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Apex Tool Group Ratings Put On CreditWatch Positive On Proposed Refinancing; New Debt Rated Preliminary 'B-' And 'CCC+'

- Apex Tool Group LLC has announced a series of refinancings and debt repayments that both lengthen its weighted average maturity timeline and demonstrate its improved access to capital markets.
- In addition, we believe continued strong momentum in the auto and residential end markets will continue to drive pent-up demand for the hand and power tools business and improve financial performance and the revenue base over the next few years.
- S&P Global Ratings placed all its ratings on Apex Tool Group LLC., including its 'CCC' issuer credit rating, on CreditWatch with positive implications.
- At the same time, we assigned a preliminary 'B-' issue-level rating and '3' recovery rating to its proposed senior secured first-lien credit facilities (\$855 million first-lien term loan and \$200 million revolving credit facility). Simultaneously, we assigned a preliminary 'CCC+' issue-level rating and '5' recovery rating to its proposed second-lien term loan.
- The positive CreditWatch placement reflects our expectation that we would raise our existing issuer credit rating on Apex Tool Group to 'B-' upon resolution of the CreditWatch placement.

HARRISBURG (S&P Global Ratings) Jan. 27, 2022—S&P Global Ratings today took the rating actions listed above.

The CreditWatch placement follows Apex Tool Group LLC's announcement that it will refinance its capital structure. Apex has announced a comprehensive refinancing of its capital structure, consisting of a new \$855 million term loan B due in 2029 and a \$350 million second-lien term loan due in 2030. The undrawn \$200 million revolving credit facility at close (the management has stated a range of about \$170 million-\$200 million) also strengthens our belief in no imminent default risk over the medium term. As previously stated in a release on Dec. 1, 2021, we could raise the ratings if Apex presented a credible refinancing plan and demonstrated tangible progress toward the refinancing of its notes at par and continued to meet other continuing obligations, such as interest costs.

Apex's markets and operating conditions continue to improve. We expect Apex's operating and financial performance to continue and improve in 2022. We expect top-line growth in Apex Tool Group's hand tools business of about 10%-12% for fiscal 2022, driven by continued strength in residential end markets because of lower mortgage rates (now rising slightly but still significantly below historical level), as well as increasing deurbanization trends. We also expect top-line growth in Apex Tool Group's power tools business of about 7%-9% in 2022, driven by the strong rebound in the auto market. Altogether, we believe top-line growth for 2022 to be in the high-single-digit percent area or nearing 10%.

CreditWatch

We will resolve the CreditWatch placement following a review of Apex Tool Group's post-close refinancing capital structure. We would raise the rating on Apex Tool Group once it has funded the refinancing of its existing capital structure and continued to meet other continuing obligations.

ESG credit indicators: E-2 S-2 G-3

Governance is a moderately negative consideration in our credit rating analysis of Apex Tool Group LLC. Our assessment of the company's financial risk profile as highly leveraged reflects corporate decision-making that prioritizes the interests of the controlling owners, in line with our view of most rated entities owned by private-equity sponsors. Our assessment also reflects their generally finite holding periods and a focus on maximizing shareholder returns. Environmental factors are an overall neutral influence on our credit rating analysis, since the company engages in light manufacturing and distribution of tools.

Related Criteria

- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1, 2019
- [Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers](#), Dec. 7, 2016
- [Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), Dec. 16, 2014
- [Criteria | Corporates | General: Corporate Methodology](#), Nov. 19, 2013
- [General Criteria: Methodology: Industry Risk](#), Nov. 19, 2013
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Nov. 13, 2012
- [General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings](#), Oct. 1, 2012
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

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 for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

European Endorsement Status

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