

CREDIT OPINION

14 November 2023

Update



Send Your Feedback

RATINGS

Rexel SA

| | |
|------------------|--|
| Domicile | Paris, France |
| Long Term Rating | Ba1 |
| Type | LT Corporate Family Ratings - Dom Curr |
| Outlook | Stable |

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Marcella Pavesi +49.69.70730.742
AVP-Analyst
marcella.pavesi@moodys.com

Stanislas Duquesnoy +49.69.70730.781
Associate Managing Director
stanislas.duquesnoy@moodys.com

Shirley Von Schaper +49.69.70730.886
Ratings Associate
chuhong.vonschaper@moodys.com

CLIENT SERVICES

Americas 1-212-553-1653

Asia Pacific 852-3551-3077

Japan 81-3-5408-4100

EMEA 44-20-7772-5454

Rexel SA

Update to credit analysis

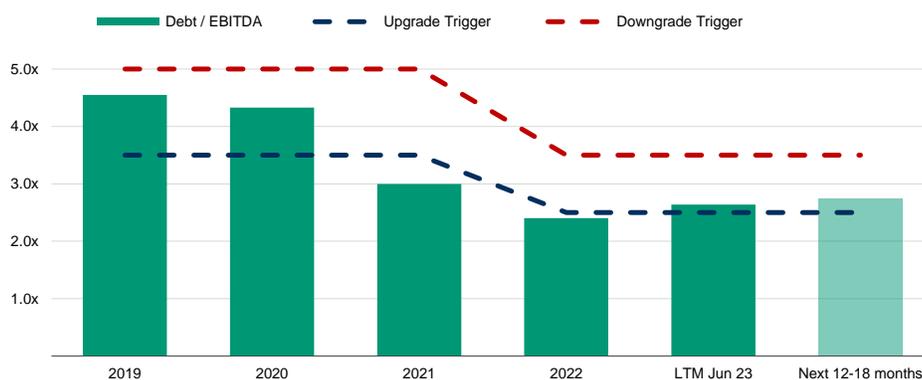
Summary

Rexel SA's (Rexel) Ba1 corporate family rating (CFR) with a stable outlook reflects the company's solid credit metrics, including Moody's-adjusted gross leverage of 2.6x in the 12 months that ended June 2023 (2.4x in 2022) and 2.7x we expect for 2023; strong business profile, underpinned by balanced geographic and end-market diversification; and exposure to positive market fundamentals that mitigates industry cyclicality. These positive trends include electrification, automation, as well as the need for energy-saving solutions.

We expect debt/EBITDA to remain below 3.0x over the next 12-18 months, strongly positioning the company in the current rating category. This will be supported by contributions from acquisitions and low-to-mid single-digit same day sales growth in percentage terms. We also expect adjusted EBITA margin to remain between 6.5% and 7% during the same period, as salary and SG&A expense increases will be partly offset by good operating efficiency and tight cost controls. Our forecasts also exclude one-off gains on inventory. The Ba1 rating is further supported by Rexel's capital allocation policy, including a net leverage target of maximum 2.0x (company-defined), which is equivalent to around 3.0x on a Moody's-adjusted basis, reducing the risks of leverage increasing above the levels required for the current rating.

Exhibit 1

Rexel's debt/EBITDA will remain below 3.0x over the next 12-18 months



Source: Moody's Investors Service

Credit strengths

- » Large-scale and globally diversified operations, which provide resilience to the business
- » Positive medium- to long-term demand outlook, driven by electrification and energy efficiency
- » Good liquidity, with access to sizeable bank facilities and securitisation programmes, and positive free cash flow (FCF) generation
- » Prudent financial policy, balancing a net leverage target of around 2.0x (excluding IFRS 16 leases)

Credit challenges

- » Weaker macroeconomic conditions, namely in Europe, which might reduce the demand for Rexel's products over the next 12-18 months
- » Exposure to cyclical end markets, such as the construction and industrial sectors, mitigated by well diversified operations
- » Competitive industry, with high level of market fragmentation in certain countries like the US

Rating outlook

The stable rating outlook assumes that Rexel's credit metrics will remain in line with the levels required for the current rating over the next 12-18 months, including Moody's-adjusted debt/EBITDA of below 3.0x and Moody's-adjusted RCF/debt of around 20%.

