

Company Information				Summary Assessment				Overall Risk Assessment	
Company Name		ABC Corp		Company Ratio		Risk Threshold	Risk	High Risk	
Location	Springfield, OH, USA	FY End	31-Dec	Short Term Liquidity	0.70	1.00	HIGH		
Last Report	2008	Category	Private mfg	Long Term Solvency	9.91	2.00	HIGH		
Founded	1982	Employees	7,500	Interest Coverage	1.10	1.00	medium		
Business Description				Insolvency Risk	1.18	>1.23 ~ 2.90<	HIGH		
<p>ABC Corp. Specialty Chemicals is a leading producer of thermosetting resins. Business segments are product-based: epoxy & phenolic resins; formaldehyde & forest product resins; coatings & inks; and performance products. These materials are used in thousands of bonding, binding or coating applications across a diverse range of industries. ABC Corp. also is among the largest makers of formaldehyde and other forest product resins, epoxy resins, and raw materials for coatings and inks. ABC Corp. operates 80 manufacturing and distribution facilities in North America, Latin America, Europe and the Asia-Pacific region. International operations made up 58% of sales in 2008.</p>				3 year CAGR		Growth			
				Revenue	0.2%		medium		
				Net Margin	(24.5%)		weak		
				Cash Flow	(411.1%)		weak		

Financial Data					Notes
		2008	2007	2006	
Cash Position	US\$ MMs	127	199	64	The drop in cash reserves from 2007 to 2008 is primarily due to payments on retirement of long term debt and settlement for an off-label suit brought by the DOJ.
	annual % change	(36.2%)	210.9%		
Revenue	US\$ MMs	5,243	5,810	5,205	Acquisitions added \$158Mm and currency swings added \$184MM to 2008 topline. Q4FY2008 demand plummeted and ABC Corp. was forced to idle several plants. Volumes remained weak in Q1 FY2009, dropping 11% compared to Q4 FY2008. Q1 sales revenues were appx \$900MM, compared to Q1FY2008 revenue of \$1.64 bln.
	annual % change	(9.8%)	11.6%		
EBITDA	US\$ MMs	50	487	330	Q1FY2009 EBITDA of \$55MM~\$62MM million compared to EBITDA of \$154 MM a year earlier.
	annual % change	(89.7%)	47.6%		
Net Income	US\$ MMs	15	24	35	Termination and litigation settlement costs of \$1 bln from the abortive XYZ takeover generated most of the red ink. Excluding termination charges, ABC Corp. showed a loss of \$163MM.
	annual % change	(36.7%)	(31.4%)		
Net Margin	%	0.3%	0.4%	0.7%	Net margin in 2008 would have been 2.7% without the termination charges.
	annual % change	(29.8%)	(38.6%)		
Total Liabilities	US\$ MMs	5,359	5,380	4,909	Assets at end FY2008 totaled only \$3,180MM. This sum was exceeded by total outstanding debt of \$3,859MM at end FY2008. ABC Corp. reported that it had reduced net debt by \$300 million thru Q1FY2008.
	annual % change	(0.4%)	9.6%		
Cash from Operations	US\$ MMs	(632)	30	21	
	annual % change	(2206.7%)	42.9%		
ST Cash Requirement	US\$ MMs	507	528	495	This figure includes \$113MM in short-term debt and capital lease obligations. ABC Corp. stated that liquidity was appx \$420MM at end Q1FY2008, made up of cash, available credit lines and appx \$200MM commitment from Venus. ABC Corp. said it expects to be in compliance with its debt covenants at the end of the first quarter.
	annual % change	(4.0%)	6.7%		

General Notes

ABC Corp. Specialty Chemicals is controlled by an affiliate of Venus Management. ABC Corp. was formed in 1982 by a union of several specialty chemical firms controlled by Venus. Debt covenants restrict the company's ability to incur additional debt; pay dividends; incur liens; make certain acquisitions, capex outlays or investments; sell assets; enter sale/leaseback transactions; or conduct a merger. Also, the debt covenants require ABC Corp. to maintain a ratio of Adjusted EBITDA to pro forma interest of above 2. In Q4FY2008, ABC Corp. entered into a factoring arrangement for \$55MM of A/R. In 2007, the company agreed to buy XYZ Corp. for \$6.5 billion. However, as access to credit shrank in 2008, ABC Corp. pulled out of the transaction toward the end of that year. Ensuing litigation ended with a settlement of \$1 bln to XYZ, funded with an added \$540MM capital infusion from Venus. In early 2009, Moody's Investors Service cut its corporate family rating on ABC Corp. one notch to B3, just above highly speculative territory, and Standard & Poor's downgraded its rating from B- to CCC+. In 2009, ABC Corp. announced construction of a new production facility in Frankfurt, Germany, to produce specialty epoxy resins, vital materials used in the production of windmill blades for the wind energy market. In 2006, ABC Corp. sold DEF corp., and in 2007, bought units of GHI Ltd and JKL GmbH. ABC Corp. also said it has expanded a \$100 million cost-cutting initiative started in 2009, which included a 25 percent work-force reduction.

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