

NCR comments: Cabonline revised proposal to bond terms

Nordic Credit Rating (NCR) has noted that taxi operator Cabonline Group Holding AB (publ) (Cabonline) announced it has initiated a written procedure in respect of its bond, a senior secured instrument (SE0013409398).

NCR placed the rating on Watch Developing on 7 May 2020. The bond is also rated 'CCC', in line with the issuer rating.

Cabonline said in a statement on 2 Jul. 2020 that it has reached a principal agreement with certain bondholders reflecting 60% of the adjusted nominal amount of the notes regarding terms and conditions. On 3 Jul. 2020, Nordic Trustee issued a formal notice of written procedures approving amendments and waivers to said bond.

The proposal includes:

- a waiver of leverage maintenance covenants on test dates occurring during the period 30 Jun. 2020-30 Sep. 2021 and to amend the ratios for subsequent test dates, specifically to 7.00:1 for 31 Dec. 2021, 6.75:1 for 31 Mar. 2022, 6.50:1 for 30 June 2022, 6.25:1 for 30 Sep. 2022 and 6.00:1 for 31 Dec. 2022;
- the introduction of a monthly maintenance liquidity test based on the average liquidity position of the group (including cash and available commitments under a super senior revolving credit facility agreement) during the month in question which shall not be less than SEK 125m. This covenant is to be tested at the end of each month until and including Sept. 2021 and reported within ten business days following the last day of the relevant calendar month;
- an increase in the interest rate payable in relation to the bonds by 1.00 pp per annum, provided that any increased interest accrued during the period when the new liquidity covenant applies referred to above is in the form of payment-in-kind interest; and
- flexibility to enable restructuring certain parts of the Finnish operations.

Under the proposed amendments H.I.G. Capital, Cabonline's main shareholder, would, if necessary, commit to providing the company a loan of up to a secured SEK 140m loan, ranking pari passu with the bond, with a capped margin (including fees and interest) of 5%. In addition, bondholders would receive a "consent fee" equal to 0.5% of the nominal amount of the bond on a pro rata basis.

The final date to vote will be 22 Jul. 2020 and the proposal needs 66 2/3% agreement bondholders representing at least 50% of the noteholders.

The proposed amendments would not constitute a distressed exchange as defined in NCR's [Rating Principles](#), published 16 Sep. 2019.

In our base case scenario (see [NCR lowers long-term rating on Cabonline Group Holding AB \(publ\) to 'CCC'; ratings on Watch Developing](#), published 7 May 2020), we expect Cabonline to renegotiate its covenants successfully, ensuring the company's going concern status and sustainable headroom under its revised maintenance covenant. We further expect the owners to show greater willingness to support Cabonline with an equity cure to maintain liquidity. In addition we expect the company's drivers to utilise government support where available.

We are continually evaluating Cabonline's financial and operating position, as well as the process with respect to the Notice for a written procedure for the Amendments and Waiver.

We expect to resolve the Watch placement by 7 Aug. 2020.

This commentary does not constitute a rating action.

If you have any questions, please contact:

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About Us

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Attachments

[NCR comments: Cabonline revised proposal to bond terms](#)