



(/en\_US/web/guest/home)  
**Southwire Co. LLC Outlook Revised  
To Negative; 'BB' Rating Affirmed**

21-Feb-2018 18:18 EST

[View Analyst Contact Information](#)

Our ratings on U.S.-based wire and cable manufacturer Southwire Co. LLC could come under pressure over the next year because its \$1 billion asset-based lending (ABL) facility that matures in February 2019 is now current. As such, we no longer include any availability under the facility into our liquidity analysis.

Notwithstanding this upcoming maturity, Southwire's operating performance and credit measures continue to improve, supported by solid demand and higher volumes.

We are revising our outlook on Southwire to negative from stable and affirming our 'BB' corporate credit rating on the company.

In addition, we are affirming our 'BB+' issue-level rating on the company's \$750 million term loan due 2021 (the current amount outstanding is approximately \$722 million). The recovery rating is unchanged at '2'.

The negative outlook reflects the potential for a downgrade over the next six to 12 months if the company is unable to refinance its ABL facility due February 2019.

NEW YORK (S&P Global Ratings) Feb. 21, 2018— S&P Global Ratings today affirmed its 'BB' corporate credit rating on Carrollton, Ga.-based Southwire Co. LLC and revised the outlook to negative from stable.

At the same time, we affirmed our 'BB+' issue-level rating on the company's term loan due 2021. The recovery rating on the debt remains '2', indicating our expectation for substantial (70%-90%; rounded estimate: 70%) recovery in the event of a payment default.

The outlook revision to negative reflects the potential that we could lower our ratings by one notch if Southwire does not refinance its ABL facility over the next six to 12 months. Currently, Southwire's capital structure consists of a \$1 billion ABL facility due February 2019 and a \$750 million senior secured term loan due February 2021 (current amount outstanding of approximately \$722 million). As of Sept. 30, 2017, the company had outstanding borrowings of approximately \$110 million and \$24.5 million in letters of credit drawn on its ABL facility. Notably, we expect the company will continue to draw on the ABL over the next 12 months, primarily to fund working capital. We believe peak usage of the ABL will be during the first quarter of the year as the company typically builds inventory over this period. Additionally, while not imminent, we are monitoring the company's refinancing plan regarding the term loan because the ABL and term loan together make up Southwire's entire capital structure.

The negative outlook reflects the potential for a lower rating over the next six to 12 months if the company is unable to refinance its \$1 billion ABL facility due February 2019. Even so, we continue to expect modest improvement in Southwire's operating results and credit measures over the next 12 months, with adjusted debt to EBITDA between 2x-2.5x and FFO to debt of roughly 30%.

We will likely lower our ratings on Southwire if the company is unable to refinance its ABL over the next six to 12 months. In our view, a lower rating would likely be based on a revision of our liquidity assessment downward. Although less likely, we could downgrade the company if market conditions deteriorate or competitive pressures weigh on EBITDA, resulting in adjusted debt to EBITDA above 4x or FFO to debt of less than 20% on a sustained basis. This could occur if volumes declined by more than 25% from current levels. Lastly, a more aggressive financial policy that raises leverage--whether due to additional acquisitions, larger discretionary dividends, or a major share repurchase--could also result in a downgrade.

Until Southwire refinances its ABL facility, it is unlikely that we would take a positive rating action. However, if the company refinances this maturity in a favorable manner, we would likely revise the outlook to stable.

## RELATED CRITERIA

General Criteria: Methodology For Linking Long-Term And Short-Term Ratings (/en\_US/web/guest/article/-/view/sourceld/10011703)  
 , April 7, 2017  
 Criteria - Corporates - General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers (/en\_US/web/guest/article/-/view/sourceld/9831306), Dec. 7, 2016  
 Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers (/en\_US/web/guest/article/-/view/sourceld/8956570), Dec. 16, 2014  
 Criteria - Corporates - Industrials: Key Credit Factors For The Metals And Mining Downstream Industry (/en\_US/web/guest/article/-/view/sourceld/8389094), Dec. 20, 2013  
 General Criteria: Group Rating Methodology (/en\_US/web/guest/article/-/view/sourceld/8336067), Nov. 19, 2013  
 Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments (/en\_US/web/guest/article/-/view/sourceld/8330212), Nov. 19, 2013  
 Criteria - Corporates - General: Corporate Methodology (/en\_US/web/guest/article/-/view/sourceld/8314109), Nov. 19, 2013  
 General Criteria: Country Risk Assessment Methodology And Assumptions (/en\_US/web/guest/article/-/view/sourceld/8313032), Nov. 19, 2013  
 General Criteria: Methodology: Industry Risk (/en\_US/web/guest/article/-/view/sourceld/8304862), Nov. 19, 2013  
 General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers (/en\_US/web/guest/article/-/view/sourceld/7629699), Nov. 13, 2012  
 General Criteria: Use Of CreditWatch And Outlooks (/en\_US/web/guest/article/-/view/sourceld/5612636), Sept. 14, 2009

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on the S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

Primary Credit Analyst: Michael Maggi, CFA, New York (212) 438-7302;  
 Michael.Maggi@spglobal.com (mailto:Michael.Maggi@spglobal.com)  
 Secondary Contact: William R Ferara, New York (1) 212-438-1776;  
 bill.ferara@spglobal.com (mailto:bill.ferara@spglobal.com)

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (<http://www.standardandpoors.com>) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) (<http://www.ratingsdirect.com>) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (<http://www.globalcreditportal.com>) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees) (<http://www.standardandpoors.com/usratingsfees>).

Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact S&P Global Ratings, Client Services, 55 Water Street, New York, NY 10041; (1) 212-438-7280 or by e-mail to: [research\\_request@spglobal.com](mailto:research_request@spglobal.com) ([mailto:research\\_request@spglobal.com](mailto:research_request@spglobal.com)).

[Legal Disclaimers \(/en\\_US/web/guest/regulatory/legal-disclaimers\)](#)  
[Careers at S&P Global Ratings \(<http://www.spglobal.com/careers>\)](#)  
[Terms of Use \(/en\\_US/web/guest/regulatory/termsfuse\)](#)

[Privacy and Cookie Notice \(/en\\_US/web/guest/regulatory/privacy-notice\)](/en_US/web/guest/regulatory/privacy-notice)

Copyright © 2018 Standard & Poor's Financial Services LLC. All rights reserved.

Reproduction and distribution of this information in any form is prohibited except with the prior written permission of Standard & Poor's Financial Services LLC and its affiliates (together, "S&P"). S&P does not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and is not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such information. S&P GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. S&P shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of this information, including ratings. S&P ratings are statements of opinions and are not statements of fact or recommendations to purchase hold or sell securities. They do not address the market value of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice. Please read our complete disclaimer here.

[\(/en\\_US/web/guest/regulatory/legal-disclaimers\)](/en_US/web/guest/regulatory/legal-disclaimers)