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## Credit-Crunched Companies Rise to Level Rivaling 2009, S&P Says

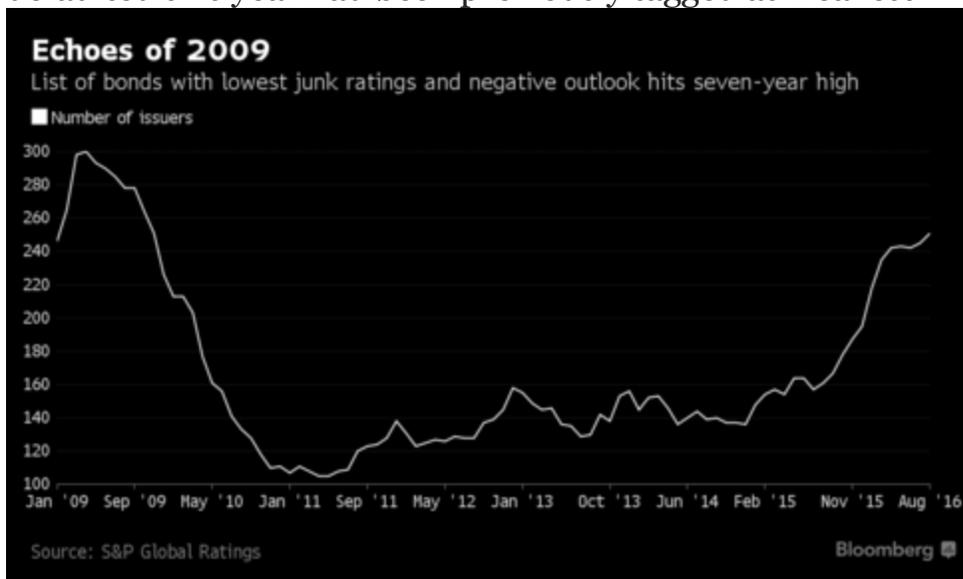
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You'd have to go back to the months following the financial crisis to find so many companies facing potentially ruinous debt problems.

That's according to the latest tally by S&P Global Ratings of "weakest link" issuers. S&P counted 251 with ratings at the low end of junk status and a negative outlook, the most since October 2009, when the total was 264. The issuers collectively have about \$359 billion of debt outstanding, led by energy companies, according to S&P's Sept. 1 report.

"Weakest links maintain an important role as potential default indicators," Diane Vazza, S&P's head of global fixed income research, said in the report. They're almost 10 times more likely to miss payments than ordinary speculative-grade issuers, Vazza wrote, adding that 71 of 100 companies that defaulted this year had been previously tagged as weakest links.



The oil and gas sector contributed 62 issuers, or about 25 percent of the total, as stress on commodities markets continues. Eight of the August additions were from the sector, including Chesapeake Energy Corp. and Hornbeck Offshore Services Inc. Financial institutions followed with 34 issuers, or 14 percent.

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Other newcomers included Tesla Motors Inc., Elon Musk's cash-strapped electric-car maker, and Intelsat S.A., the satellite operator that proposed a private bond exchange offer, which S&P labeled "a distressed restructuring and tantamount to default."

S&P assembled the list based on the number of borrowers rated B- or lower with either negative outlooks or negative implications on Credit Watch that indicate a strong possibility of further downgrades.

The U.S. speculative-grade corporate default rate grew to 4.8 percent in August after seven defaults, and is expected to reach 5.6 percent by June 2017, S&P said in a separate report. The U.S. speculative-grade default rate for energy issuers is 21.7 percent as of July 31, Vazza said.