MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns A3 long term issuer rating to SGS SA; outlook stable

Global Credit Research - 12 Mar 2015

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London, 12 March 2015 -- Moody's Investors Service, ("Moody's") has today assigned an A3 long term issuer rating to SGS SA (SGS or the company) with a stable outlook.

RATINGS RATIONALE

The rating reflects the company's long term track record of positive organic revenue growth over each of the last 10 years, including growth of 1.3% in 2009. This is driven by the long term growth fundamentals of the industry, with increasing regulation and demand for independent testing, alongside the requirement for improving product quality amongst consumers in emerging markets. The rating also reflects the company's leading global market positions and its market leading growth rates, profitability and sector diversification. Financial metrics are strong with low leverage of 2.0x gross debt to EBITDA and 1.1x net debt to EBITDA at 31 December 2014 (on a Moody's adjusted basis). The company is highly cash generative which Moody's expects to continue with reducing capital expenditure levels after a period of increased investment and an increasing focus on working capital management.

The rating also reflects the company's exposure to oil and gas and minerals markets which are partially impacted by industry investment cycles and commodity prices. Whilst the recent oil price reduction is expected to impact results in 2015, the effect is likely to be limited given the company's relatively low exposure to upstream activities and expected growth in other segments. SGS is also exposed to currency volatility, and the recent appreciation of the Swiss franc following the removal of its peg to the euro is expected to have a negative translation impact of approximately 10% on revenues and operating profit in 2015. The company is also impacted by the translation of emerging markets cash flows where high levels of inflation are likely to put ongoing pressure on currency depreciation against the Swiss franc. The rating also reflects higher levels of competition and price pressure within lower added value field testing and inspection services, which may lead to some margin pressure. However this is mitigated by faster growth in higher margin segments and a shift towards upstream laboratory services.

"SGS has a very strong long term organic growth profile which we expect to continue," says Martin Hallmark, Vice-President and Moody's lead analyst for SGS. "This reflects the positive industry dynamics of the testing, inspection and certification industry and the company's broad sector diversity."

In the year ended 31 December 2014 SGS reported revenues of CHF5,883 million and EBITDA of CHF1,245 million. The company delivered organic revenue growth of 4.0% in the year, with a decline in the minerals segment offset by strong growth in consumer testing, oil, gas and chemicals and other divisions.

The company has a solid liquidity position with balance sheet cash of CHF1,341 million at 31 December 2014. This includes CHF356 million of cash held within subsidiaries. It also has CHF600 million committed working capital facilities available until 31 December 2017.

The company plans to partially distribute its cash balances through an announced CHF750 million share buyback programme during 2015 and 2016. CHF492 million of its existing bonds mature in 2016, which Moody's expects to be refinanced by further bond issues. Moody's expects SGS to maintain minimum cash balances of approximately CHF500-750 million through to 2016 which results in total headroom including committed facilities and excluding cash in subsidiaries of approximately CHF750 -- 1,000 million.

OUTLOOK

The stable outlook reflects primarily the very solid positioning in the A3 category and Moody's view that the company will generate continued positive organic growth, that the long-term growth outlook of the industry is sustained and that the company maintains conservative financial policies with low leverage and sufficient liquidity.

WHAT COULD CHANGE THE RATING -- UP

Positive pressure on the ratings could arise if (1) Moody's-adjusted leverage falls comfortably below 2x on a sustainable basis; (2) EBITDA margins remain stable; and (3) the company maintains a conservative financial policy.

WHAT COULD CHANGE THE RATING -- DOWN

Negative ratings pressure could develop if (1) Moody's-adjusted leverage increases above 2.5x on a sustainable basis; (2) there is a material decline in EBITDA margins; or (3) the company adopts more aggressive financial policies in relation to leverage, shareholder distributions and/or liquidity.

The principal methodology used in this rating was Business and Consumer Service Industry published in December 2014. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

SGS is the global leader in the testing, inspection and certification market. The company is headquartered in Geneva, Switzerland and is listed on the Swiss Stock Exchange. The company's market capitalisation was CHF14.7 billion as at 9 March 2015. SGS operates a network of over 1,650 offices and laboratories worldwide and employs over 80,000 staff. In the year ended 31 December 2014 the company reported revenues of CHF5,883 million and EBITDA of CHF1,245 million.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this rating action, and whose ratings may change as a result of this rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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