

CASE STUDY

Monitoring & Credit Surveillance of a Large International Cross-Sector Vendor Portfolio

THE CLIENT:

A Major Middle Eastern
Oilfield Operator

USERS:

Vendor Management &
Finance Departments

This major Middle Eastern Oilfield Operator (“The Client”) generates almost half of its countries’ national oil production, and is producing, selling and exporting hundreds of thousands of barrels of Crude Oil each day. With such significant production, operations, and of course demand, this has led to them building up a truly international roster of vendors and customers with whom they do business. With almost 1,000 active vendors on their roster based across Americas, Europe, Asia and Middle East and North Africa, in sectors such as such as Oil & Gas (Drilling, Services, Exploration), Construction, Logistics, Technology, Telecoms, Recruitment and more, it has proved a significant challenge to monitor the financial health of each vendor and the degree of potential credit risk they pose to their business.



Pain Points

The Client approached S&P Global Market Intelligence (Market Intelligence) with a multi-layered list of pain-points that they currently face when managing their vendor portfolio, and advised that any new solution must address each individual pain-point. They also advised that the solution must be accessible 24/7, for all users, and must provide uniform outputs regardless of each vendor's location and/or sector. Crucially, the solution must be user-friendly, come with a comprehensive training plan and ongoing 1-2-1 support. Here were some of the key requirements of any proposed solution:

- A single source of key data for due diligence including potential red flags (investor activism, de-listings, delayed filings, auditor changes, credit rating downgrades, etc.), company filings/key documents, peer analysis, transcripts and standardized financials
- The tools to understand the financial health of vendors in light of COVID-19 and oil price shocks
- Access to research reports on the market perception of their vendors, and the perception of Ratings Analysts that are providing credit ratings for key vendors
- Access to a risk assessment tool, giving them the ability to 'score' the financial health and credit risk of each vendor, with a uniform output, regardless of whether they are rated, unrated, public or private

The client required a solution that would allow it to take a holistic and identical assessment of each vendor's financial health and credit risk, with the ability to deep-dive into the rating, credit score, fundamentals and company documents / developments.

The Market Intelligence Developing Markets team carefully evaluated these requirements and felt they could fully address each of the Client's requirements with the following solution.



The Solution

The solution would give the Client a 360-degree view of each vendor that they do business with by leveraging fundamental data, market developments, credit ratings & research, bulge bracket broker research, and cutting-edge quantitative risk models.



Perform Deep Company and Industry Due Diligence

With the **S&P Capital IQ platform**, the Client would be able to drill down into vendors' financials, market performance, key developments and performance vs. peers, plus quarter-by-quarter performance in light of COVID-19 & oil price shocks



Capture Market Views

By having access to Market Intelligence's **Aftermarket Research**, the Client could access the latest research from 1,800+ Research Contributors from the top investment banks, in order to get the market's view on their vendors



Uncover the Rationale behind the Ratings

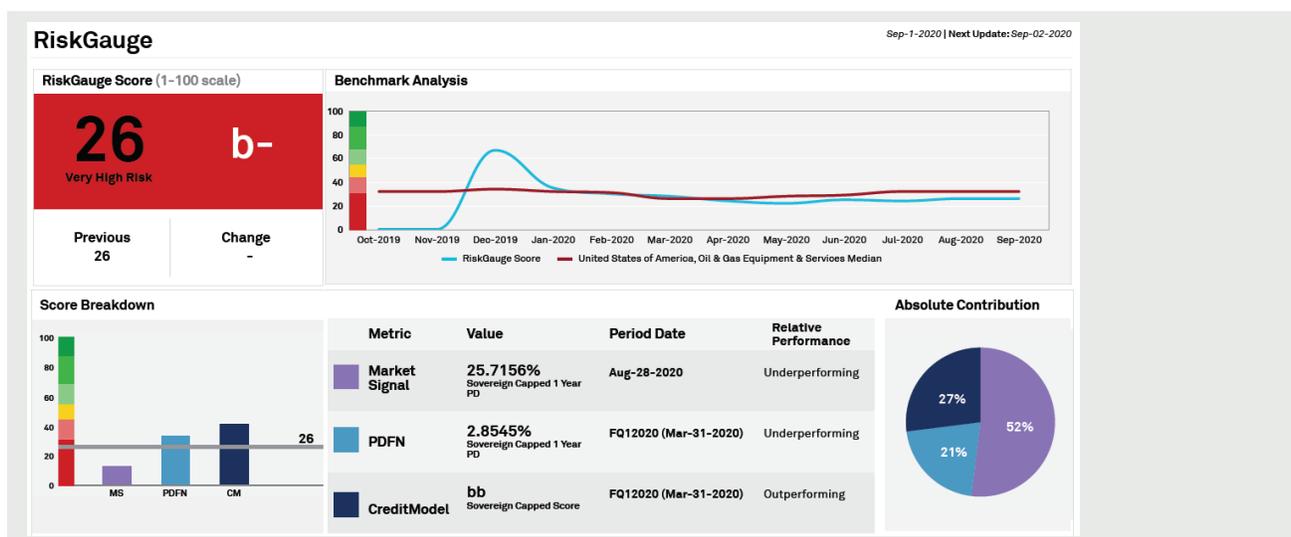
With **RatingsDirect**® the Client would be able to access S&P Global Ratings and Research, and understand the rationale for each credit rating, rating history, and the likelihood of a downgrade.



