



2020 Russian Corporates Outlook

XVII Russian Bond Congress

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5 December 2019

Russian Corporates Portfolio

An increase in the share of investment grade ratings

- 36% of the portfolio in Oct 2019
- 6% improvement yoy

Sharp Increase in 'BBB' ratings following the sovereign upgrade in August 2019

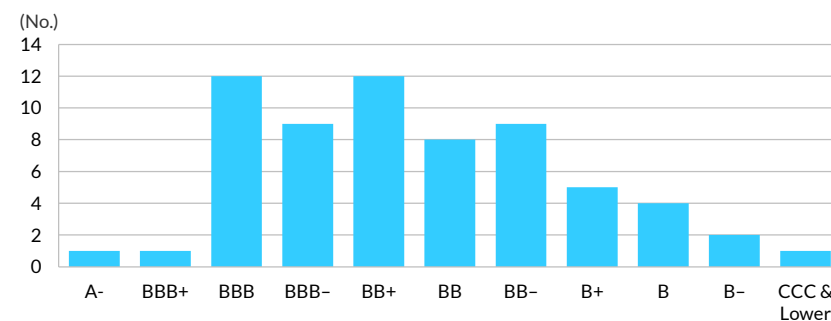
- 'BBB's are 19% of the total

'BB' credits less than 50% (45% in Oct 2019)

Share of 'B'-range and below ratings is declining

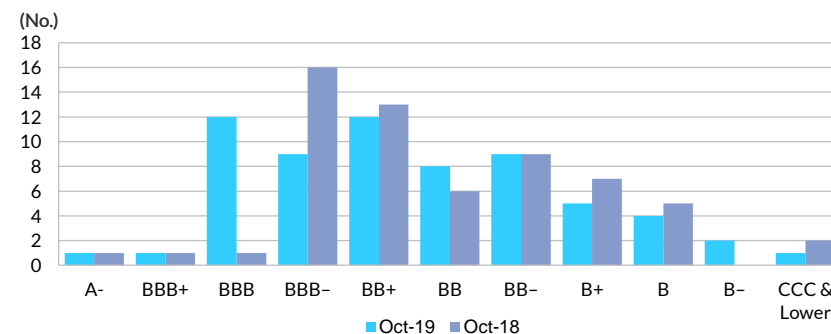
- 17% in Oct 2019 vs 22% in Oct 2018

Ratings Distribution - Russia
(As of October 2019)



Source: Fitch Ratings

Ratings Distribution - Russia
(As of October 2019)



Source: Fitch Ratings

Stable Outlook

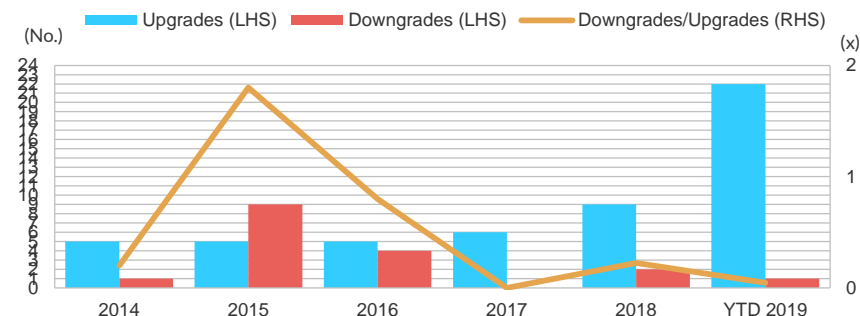
A spike in 2019 upgrades driven by the sovereign upgrade

- 22 upgrades YTD to Oct 2019, more than 1/3 of the portfolio upgraded

Some positive momentum can be expected

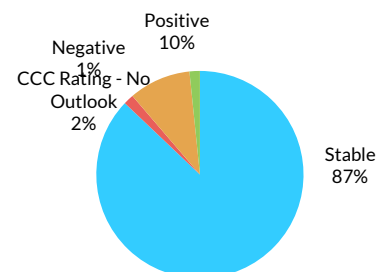
- 9% of the portfolio is on Positive outlook