Factors that could lead to an upgrade

The ratings could be upgraded if Rexel continues to grow earnings and demonstrates a track record of maintaining a prudent financial policy, leading to Moody's-adjusted debt/EBITDA declining sustainably towards 2.5x, Moody's-adjusted retained cash flow/debt of above 25%, or the operating profit margin improving to the high-single-digit range in percentage terms.

Factors that could lead to a downgrade

The ratings could be downgraded if Moody's-adjusted debt/EBITDA increases above 3.5x on a persistent basis, Moody's-adjusted retained cash flow/debt falls below 15%, or the operating profit margin persists below the mid-single-digit range in percentage terms.

Key indicators

Exhibit 2

Rexel SA

| | 31-12-2019 | 31-12-2020 | 31-12-2021 | 31-12-2022 | 30-06-2023 | 12-18 month forward view |
|----------------------------|------------|------------|------------|------------|------------|--------------------------|
| Revenue (USD Billion) | \$15.4 | \$14.4 | \$17.0 | \$20.0 | \$20.9 | \$20 - \$22 |
| EBITA (USD Billion) | \$0.7 | \$0.6 | \$1.1 | \$1.4 | \$1.4 | \$1.3 - \$1.4 |
| Operating Margin | 4.4% | 4.1% | 6.4% | 7.0% | 6.6% | 6% - 6.8% |
| Return on Invested Capital | 6.1% | 5.6% | 9.7% | 7.1% | 6.4% | 9% - 10% |
| Debt / EBITDA | 4.6x | 4.3x | 3.0x | 2.4x | 2.6x | 2.5x - 3.0x |
| EBITA / Interest | 4.9x | 4.7x | 9.2x | 11.4x | 9.4x | 6.5x - 7.5x |
| RCF / Debt | 12.3% | 16.3% | 21.1% | 26.3% | 19.8% | 19% - 20% |

All figures and ratios are calculated using our estimates and standard adjustments. Periods are financial year-end unless indicated. LTM = Last 12 months. The forecasts (f) or projections (proj.) are our opinion and do not represent the views of the issuer.

Source: Moody's Investors Service

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

Profile

Headquartered in Paris, France, Rexel SA (Rexel) is a global leader in the low- and ultralow-voltage electrical distribution market.

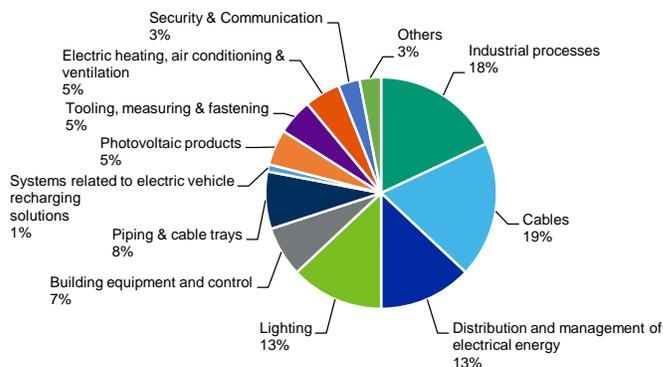
In the 12 months that ended June 2023, Rexel reported total sales and company-adjusted EBITA of €18.4 billion and €1,358 million, respectively, leading to an EBITA margin of 7%. Exhibit 3 shows a split of revenue by product range.

Rexel is listed on Euronext Paris.

Exhibit 3

Wide offering of low- and ultralow-voltage electrical products

Breakdown of sales by product range, 2022



The product families presented above correspond to the sole activity of professional distribution of electrical equipment.

Source: Company

Detailed credit considerations

Balanced geographical footprint and positive market fundamentals will support demand for Rexel's products over the next 12-18 months

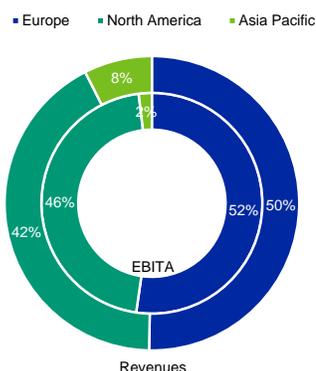
Despite its cyclical industry exposure, Rexel's performance in 2023 was resilient, bolstered by electrification exposure (22% of Q3 2023 sales), including solar, EV charging infrastructure, HVAC, and industrial automation, as well as geographical and end-market diversification. These trends will continue supporting demand over the next 12-18 months, resulting in mid-to-low single-digit revenue growth.

