

Fitch: GE's Proposed IPO Unlikely to Impact CC ABS Ratings

Written by Australian Business

NEW YORK--([BUSINESS WIRE](#))--General Electric Co.'s (GE) intention to pursue an initial public offering of its North American Retail Finance business is not likely to impact existing GE Capital Credit Card Master Note Trust (GEMNT) ratings, according to Fitch.

While the proposed IPO increases servicing and contract renewal risk, these uncertainties are adequately mitigated by the available credit enhancement and structural protections afforded GEMNT investors. We also believe the outstanding GEMNT series maintain ample cushion to absorb any performance deterioration of the securitized credit card receivables as a result of the IPO.

Any deterioration in performance is covered under multiple stress scenarios employed in Fitch's cash flow modeling. These cash flow stresses indicate that GEMNT remains well enhanced at its given ratings. We also modeled and utilized a 100% purchase rate stress which assumes no generation of new receivables during an early amortization period. Even under this extreme scenario, breakeven multiples for the trust remain consistent with existing ratings and indicate that GEMNT has ample credit enhancement to weather the IPO and any potential performance issues.

GE, the parent company of GEMNT's servicer and administrator, General Electric Capital Corp., stated in a Nov. 15 filing with the Securities and Exchange Commission that it plans to sell approximately 20% of the equity in Retail Finance through an IPO during 2014. Proceeds from the IPO will be used to capitalize the new company. GE stated that it plans to complete its exit from Retail Finance in 2015 through a share exchange, sale or other disposal of its remaining interests. Fitch maintains ratings on approximately \$9.7 billion of GEMNT ABS.

Additional information is available on www.fitchratings.com.

The above article originally appeared as a post on the Fitch Wire credit market commentary page. The original article, which may include hyperlinks to companies and current ratings, can be accessed at www.fitchratings.com. All opinions expressed are those of Fitch Ratings.

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