

## **Goodyear Extends Credit Facilities**

Goodyear Tire & Rubber Co. (NYSE:GT - News) declared the completion of refinancing the principal US credit facilities. The company's asset-based revolving credit facility of \$1.5 billion was enhanced to \$2.0 billion while its maturity period was extended from 2013 to 2017. The loan under the facility will endure an interest of LIBOR plus 150 basis points. The company also extended the maturity of its \$1.2 billion term loan from 2014 to 2019. The loan was originally issued at a discount of \$200 basis point. However, it will now assume interest at LIBOR plus 375 basis points, subject to a LIBOR floor of 100 basis points. The extension of credit facility is a part of the strategic planning of the company. It will not only uplift the financial position of the company but will relieve it from any term debt repayments until 2019. Goodyear Tire & Rubber Company is one of the largest tire manufacturing companies worldwide. The company sells its products under the Goodyear, Kelly, Dunlop, Fulda, Debica, Sava and various other 'house' brands as well as private-label brands. The company manufactures tires for automobiles, commercial trucks, light trucks, SUVs, racing cars, airplanes, farm equipment and heavy earth-mover machinery. The company has two major competitors—Bridgestone of Japan and Michelin of France. These two companies command about 55% of the global market. Other significant competitors include Cooper Tire & Rubber Co. (NYSE:CTB - News). Its brands include Continental Tires, Pirelli, Toyo Tires, Yokohama Tire, Kumho Tires, Hankook Tire and various regional tires. Goodyear recorded a 71% sharp decline in profit to \$6 million or 3 cents per share (excluding all special items) in the fourth quarter of 2011 compared with \$21 million or 7 cent cents per share in the corresponding quarter of last year. With this, the company failed to meet Zacks Consensus Estimate of 26 cents per share by a wide margin. The decline in profits was primarily driven by higher raw material costs and lower replacement industry volumes in mature markets, along with business challenges in Latin America and flooding in Thailand. Sales in the quarter rose 12% to \$5.7 billion, despite a 5% fall in tire volumes to 43.2 million units due to the above-mentioned factors. However, revenues were lower than the Zacks Consensus Estimate of \$5.9 billion. The 19% escalation in revenue per tire was recorded due to strong price/mix performance. Unfavorable unit volume and foreign currency translation reduced sales by \$174 million and \$49 million, respectively. Currently, the company retains a Zacks #3 Rank, which implies a Hold rating for the short-term and we have a Neutral recommendation on the shares of Goodyear for the long-term.