

MOODY'S

RATINGS

Rating Action: Moody's Ratings affirms Sherwood's B2 Corporate Family Rating; outlook changed to stable

17 Dec 2024

The rating action follows Sherwood's successful maturity extension of the senior secured debt with bond exchange

London, December 17, 2024 -- Moody's Ratings (Moody's) has today affirmed Sherwood Parentco Limited's (Sherwood) B2 corporate family rating (CFR) and Sherwood Financing plc's B2 senior secured debt ratings. The issuer outlooks changed to stable from negative for both entities.

The rating action follows Sherwood's early refinancing and extension of its bonds and revolving credit facility (RCF) through 2029.

RATINGS RATIONALE

By affirming Sherwood's B2 CFR we have taken into account the strengthening of the company's liquidity and funding profile, following the successful refinancing and maturity extension of the vast majority of the company's notes and its RCF to 2029. At the same time, the CFR reflects the constraints to Sherwood's credit profile from modest cash flows, elevated leverage, and a significant tangible equity deficit. We estimate proforma interest coverage of approximately 2.9x based on its last twelve-month EBITDA and higher coupons following the bond exchange.

Sherwood achieved a pick-up rate in excess of 90% of its bond exchange offer which exceeded its minimum acceptance target as well as our expectations. The refinancing transactions enabled Sherwood to reduce the company's overall utilized RCF amount. As a result, Sherwood has abundant availability under its RCF and medium-term debt maturities, with no material near-term obligations due.

The affirmation of Sherwood Financing plc's B2 senior secured debt ratings acknowledges their prioritized claims within Sherwood's liability structure.

OUTLOOK

The stable outlook indicates our expectation that Sherwood will keep advancing its shift towards an integrated fund management business model and increase its reliance on capital-light revenues. This strategy supports gradual deleveraging, strengthening cash flow generation, and will help to maintain future utilization of the RCF at moderate levels.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Sherwood's CFR could be upgraded if there is a sustained improvement in its profitability and interest coverage levels, alongside the expansion of its integrated fund management business. This will be dependent on the company achieving a Debt/EBITDA leverage ratio of roughly 3.5x on a gross debt basis.

An upgrade in Sherwood Financing plc's senior secured debt ratings could follow an upgrade of the CFR and no material alteration in its liability structure that will materially increase the amount of debt ranked senior to the notes.

Conversely, Sherwood's CFR might be downgraded if the company exhibits continued high earnings volatility coupled with a slower capital deployment in its discretionary funds, delaying expected deleveraging and improvement in its cash flow generation.

Sherwood Financing plc's senior secured ratings could be downgraded if the firm significantly increases its volume of debt that is considered senior to the notes or if Sherwood's CFR is downgraded.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Finance Companies published in July 2024 and available at <https://ratings.moody.com/rmc-documents/425167>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.com> for a copy of this methodology.

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