Rating Changes - Russia



Source: Fitch Ratings

Ratings Outlook/Watch
(As of October 2019)



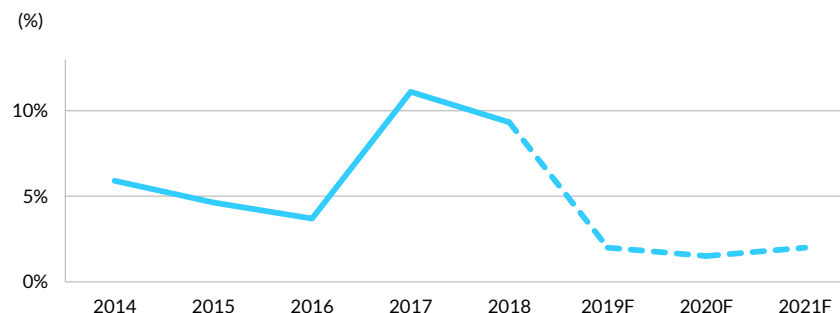
Source: Fitch Ratings

Modest Growth

Modest growth ahead

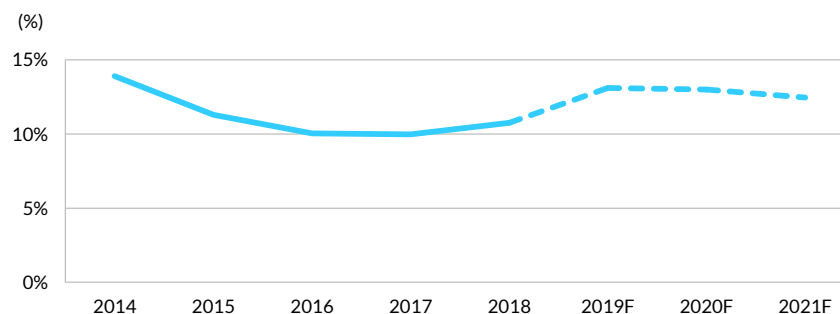
- Growth expectations are sensitive to the commodities prices assumptions
- In the medium term revenue growth may benefit from capex increase
- Capex is stabilising at a robust level

Russian Corporates: Median Revenue Growth, yoy



Source: Fitch, companies

Russian Corporates: Median Capital Intensity Ratio (Capex/Revenues)



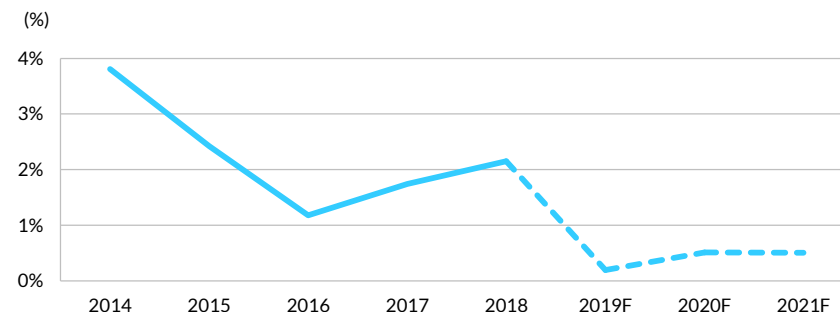
Source: Fitch, companies

Positive Free Cash Flow

Free cash flow generation positive

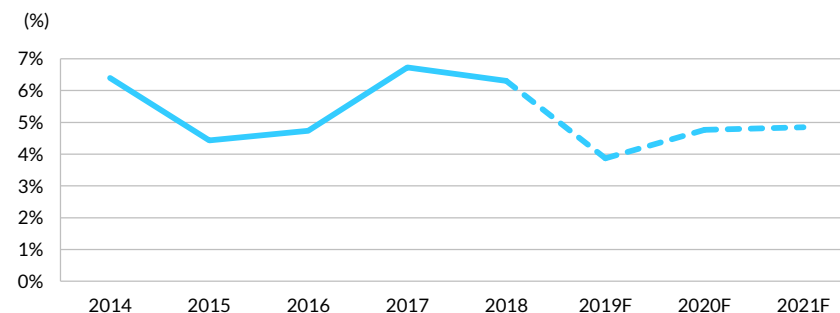
- Implies sustainable self-funding of capex and dividends
- Typically no pressure to maintain high dividend distributions
- Low pre-dividend FCF reflects higher capex and lower profitability

