# Credit Benchmark

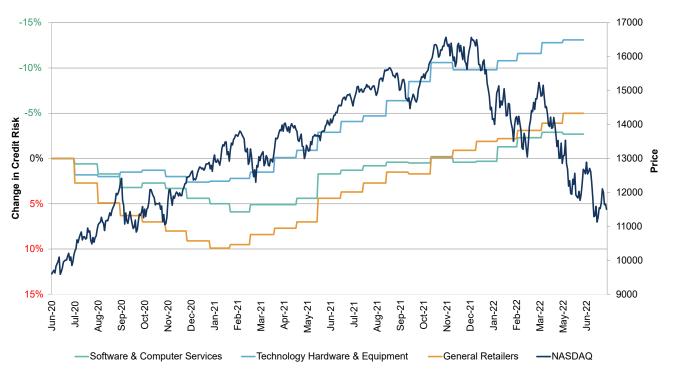
# Tech Sector Meltdown & Credit Opportunities Emerging?

July 2022

The 2022 technology stock meltdown brought widespread financial damage to Indices, ETFs, IPOs, VCs, cryptos and 401K plans. Markets are repricing the new reality of geopolitical tension, inflation and scarce money. But has the selloff brought opportunities?

Credit Benchmark Credit Consensus Ratings (CCRs) provide a unique angle; they are one step removed from volatile market values, reflecting balance sheet strength and the long-term robustness of business models.

Figure 1 plots the NASDAQ over the past two years against credit risk movements for the aggregates that cover some of the major technology companies (Broadline Retailers, for example include Amazon and eBay).



#### Figure 1: NASDAQ Equity Index and Credit Benchmark Technology Credit Trends

NB Left Hand Axis inverted: Negative Value / Higher = Declining Credit Risk

COVID was generally good for technology credit quality: after the initial limited downgrading, all three sectors have made a steady recovery. Hardware & Equipment shows a sustained improvement, even in recent months. This reflects the impact of WFH on demand for technology, and the explosion in online retail as a key household lifeline during early lockdown. Hybrid working is now the norm in many service industries, so the positive impact has persisted.

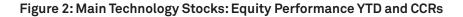
But equity price drops suggest tough times ahead. Supply chain issues have hobbled some product launches, and cashstrapped corporates are delaying hardware (and software) upgrades.

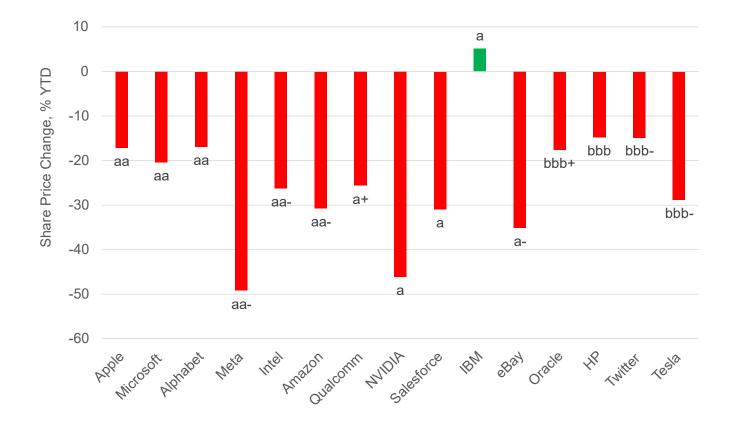
Chip shortages are biting in many sectors; and this is not automatically good news for semiconductor manufacturers as material and energy costs spiral.

Funding for startups is drying up, and bond issues are becoming more expensive and less liquid. And households are cancelling streaming services with subscription fees are dropping in response, while non-essential subscription apps are not being renewed.

Share prices of the largest and best-known tech names have been severely hit, especially where earnings targets are missed or guidance has been downbeat.

Figure 2 shows 15 of the main tech stocks across a range of subsectors (as of July 11th).





Microsoft (**aa**) results have been healthy, but its share price is down more than 20%; whereas the IBM (**a**) share price is actually up this year. Apple (**aa**) – also down approx. 20% - has maintained earnings but warns of supply chain challenges ahead.

Amazon (**aa-**) is suffering as the WFH peak passes, and competition intensifies. Alphabet (i.e. Google) (**aa**) reports significant drops in YouTube advertising revenue – although the share price has tracked Apple and Microsoft.

Meta (**aa**-) also missed earnings while its share price dropped nearly 50%, although the decline in user numbers seems to have stabilized. Tesla (**bbb**-) faces headwinds of increased competition and supply chain issues, plus the legal fallout from its abandoned Twitter takeover. Ironically, the Twitter (**bbb**-) share price probably benefited from a bid during the worst of the tech stock decline.

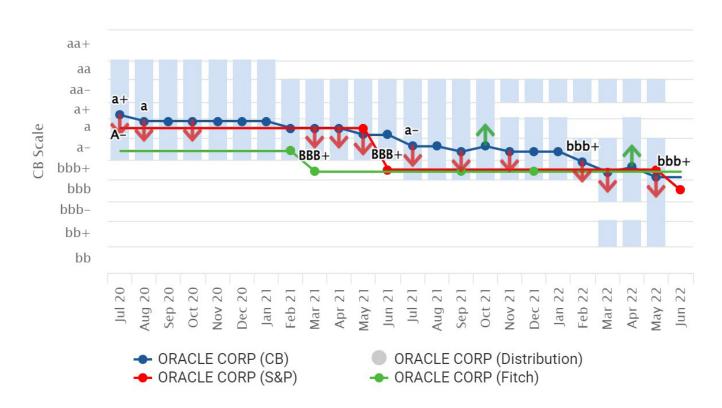
The relative price divergence between chipmakers Intel (**aa-**), Qualcomm (**a+**) and NVIDIA (**a**) show the impact of the cryptowinter on NVIDIA's business.

