



RATING ACTION COMMENTARY

Fitch Affirms and Withdraws lochpe-Maxion S.A.'s Ratings

Tue 19 Apr, 2022 - 16:35 ET

Fitch Ratings - Chicago - 19 Apr 2022: Fitch Ratings has affirmed the Long-Term Foreign-Currency (FC) and Local-Currency (LC) Issuer Default Ratings (IDRs) of lochpe-Maxion S.A. (lochpe) at 'BB-'. The National Scale rating was affirmed at 'A+(bra)'. The Rating Outlook is Stable. lochpe-Maxion Austria GmbH's senior unsecured LT Rating has also been affirmed at 'BB-'. Fitch has subsequently withdrawn all ratings.

The affirmation of the ratings reflects the improvement of lochpe's operational metrics in 2021. The ratings also reflect lochpe's customer and regional diversification as a large global wheels producer and as an important producer of side rails and commercial vehicle frames in the Americas as well as the competitive nature of the wheels industry.

Fitch has withdrawn the ratings for commercial purposes.

KEY RATING DRIVERS

Key Rating Drivers do not apply as the company's ratings have been withdrawn.

DERIVATION SUMMARY

lochpe's ratings compare with capital goods supplier Meritor's (BB-/Rating Watch Positive) whose product lines are focused primarily on driveline components and brakes for commercial vehicles, off-highway equipment and trailers. Meritor revenues and EBITDA are about 50% larger than lochpe's. Similar to lochpe, Meritor generally retains a top-three market position in most of its product segments.

Both entities face heavy competition in their main products. lochpe's exposure to commercial vehicles is around 45% but Meritor's cash flow profile is more heavily concentrated in that segment. Sales to this end market are more volatile than the light vehicle market. Fitch also estimates that roughly a quarter of Meritor's sales come from the aftermarket, which is more stable. This compares with lochpe's exposure to aftermarket sales around 6.1% of consolidated revenue.

From a geography standpoint lochpe is more diversified with Europe being its largest revenue contributor at around 32%, followed by North America at roughly 39%. This compares with Meritor's exposure to North America at around 65% and Europe at around 20%. However, lochpe's approximate exposure of 29% to South America, which mainly comprises Brazil, has been more volatile. Meritor's gross leverage, expected over the next two years in the 3x-4x range is similar to lochpe's.

RATING SENSITIVITIES

Rating Sensitivities do not apply as the company's ratings have been withdrawn.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Non-Financial Corporate issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

LIQUIDITY AND DEBT STRUCTURE

Adequate Liquidity: lochpe's liquidity is sufficient and is supported by cash and access to funding. Cash balance as of year-end 2021 was BRL1 billion compared with one-year maturities of BRL1.2 billion. The company has approximately BRL770 million in committed credit lines.

ISSUER PROFILE

lochpe Maxion S.A (lochpe) is a Tier-1 auto-part producer with a global footprint. The company supplies steel wheels for light and commercial vehicles and agricultural machinery and aluminum wheels for light vehicles. It also produces side rails, cross

members and full frames for commercial vehicles and structural components for light vehicles.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

Following the withdrawal of international ratings for Iochpe-Maxion S.A., Fitch will no longer be providing the associated ESG Relevance Scores.

RATING ACTIONS

ENTITY / DEBT ⇄	RATING ⇄			PRIOR ⇄
Iochpe-Maxion Austria GmbH				
senior unsecured	LT	BB-	Affirmed	BB-
senior unsecured	LT	WD	Withdrawn	BB-
Iochpe-Maxion S.A.	LT IDR	BB- Rating Outlook Stable		BB- Rating Outlook Stable
	Affirmed			
	LT IDR	WD	Withdrawn	BB- Rating Outlook Stable

LC LT IDR	BB- Rating Outlook Stable	BB- Rating Outlook Stable
Affirmed		

LC LT IDR	WD	Withdrawn	BB- Rating Outlook Stable
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Natl LT	A+(bra) Rating Outlook Stable	A+ (bra) Rating Outlook Stable
Affirmed		

Natl LT	WD(bra)	Withdrawn	A+ (bra) Rating Outlook Stable
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[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)

[Corporate Rating Criteria \(pub. 15 Oct 2021\) \(including rating assumption sensitivity\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.0.2 (1)

ADDITIONAL DISCLOSURES

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lochpe-Maxion Austria GmbH

EU Endorsed, UK Endorsed

lochpe-Maxion S.A.

EU Endorsed, UK Endorsed

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