

## Rating Update: Hörmann Finance GmbH

Rating of 1st November 2013	
Company Rating*	Outlook
BB+	stable
* see Rating notations	

**Euler Hermes Rating rates Hörmann Finance GmbH BB+ for its creditworthiness and future outlook. We expect the rating to remain stable over the next twelve months.**

Hörmann Finance GmbH is a holding company in which the Hörmann Group's automotive activities are pooled for the most part. The Automotive segment manufactures metal components, modules and systems for commercial vehicles. The largest customer, which is also the minority shareholder of the largest subsidiary, is MAN Truck & Bus AG, which belongs to the VW Group. With an average of 2,289 employees, Hörmann Finance GmbH generated consolidated sales of € 431.3 million in 2012.

The primary rationale for our rating is what we consider to be the pronounced production skills of the Automotive segment, the good customer relations with leading commercial vehicle OEMs as well as the Hörmann Finance subgroup's low debt levels at the moment. We expect that, with the planned issue of a bond, funding of the Hörmann Finance subgroup will come closer to the structures typical of the industry on a sustained basis. As a whole, we consider the capital structure and debt ratios measured in scenarios assuming a planned bond issue volume of EUR 50 million to be satisfactory.

However, we think that the strengths of the Hörmann Finance subgroup must also be seen in the light of its weaknesses, namely its dependence on one large customer and conditions in the commercial vehicle market in Europe. In our view, demand for commercial vehicles is extremely cyclical and this may result in heavy fluctuation in profitability and funding requirements. Hörmann currently does not have any major production capabilities in the regions exhibiting the greatest growth potential for commercial vehicles. In addition, we see signs of dependence on individual persons in the company's management.

We see opportunities for the Hörmann subgroup's business in the continued growth in road haulage over the coming years, new customers and contracts and opportunities for growth in foreign markets, which are to be tapped together with experienced partners. Within the group, we see room for improvement through enhancements to organisational structures and the greater use of synergistic effects in the Automotive segment.

In our view, risks arise from the loss of key staff, mounting challenges in recruiting specialist and management staff, growing competition and loss of market share as a result of changes in the sourcing strategies of key customers.

A complete rating report is available in German on our German Website.

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### **Analysts**

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### **Rating Committee**

Gundel Bergknecht, senior analyst  
Torsten Schellscheidt, senior analyst

### **Principal sources of information**

- Consolidated financial statements of Hörmann Finance GmbH for 2012 including comparison figures for 2011
- Consolidated financial statements of Hörmann Holding GmbH & Co. KG for 2011 and 2012
- Extracts from internal reporting (e.g. business performance in 2013, analysis of bank liabilities etc.)
- Market information
- Strategy documentation and corporate planning
- Conversations with management

### **Rating method**

Issuer rating, company rating manual of Euler Hermes Rating Deutschland GmbH, March 2012 version

## Rating notations

category	explanation
<b>AAA</b>	AAA rated companies demonstrate an excellent credit quality. Such companies are characterized by an extremely positive future outlook and are viewed as being "first class" business partners. Although the various security elements can certainly change, such changes – to the extent this can be assessed - are highly unlikely to adversely affect the fundamentally strong position of such companies.
<b>AA</b>	AA rated companies demonstrate very high quality with respect to future security. Along with the AAA rated companies, this group forms the so-called "quality class." Security margins may, however, be comparatively thinner, the solidity of the security elements may fluctuate more or individual assessment components may indicate a greater long-term risk than is the case for AAA rated companies.
<b>A</b>	A rated companies demonstrate high quality with respect to future security. They show many favourable features which secure their future. Nevertheless, there may be isolated factors which reveal a slightly in-creased susceptibility to the worsening of circum-stances and general economic conditions in the future.
<b>BBB</b>	BBB rated companies demonstrate reasonable quality with respect to future security. Compared to A rated companies, however, it is more likely that worsening of general economic conditions could weaken the capability of fulfilling financial obligations.
<b>BB</b>	BB rated companies still have structures adequate to secure their future. Yet they are subject to greater insecurities. Negative business developments or changes in the general financial and economic conditions can make it impossible for them to fulfil their financial obligations in a suitable manner.
<b>B</b>	B rated companies lack the usual structures to secure their future. Negative business developments or changes in the general financial and economic conditions will most likely make it impossible for them to fulfil their financial obligations in a suitable manner.
<b>CCC</b>	CCC rated companies have structures which greatly endanger the security of their future. Capital service is in jeopardy. Such a company is dependent on a favourable development of general economic conditions if it is to be able to meet its financial obligations in the long term.
<b>CC</b>	Companies receiving a CC rating have very little security for their future. Capital service is in great jeopardy.
<b>C</b>	C rated companies have the least future security of all. The basic conditions enabling such debtors to fulfil their financial obligations are extremely poor. Default is imminent.
<b>D</b>	Companies with a D rating are already in default of payment or have filed for bankruptcy. The D rating is irrelevant for the future; it documents solely the bankruptcy of the company.
<b>SD</b>	If an issuer defaults with respect to a certain financial liability or class of liabilities but is still able to honour its payment obligations under other financial liabilities or classes of liabilities within the requisite period, it is assigned SD (selective default) status.
<b>NR</b>	A debtor or an issuer not rated by Euler Hermes Rating is classified as NR (Not Rated).
<b>PLUS (+)</b> <b>MINUS (-)</b>	Rating notations from AA to CCC may be complemented by a PLUS (+) or MINUS (-) if required, in order to show their relative position within the respective rating category.