It is no surprise to see weakness in the Salesforce (**a**) share price during a business downturn, but eBay (**a**-) is less predictable: more households are selling their junk to raise some cash, but they need buyers – and eBay report that <u>overall revenues are down</u>.

HP (**bbb**) and Oracle (**bbb+**) shareprices have been relatively stable, but the Oracle credit consensus rating has downgraded from **a+** to **bbb+** in the past 2 years.

Figure 3 shows the detailed credit trend for Oracle Corp.

#### Figure 3: Oracle Corporation



So are there opportunities in the technology sector? Some of the "boring" tech companies are amongst the strongest credit ratings and best performers, but others have lagged, perhaps unfairly. And some of the weaker credits have avoided the worst of the tech rout.

# Credit Benchmark®

# Credit Consensus Ratings and Analytics

# Real-world risk views with unparalleled consensus coverage.

Credit Benchmark provides Credit Consensus Ratings and Analytics based on contributed risk views from 40+ of the world's leading financial institutions, including 15 GSIBs, domiciled in the US, Continental Europe, Switzerland, UK, Japan, Canada, Australia and South Africa.

For regulatory and business reasons, these financial institutions have each created their own regulated internal credit rating agency to assess the creditworthiness of tens of thousands of obligors. Credit Benchmark collects, aggregates and anonymises this information to provide an independent, real-world perspective of risk, delivered twice monthly to our partners.

Credit Benchmark fills an information gap left open by traditional credit risk content providers by offering a timely, comprehensive view of credit risk which proves complementary to issuer-paid rating agencies and third party model vendors. The first of its kind "credit consensus" data reflects the expertise of more than 20,000 credit analysts across the contributing group – a powerful example of the wisdom of crowds.

Credit Consensus Ratings and Analytics are available on over 60,000 corporate, financial, fund and sovereign entities globally, most of which are unrated by credit rating agencies.

## Data that works for you

Credit Benchmark data is available via our Web App, Excel add-in, API, flatfile download, and third-party channels including Bloomberg.

Contact us to learn more and to start a trial of Credit Benchmark data by <u>clicking here</u> or email <u>info@creditbenchmark.com</u>

## Data Use Cases

- > Counterparty Risk Management
- > Credit Risk Management
- > Systematic Credit Trading
- > Securities Finance
- > Supply Chain Risk
- > Trade Credit Insurance

- > Fund Management
- > Regulation, RWA & Capital
- > Onboarding, KYC & Relationship Management
- > Point-in-Time (PIT) Impairments
- > Accounts Payable & Receivable



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# 10 Million

Contributed Credit Risk Estimates Per Year 40 Million+ Estimates Collected Since Launch



# 60,000+

Entities Covered



# 2x

Twice Monthly Frequency



## 75% Unrated by Major Credit Rating Agencies



**1,200+** Aggregates



160+ Countries



80+ Months of Data





40+

Contributing Financial Institutions Representing a Pool of 20,000+ Credit Analysts

# Real-world risk views with unparalleled consensus coverage

Credit Benchmark

Credit Consensus Rating: Unique measure of creditworthiness based on the views of 40+ leading global financial institutions

#### **Consensus Analytics:**

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Insights into the depth, dispersion, movement, and directionality of the Credit Consensus Rating's underlying views

**Opinion Indicator:** Month over month observation-level net downgrades or upgrades

Credit Benchmark Web App: Entity-Level Data Sample

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Negative Opinion Indicator

flagged ahead of downgrades

from S&P and Fitch

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#### E Home Aggregates Single Name Lookup 💮 Coverage Hy Portfolios Report: CB Screeners View All Build screener with criteria below Screener name: Untitled Credit Strength Dampens Wildfire Risk Focus on Australia Credit Benchmark Coverage v. Agencies S&P Rating is Unrated 🕴 × + Global Credit Recovery Shifting Recreational Trends Combine qualitative and Credit Benchmark Dislocations v. Agencies quantitative fields to screen Fitch Rating is Unrated 🖸 × Trade Credit Risk and Supply Chains for entities that meet your Credit Recovers as Lumber Prices Skyrocket criteria 5G and Satellite Internet Airlines Pulling Out of Credit Risk Tailspin aaa 🛛 aa+ 🕄 aa 🕄 aa- 🕄 a+ 🕄 a 🕄 a- 🕄 bbb+ 🕄 CCR is bbb 🖸 bbb- 🖸 + × Quickly filter the database of Screen for public and non-+ Add Criteria (3/15) 60,000+ legal entities publicly rated entities within specific geographies, industries, sectors and within your defined rating thresholds 44,628 Entities found ar All Criteria My Screeners Untitled 🗹 Result Count 44628 Modify Columns Export CBID Entity Name Credit Consens S&P Rating Fitch Rating IHS GLOBAL CANADA LTD CB000000009 bbb Unrated Unrated Start creating your first screene CB000000025 GYP HOLDINGS III CORE hh Unrated Unrated CB000000080 GESTIELLE CEDOLA DUAL BRAND Unrated Unrated a-Start CB000000087 TRANE TECHNOLOGIES LUXEMBOURG EINANCE SA hhh+ Unrated Unrated

TECK HIGHLAND VALLEY COPPER PARTNERSHIP

bbb

Credit Benchmark Web App: Data Screen Sample

## Data that works for you:

Credit Benchmark data is available via our Web App, Excel add-in, API, flat-file download, and third-party channels including Bloomberg.

Contact us to learn more and get a free trial of our data.

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### Contact

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