Russian Corporates: Median FCF Margin



Source: Fitch, companies

Russian Corporates: Median Pre-Dividend FCF Margin



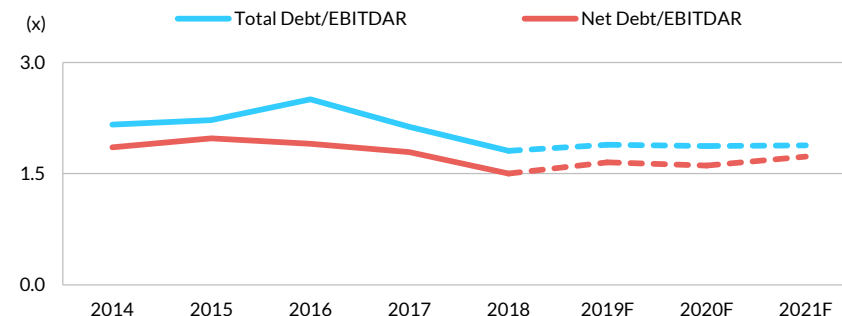
Source: Fitch, companies

Moderate Leverage

Comfortable leverage

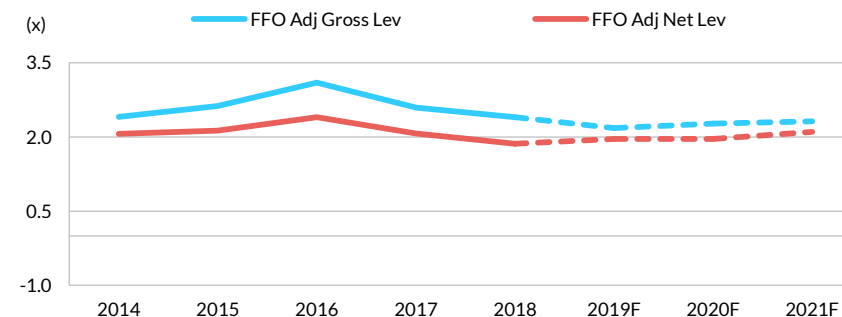
- Leverage metrics at a multi-year low level at end-2018
- Modest leverage increase is not a threat to the credit quality
- Funding issues are rarely a constraint
- Leverage increasingly reflects targeted capital structure