In terms of geographies, Rexel's distribution network is primarily centered on Europe (50% of 2022 revenue) and North America (42%), with minor Asia-Pacific (8%) presence. While Rexel has some exposure to the residential end-market (25% of 2022 revenue), this is limited compared to its presence in the industrial (30%) and commercial sectors (45%) where demand has been more resilient. The industrial sector, especially in North America, remains robust, driven by [increasing manufacturing spending](#) spurred by federal funding and labor issues that are fueling demand for industrial automation. Similarly to 2023, the commercial market will continue to show relative strength in North America and Europe, as weaker demand from the office segment will be offset by positive trends in other commercial segments such as education and healthcare, less sensitive to rate hikes.

Given Rexel's limited exposure to the office segment and the sustained demand from other commercial and industrial segments, along with the ongoing trend of electrification, we expect revenue to grow organically in the low single digit in percentage in 2024. For 2025, our expectations are for demand to further strengthen, aligning with the recovery of the construction cycle. This is projected to result in a mid-single-digit organic revenue growth.

Over the medium to long term, the company will continue to benefit from increased demand for low- and ultralow-voltage electrical products. The increasing number of electrical applications and solutions, combined with efforts to decarbonise the economy as illustrated by the US and European green spending plans, will act as structural growth drivers. The company estimates that the total share of electricity in energy consumption will increase from 20% in 2020 to 51% in 2050.

Exhibit 4

Breakdown of sales and EBITA by region, 2022

Source: Company

Exhibit 5

Breakdown of sales by end market and by region, 2022

Source: Company

In the first nine months of 2023, Rexel reported 3.8% revenue growth driven by higher volumes and price increases. Q3 saw low-to-mid single-digit growth in North America and Europe, but a 2.7% revenue decline in Asia-Pacific due to oversupply, deflationary pressures, and a high comparison base from the previous year's lockdown recovery in Asia. These trends should continue in Q4, leading to around 4% full-year reported revenue growth.

We do not expect deflation in non-cable products (around 80% of revenue) to strain performance over the next 12-18 months, considering these products' complexity and the inflation manufacturers are experiencing from labour and energy costs, factors that will likely contribute to maintaining at least stable prices. Some deflationary pressure has occurred in more commodity-type products, such as pipes and solar panels, but these represent a limited share of the company's revenue (around 10% of non-cable products). The development of prices of cable products (less than 20% of revenue) will depend on copper prices, which we expect will remain [broadly stable](#) over the next 12 months. As a result, our revenue growth forecasts assume no material positive impact from price inflation over the next 12-18 months.

Strategic acquisitions and digital investments will further support Rexel's competitive position

Rexel is well positioned to strengthen its competitive position through digital investments and acquisitions, as outlined in its 2022 Capital Market Day strategy. The company aims to enhance sales by €2 billion inorganically by 2025, using acquisitions to consolidate its North American and European presence. Concurrently, it targets 40% digital sales by 2025, enhancing operational efficiency and customer-supplier relationships. This level of digital investment provides a competitive edge over smaller market players lacking similar resources.

Despite Rexel's leading position in Europe and North America, the market remains fragmented. In Europe, Rexel is the second-largest distributor behind Sonepar, with 17%-18% market share, and ranks first or second in 10 out of 17 countries it operates in. In the US, Rexel's market share is around 6%. Given the market's fragmented nature, acquisitions will continue to be integral to Rexel's strategy.

In 2023, Rexel made two acquisitions in Europe's green energy sector: Wasco, a Dutch HVAC product and service distributor, and a 51% stake in Mavisun, a French solar solutions distribution business. Including the acquisitions closed in 2022 and Wasco, Rexel has acquired just above €1 billion in sales year to date, half of its 2025 target.

Rexel's digital sales rose to about 28.4% of total sales in Q3 2023 (38% in Europe and 21% in North America), up from 18% in 2019. We expect the contribution of digital sales and profits to increase further going forward. Although the shift to digital will increase operating expenditure, this will be offset by productivity gains because of better product assortment, enhanced client monitoring and reduced store surface. Rexel's digital transformation will facilitate better operational adaptation (for example, pricing, inventory levels, or receivable collections) during weaker market conditions in the next 12-18 months. Rexel is also expected to make small acquisitions for new digital solutions, potentially rolling these out group wide.

