no circumstance shall Scope or its directors, officers, employees and other representatives be liable to any party for any direct, indirect, incidental or other damages, expenses of any kind, or losses arising from any use of Scope's ratings, rating reports, rating opinions, related research or credit opinions. Ratings and other related credit opinions issued by Scope are, and have

to be viewed by any party as, opinions on relative credit risk and not a statement of fact or recommendation to purchase, hold or sell securities. Past performance does not necessarily predict future results. Any report issued by Scope is not a prospectus or similar document related to a debt security or issuing entity. Scope issues credit ratings and related research and opinions with the understanding and expectation that parties using them will assess independently the suitability of each security for investment or transaction purposes. Scope's credit ratings address relative credit risk, they do not address other risks such as market, liquidity, legal, or volatility. The information and data included herein is protected by copyright and other laws. To reproduce, transmit, transfer, disseminate, translate, resell, or store for subsequent use for any such purpose the information and data contained herein, contact Scope Ratings GmbH at Lennéstraße 5 D-10785 Berlin.