Russian Corporates: TD/EBITDA and ND/EBITDA Medians



Source: Fitch, companies

Russian Corporates: FFO Adjusted Gross and Net Leverage Medians



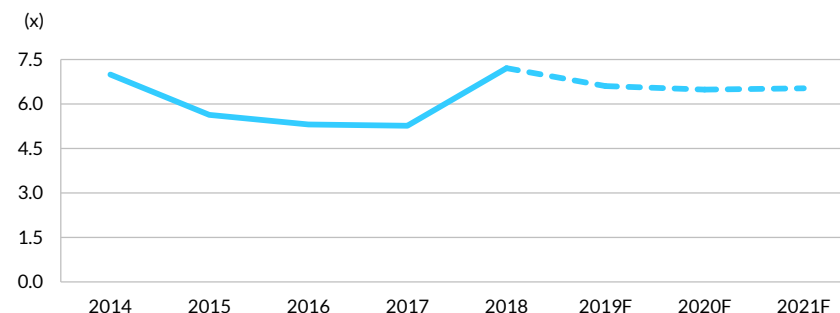
Source: Fitch, companies

Improving Coverages

Substantial coverage improvement

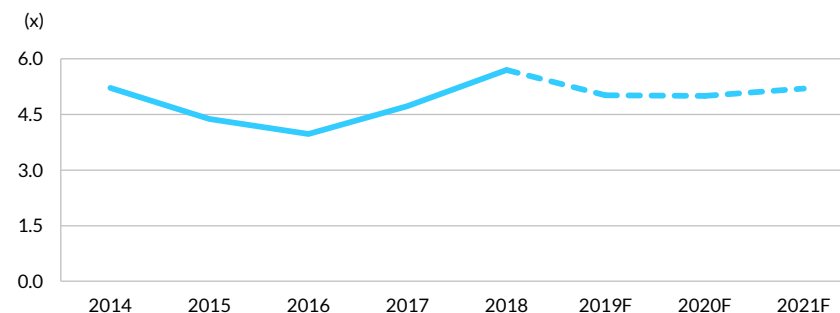
- An impact of lower interest and leverage
- Modestly cautious expectations reflecting conservative assumptions on refinancing options