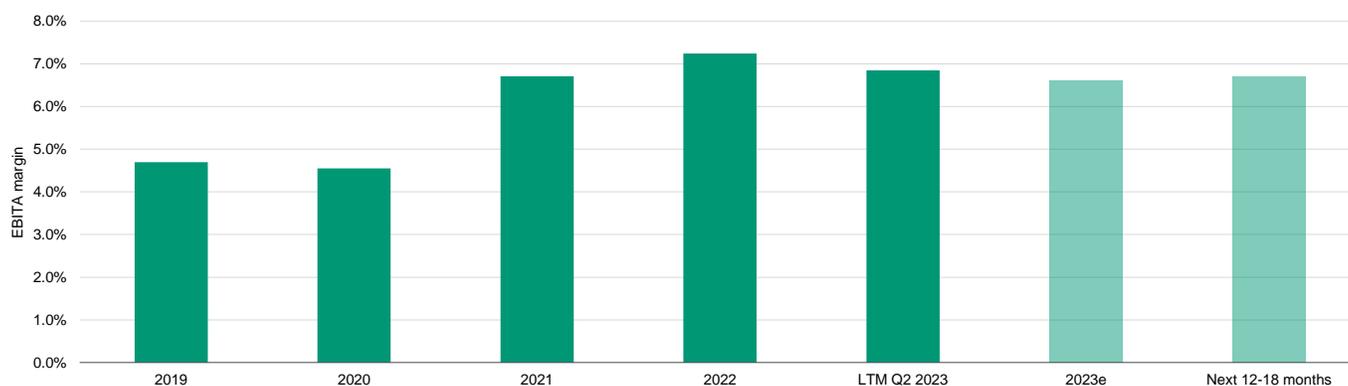
Credit metrics and financial policy support the Ba1 rating

As of June 2023, Rexel's credit metrics were well within the range required for the Ba1 rating, including Moody's-adjusted debt/EBITDA of 2.6x and RCF/debt of 20%. We expect credit metrics to remain around these levels in 2023 and within the range required for the current rating on a sustained basis. In particular, we expect leverage of below 3.0x and RCF/debt of around 20% over the next 12-18 months.

These forecasts reflect low- to mid-single-digit revenue growth in percentage terms at group level and adjusted EBITA margin of between 6.5%-7% over the next 12-18 months. This is below the 7.3% adjusted EBITA margin in 2022, which was boosted by a 66-basis-point gain on non-cable inventory inflation net of higher performance-linked bonuses. Our forecast assumes no positive contribution from price gain on non-cable inventory. The absence of price gain on inventory, coupled with inflationary pressure, will be partly offset by cost measures and operating efficiency. We expect the EBITA margin to increase towards the higher end of the 6.5%-7% range through 2025, in line with the first half of 2023, reflecting lower opex inflationary pressure and increasing operational leverage.

Exhibit 6

Moody's adjusted EBITA margin expected to remain between 6.5%-7% over the next 12-18 months



Source: Moody's Investors Service

We expect Rexel to continue to generate positive FCF of around €200 million over the next 12-18 months. This forecast includes the company's dividend payout policy of at least 40% of recurring net income and capital spending of around 0.9% of total revenue.

We also expect the company to maintain a prudent financial policy, reflecting the company's net leverage target of 2.0x (compared with 2.5x, previously), which is equivalent to Moody's-adjusted debt/EBITDA of 3.0x. This level of leverage is in line with the requirement of the current rating.

ESG considerations

Rexel SA's ESG Credit Impact Score is Moderately Negative CIS-3

Exhibit 7

ESG Credit Impact Score

CIS-3

Moderately Negative

For an issuer scored CIS-3 (Moderately Negative), its ESG attributes are overall considered as having a limited impact on the current rating, with greater potential for future negative impact over time. The negative influence of the overall ESG attributes on the rating is more pronounced compared to an issuer scored CIS-2.



Source: Moody's Investors Service

Rexel's ESG credit impact score of **CIS-3** indicates that ESG considerations have a limited impact on the current credit rating. This reflects the company's progress in deleveraging in line with its net leverage target and in spite of its acquisitive strategy. The score also takes into account positive demand fundamentals and the company's contribution to the carbon transition through its product portfolio, which partly offset its reliance on a large vehicle fleet.

