

## **FITCH: NOBLE'S NEGATIVE OPERATING CASH IN 2Q15 TO REVERSE IN 2H**

Fitch Ratings-Hong Kong-20 August 2015: Fitch Ratings says today that Noble Group Limited's (Noble, BBB-/Stable) second-quarter results reflect a stable financial profile, despite an increase in debt due to working capital expansion, which will set the stage for stronger operating cash flow generation in the second half of 2015. The reduction in Noble's available credit facilities fits in with the company's business strategy shift to an asset light model, but weakened support from Noble's major banking partners could result in negative rating action.

Fitch believes Noble can generate positive cash flow from operations (CFO) in 2H15 even though Noble's 2Q15 CFO remained negative at minus USD399m. This is already smaller than minus USD566m in 1Q15, and mostly driven by the USD707m increase in working capital. With this increase, the net working capital scale reached a record high of USD6.89bn, even after the deconsolidation of its agriculture operation following the sale of a stake in Noble Agri. This increased working capital scale will support Noble's business expansion in 2H15 and allow it to turn CFO positive.

Noble's balance-sheet structure has remained stable - its working capital to total debt ratio of 1.16x at end-2Q15 was little different from 1.15x at end-1Q15. Noble's adjusted net debt rose USD542m in 2Q15, which was much lower than the USD707m adjusted working capital increase, and so did not put pressure on its working capital to total debt ratio. Nevertheless, if this trend of using debt to fund business expansion continues, Noble's CFO will remain negative on a sustained basis, which would breach one of Fitch's negative rating sensitivities.

Fitch is not particularly concerned with Noble's EBITDA to working capital ratio falling to 3.28% in 2Q15, below the negative rating sensitivity level of 4% as the margin weakness was due to one-off effects. The operating loss of USD19m in the metals segment reflects a USD112m fall in profit between 2Q15 and 1Q15 due largely to aluminium premium fluctuations. Noble's weaker EBITDA to working capital ratio was also partly affected by its working capital expansion.

Fitch considers Noble's strong liquidity headroom an important factor supporting its ratings. At end-2Q15 Noble's available facilities amounted to USD7.7bn compared with USD10.2bn at end-1Q15. Committed available bank facilities were reduced to USD1.9bn from USD3.5bn in the same period. Management cut its bank facilities by USD1.8bn in 2Q15 as a result of the change to an asset-light business model following the Noble Agri stake sale and this will help cut its finance expenses. Nevertheless, any signs showing weakening support from Noble's major banking partners will likely result in immediate negative rating action.

Contact:

Su Aik Lim  
Senior Director  
+852 2263 9914  
Fitch (Hong Kong) Limited  
19/F Man Yee Building  
68 Des Voeux Road  
Central, Hong Kong

Laura Zhai

Director  
+852 2263 9974

Media Relations: Wai-Lun Wan, Hong Kong, Tel: +852 2263 9935, Email:  
wailun.wan@fitchratings.com.

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.