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Case Study: Atos SE

Battling debt burdens and seeking a new course, Atos navigates through tough restructuring efforts

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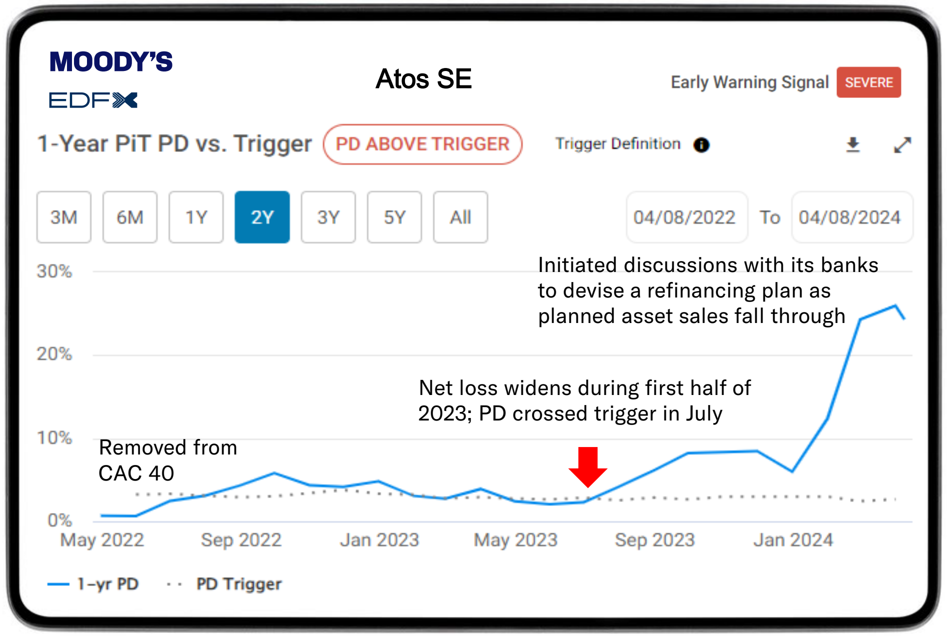
Analysis

The French firm Atos, one of Europe's leading IT companies, once boasted a peak valuation of $15 billion. However, its financial situation turned precarious in recent quarters as the company is burdened with debt and is facing significant operational challenges. Signs of distress became apparent in 2022, with negative ROA and ROE, leading Atos forward-looking probability of default (PD) to exceed its peer-based trigger in July 2022. Within the EDF-X Early Warning System, when a company's PD crosses its peer-based trigger, the likelihood of a negative credit event significantly increases. Atos' PD fluctuated around its trigger thereafter, before steadily rising in July 2023 as the firm posted a significant net loss during the first half of the year. In early 2024, Atos approached its lenders to negotiate a refinancing plan for its significant obligations. This move came after a failed attempt to launch a €720 million rights issue; Atos' shares plunged 24% as the deal disintegrated.

On April 9, 2024, the company announced a refinancing framework in an effort to relieve itself of the unmanageable debt; Atos aims to raise €1.2 billion in new debt and equity and to extend its remaining debt maturities out five years. However, as of yet, it is unclear who will provide the new funds. The stock has fallen by more than 82% compared to the same time last year, indicating investor disfavor. Barring a significant positive development, the firm will likely remain an elevated credit risk in the near-term.



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