Exhibit 8

ESG Issuer Profile Scores

ENVIRONMENTAL

E-3

Moderately Negative



SOCIAL

S-3

Moderately Negative



GOVERNANCE

G-3

Moderately Negative



Source: Moody's Investors Service

Environmental

E-3. Rexel is exposed to similar environmental risks as other rated distribution companies. These risks are primarily tied to carbon transition and emissions reduction, as product transport, which currently relies primarily on combustion engine vehicles, remains integral to its operations. While Rexel is progressively reducing carbon emissions in line with its stated targets, and there is no negative economic impact at this stage, we believe the company is exposed to potential future economic risks. This is because its fleet of trucks, vans, and cars will need to comply with potentially stricter emissions regulations over time. These risks are mitigated by the depth of Rexel's branch network, a high share of outsourced transportation (around 80%), its supply chain expertise to ensure "just-in-time" deliveries while minimizing fuel and mileage consumption, and the instrumental role that Rexel plays in the carbon transition, supplying products that support electrification trends and energy efficiency.

Social

S-3. Rexel is exposed to similar social risks as other rated distribution companies. While the demand for Rexel's products benefits from positive secular trends from electrification, automation and energy efficiency, the increasing focus on decarbonization and reducing pollution from transportation could increase the need to accelerate the transition to lower emission levels over time.

Governance

G-3. Rexel has a prudent financial policy, as evidenced by the company's reduction in leverage since 2018, debt repayment and dividend cancellation in 2020. Given the company's acquisitive strategy and currently low leverage, below its net leverage target of

2.0x (around 3.0x Moody's gross leverage), there is some risks that leverage might increase over time, although remaining in line with our expectations for the Ba1 rating. Management track record is good, supporting the rating. Rexel is listed on Euronext Paris and around 20% of its share are owned by Cevian Capital Partners. 80% of the Board of Director is independent (8 members out of 10, including 2 employee representative).

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

We view Rexel's liquidity as good. Liquidity is supported by our expectation of positive annual Moody's-adjusted FCF of around €200 million over the next 12-18 months, cash balances of €762 million as of June 2023 and access to an undrawn revolving credit facility of €850 million, of which €59 million expires in January 2024 and the rest in January 2025. The securitisation programmes of around €1.5 billion in aggregate will largely mature between 2023 and 2025, and are expected to be rolled over. Apart from receivable financing, Rexel does not have material debt maturities before June and December 2028 when the senior notes mature.

The terms and conditions of the RCF agreement offer flexibility in terms of maintenance financial covenants (tested semiannually, in June and December). This is because Rexel can exceed its 3.5x net leverage ratio as defined by the senior facility agreement on three separate accounting dates during the life of the RCF; only two of such three accounting dates may be consecutive, provided that the ratio does not exceed 3.75x on two accounting dates and 3.90x on one accounting date. We expect the company to stay well in compliance with its maintenance covenant over the next 12-18 months.

Structural considerations

The senior unsecured notes are rated Ba1, in line with the CFR. In accordance with our Loss Given Default (LGD) methodology, we would typically notch down all Rexel's senior unsecured debt to Ba2 because of the magnitude of non-debt liabilities, including trade payables, which are structurally senior to the notes. However, we have applied an override to this notching, reflecting the strong positioning of Rexel in the Ba1 rating and our expectations that trade payables would decline during downturns, increasing the recovery for the notes.

Methodology and scorecard

Exhibit 7 shows Rexel's scorecard-indicated outcome using the [Distribution and Supply Chain Services Industry rating methodology](#), with data as of 15 February 2023 and on a forward-looking basis.

The scorecard-indicated outcomes are Baa3, reflecting the company's strong leverage and coverage metrics as of June 2023 and based on our forward view. The gap with the Ba1 CFR reflects risks to our forecasts related to a potentially more challenging macroeconomic environment over the next 12-18 months.

Exhibit 9

Rating factors

Rexel SA

| Distribution and Supply Chain Services Industry Scorecard [1][2] | Current LTM 6/30/2023 | | Moody's 12-18 Month Forward View As of 11/2/2023 [3] | |
|--|--------------------------|-------|---|-------|
| | Measure | Score | Measure | Score |
| Factor 1 : Scale (20%) | | | | |
| a) Revenue (USD Billion) | \$20.3 | Baa | \$20 - \$22 | Baa |
| b) EBITA (USD Billion) | \$1.4 | Baa | \$1.3 - \$1.4 | Baa |
| Factor 2 : Business Profile (15%) | | | | |
| a) Business Profile | Baa | Baa | Baa | Baa |
| Factor 3 : Profitability & Efficiency (15%) | | | | |
| a) Operating Margin | 6.6% | Ba | 6% - 6.8% | Ba |
| b) Return on Invested Capital | 11.4% | Ba | 9% - 10% | Ba |
| Factor 4 : Leverage & Coverage (35%) | | | | |
| a) Debt / EBITDA | 2.6x | Baa | 2.5x - 3x | Baa |
| b) EBITA / Interest | 9.4x | Baa | 6.5x - 7.5x | Baa |
| c) RCF / Debt | 19.8% | Ba | 19% - 20% | Ba |
| Factor 5 : Financial Policy (15%) | | | | |
| a) Financial Policy | Ba | Ba | Ba | Ba |
| Rating: | | | | |
| a) Scorecard-Indicated Outcome | | Baa3 | | Baa3 |
| b) Actual Rating Assigned | | | | Ba1 |

