

Dell faces downgrades after buyout deal

The Associated Press

Fitch Ratings downgraded billions of dollars in Dell Inc. debt on Tuesday and Standard & Poor's said it expected to do the same after the computer maker announced plans for a \$24.4 billion sale through a leveraged buyout.

Fitch downgraded about \$12 billion of Dell debt to non-investment, or junk, status including \$3 billion in unused revolving credit. It lowered Dell's long-term issuer default rating, senior unsecured debt and bank credit facilities to "BB+" from "A" and reduced other ratings.

The agency put the rating on negative watch, meaning that they could be cut further after the buyout is completed, possibly to the mid- to high-"B" range.

S&P put Dell's corporate credit ratings of "A-" on watch with negative implications and said that it expected to drop the ratings below investment grade after it analyzes the deal and the new owners' strategy.

S&P analyst Martha Toll-Reed said the agency could lower Dell's ratings at least to "BB" and possibly as low as "B."

The current rating is based on Dell's "satisfactory" risk profile, with weakness in its core personal computer business being mostly offset by growth in more profitable products and services, according to S&P.

Company founder Michael Dell is pushing for the sale, which is structured as a leveraged buyout, meaning that the company would repay debt that buyers incur to finance the deal.

The company, based in Round Rock, Texas, has struggled as consumers and businesses devote a larger share of their technology spending to smartphones and tablet computers. Tablets are expected to outsell laptops this year.

Software maker Microsoft would lend \$2 billion to the buyers, but bank loans to finance the rest of the deal would leave Dell with an estimated \$15 billion in debt.

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