Fully Assess Credit Risk through Multiple Lenses

With **Credit Analytics**, the Client can assess the creditworthiness, and probability of default for each vendor, monitor outputs on an ongoing basis through Excel, and **S&P Global RiskGauge Reports**, providing all model scores and an aggregate score in a uniform fashion across all vendors

Figure 1: Example S&P Global RiskGauge Score



Source: S&P Global RiskGauge Report, S&P Global Market Intelligence, September 1st, 2020. For illustrative purposes only.

Figure 2: Example RatingsDirect Oil & Gas Services and Drilling Overview

Investment-Grade Oilfield Services And Drilling Companies

Company	Rating*	Outlook	SACP	Business risk	Cash flow and leverage	Liquidity	Anchor	Modifiers (active)
Schlumberger Ltd.	A	Negative	a	[2] Strong	[3] Intermediate	Strong	a-	CRA: Positive (+1 notch)
Baker Hughes Co.	A-	Negative	a-	[2] Strong	[3] Intermediate	Exceptional	a-	
China Oilfield Services Ltd.*	BBB+	Stable	bb+	[3] Satisfactory	[4] Significant	Adequate	bb+	
Halliburton Co.	BBB+	Negative	bbb+	[2] Strong	[3] Intermediate	Strong	bbb+	
National Oilwell Varco Inc.	BBB+	Negative	bbb+	[3] Satisfactory	[2] Modest	Exceptional	bbb+	
Helmerich & Payne Inc.	BBB+	Negative	bbb+	[3] Satisfactory	[2] Modest	Strong	bbb+	
TechnipFMC PLC	BBB+	Negative	bbb+	[3] Satisfactory	[2] Modest	Strong	bbb+	

*Foreign currency long-term rating. SACP--Stand-alone credit profile. CRA--Comparable ratings analysis. Source: S&P Global Ratings.

Source: RatingsDirect, S&P Global Market Intelligence, September 1st, 2020. For illustrative purposes only.



Key Benefits

The overall solution scoped out by the Developing Markets Team provides the Client's Vendor Management & Finance Departments with the information and tools needed to stay on top of their vendors across all geographies and all sectors, in a single platform with identical reporting and credit memos (S&P Global RiskGauge Reports) for each vendor, public or private. In particular, users are benefiting from:

- **Enhanced productivity** with department-wide access to a single integrated source of data, analytics, credit analysis, credit ratings and research.
- **Cross-company comparisons** based on a unique standardization process for financials, including transparency for adjustments.
- **Sophisticated models** each based on different statistical methodologies for short-, medium- and long-term analysis based on historical defaults, ratings issuances and market metrics.
- **Robust tools for routine tasks** with the Excel Plug-in, screening capabilities, refreshable models.
- **Proprietary data upload solutions** to enable the Client's existing vendor information.
- **Private company data** for more than 10 million companies, globally, via Credit Analytics.
- **Comprehensive credit reporting** through S&P Global RiskGauge Reports powered by Credit Analytics.
- **Training and on-going support** to understand the range of available capabilities and to maximize value from the Market Intelligence solution.

S&P Global

Market Intelligence

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