



Moody's Investors Service

Rating Action: Moody's Affirms Imperial Group (Pty) Ltd's Baa3 Global Scale Rating and Upgrades its National Scale Rating to A2.za; Outlook Stable

Global Credit Research - 24 Nov 2009

Johannesburg, November 24, 2009 -- Moody's Investors Service today affirmed the long term issuer rating of Imperial Group (Pty) Ltd ("Imperial") of Baa3 and changed its outlook to stable from negative. Moody's also affirmed other related global scale debt ratings of Imperial, and changed the outlook to stable from negative. In the same action, Moody's also upgraded Imperial's long term national scale issuer ratings and senior unsecured issue ratings to A2.za from A3.za. Moody's also upgraded Imperial Capital Limited's ("Imperial Capital") national scale Domestic Medium Term Note programme long term rating to A1.za from A2.za. In addition, Moody's affirmed Imperial and Imperial Capital's short term national scale ratings of P-1.za.

The rating action reflects Moody's acknowledgment that the company has performed more strongly than anticipated through the successful execution of its business divestiture programme. Also, despite lower trading volumes and less availability of consumer credit for motor vehicle financing, the company delivered stronger than expected operating results, positioning them solidly within the metric guidance put forth at the time of Moody's December 2008 rating downgrade.

The Baa3 global scale rating of Imperial Group (Pty) Ltd, fully and unconditionally guaranteed by Imperial Holdings, reflect Imperial's global default and loss expectation, while the A2.za/P-1.za national scale ratings reflect the standing of Imperial's credit quality relative to its domestic peers.

Moody's views Imperial's liquidity as solid at the rating of P-1.za, reflecting the availability of committed facilities together with a substantial cash position at year end. Imperial's liquidity is further supported by prudent financial policies which are evidenced by conservative capital spending in response to the continued weakness in both domestic and foreign trading environments, as well as the company's conservative shareholder remuneration policies. Despite these strengths, the company is unlikely to generate free cashflow in the near future in view of continued weakness in operating cashflows and expected investments in the business as economic conditions improve.

The stable outlook reflects Moody's expectation that despite the impact of the weaker operating environment, Imperial's credit profile is now solidly positioned within the rating category maintaining for instance RCF/Net Debt at least in the low-mid 20 percentage range with FFO Interest Coverage exceeding 4x on a sustainable basis while preserving stable to improving operating margins after having successfully completed the refocusing of its core business operations.

Imperial's ratings following this action are therefore:

Imperial Group (Pty) Ltd

- R1 billion senior unsecured bonds due 2010 (Baa3/Stable, A2.za/P-1.za)
- R1.5 billion senior unsecured bonds due 2014 (Baa3/Stable, A2.za/P-1.za)

Imperial Mobility Finance B.V.

- €300 million 4.75% Eurobond senior secured bonds due in 2013 (Baa3/Stable)

Imperial Capital Ltd

- R1 billion senior unsecured bonds due 2010 (A1.za/P-1.za)
- R500 million senior unsecured bonds due 2012 (A1.za/P-1.za)

Moody's previous rating action on 18 December 2008 was a downgrade of the global scale rating to Baa3 with a negative outlook, along with downgrades to other associated ratings due to the company's deteriorating operating performance.

For the assignment of this rating, Moody's has evaluated factors we believe are relevant to the credit profile of the issuer, such as i) the business risk and competitive position of the company versus others within its industry, ii) the capital structure and financial risk of the company, iii) the company's exposure to volatile consumer oriented end markets and the expected decrease in demand will impact the projected performance of the company over the near to intermediate term. These attributes were compared against other issuers both within and outside the company's core industry subsectors and our ratings are believed to be comparable to those of other issuers of a similar credit risk.

Imperial Holdings Limited is domiciled in Bedfordview, Republic of South Africa, and is the 100% owner of Imperial Group Pty Ltd. The group is active in the transport and related services industries, both in the Republic of South Africa and abroad. Imperial is the largest private sector transport and mobility group in South Africa.

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