Russian Corporates: Median FFO Interest Coverage



Source: Fitch, companies

Russian Corporates: Median FFO Fixed Charge Coverage



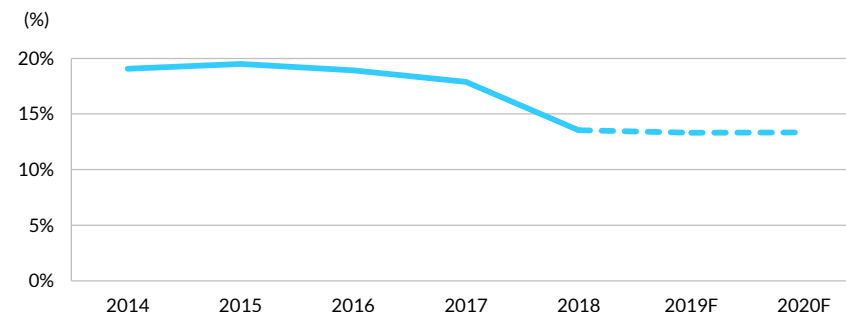
Source: Fitch, companies

Liquidity Not A Concern

Liquidity on an improving trend

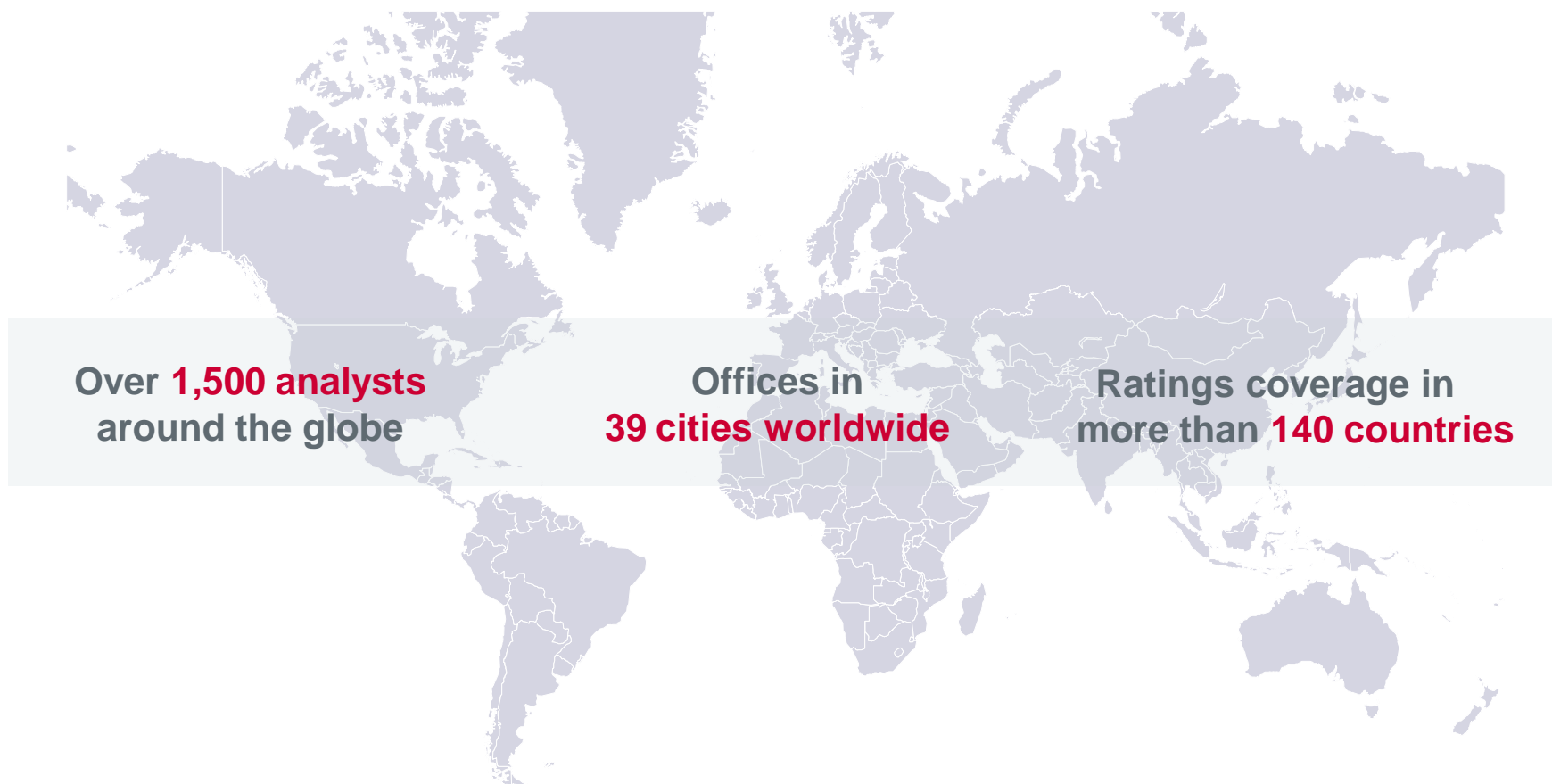
- Short-term debt as percentage of total debt has substantially declined
- A significant improvement in 2018
- Stable expectations

Russian Corporates: ST Debt As Percentage of TD Median



Source: Fitch, companies

Map of Offices



Global Ratings Coverage



5,752

Financial
Institutions



3,724

Corporates



181

Sovereigns &
Supranationals



533

Global
Infrastructure



3,273

U.S. Public
Finance Transactions



6,316

Structured
Finance

Data as of March 31, 2019

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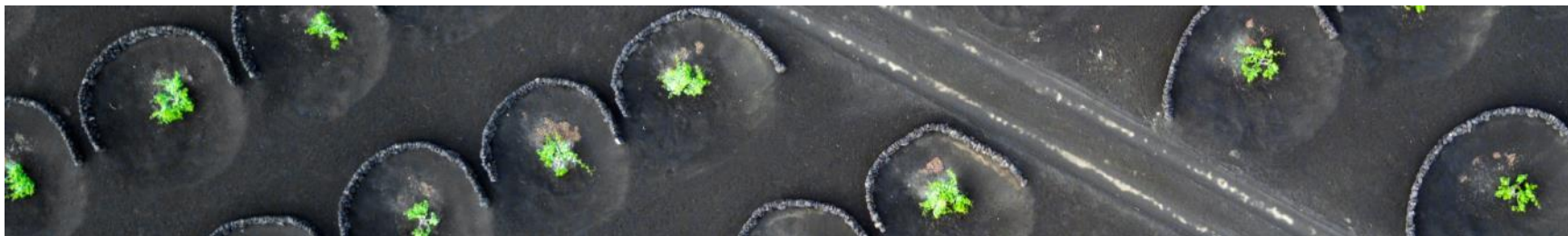
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