All ratios are based on adjusted financial data and incorporate our Global Standard Adjustments for Non-Financial Corporations. This represents our forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestures.

Source: Moody's Investors Service

Ratings

Exhibit 10

| Category | Moody's Rating |
|-----------------------------------|----------------|
| REXEL SA | |
| Outlook | Stable |
| Corporate Family Rating -Dom Curr | Ba1 |
| Senior Unsecured -Dom Curr | Ba1/LGD4 |

Source: Moody's Investors Service

Appendix

Exhibit 11

Moody's-adjusted debt reconciliation for Rexel SA

| in EUR millions | FYE Dec-2018 | FYE Dec-2019 | FYE Dec-2020 | FYE Dec-2021 | FYE Dec-2022 | LTM ending Jun-23 |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------------|
| As Reported Debt | 3,513.9 | 3,487.2 | 3,034.3 | 3,291.7 | 3,554.1 | 3,895.9 |
| Securitization | 196.5 | 199.3 | 138.2 | 197.9 | 210.9 | 206.0 |
| Pensions | 266.2 | 312.1 | 320.9 | 208.9 | 164.1 | 164.1 |
| Leases | - | - | - | - | - | - |
| Moody's Adjusted Debt | 3,976.6 | 3,998.6 | 3,493.4 | 3,698.5 | 3,929.1 | 4,266.0 |

All figures are calculated using our estimates and standard adjustments. Periods are financial year-end unless indicated. LTM = Last 12 months.

Source: Moody's Financial Metrics™

Exhibit 12

Moody's-adjusted EBITDA reconciliation for Rexel SA

| in EUR millions | FYE Dec-2018 | FYE Dec-2019 | FYE Dec-2020 | FYE Dec-2021 | FYE Dec-2022 | LTM ending Jun-23 |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------------|
| As Reported EBITDA | 772.2 | 882.6 | 768.5 | 1,264.8 | 1,680.6 | 1,660.1 |
| Unusual Items - Income Stmt | 23.9 | (5.5) | 32.5 | (31.6) | (45.6) | (45.6) |
| Securitization | 2.4 | 2.5 | 2.1 | 3.1 | 8.9 | 8.0 |
| Pensions | (0.3) | (1.0) | 0.3 | 0.6 | (4.4) | (4.4) |
| Moody's-Adjusted EBITDA | 798.2 | 878.6 | 803.4 | 1,236.8 | 1,639.5 | 1,618.1 |

All figures are calculated using our estimates and standard adjustments. Periods are financial year-end unless indicated. LTM = Last 12 months.

Source: Moody's Financial Metrics™

Exhibit 13

Peer comparison

| (in US millions) | Rexel SA Ba1 Stable | | | WESCO International, Inc. Ba2 Stable | | | IMCD N.V. Baa3 Stable | | | Brenntag SE Baa2 Stable | | |
|--------------------------|------------------------|---------------|------------|---|---------------|------------|--------------------------|---------------|------------|----------------------------|---------------|------------|
| | FYE Dec-21 | FYE Dec-22 | LTM Jun-23 | FYE Dec-21 | FYE Dec-22 | LTM Jun-23 | FYE Dec-21 | FYE Dec-22 | LTM Jun-23 | FYE Dec-21 | FYE Dec-22 | LTM Jun-23 |
| Revenue | \$17,381 | \$19,710 | \$20,297 | \$18,218 | \$21,420 | \$22,272 | \$4,064 | \$4,850 | \$4,787 | \$17,017 | \$20,477 | \$19,498 |
| EBITA | \$1,166 | \$1,428 | \$1,390 | \$1,151 | \$1,617 | \$1,658 | \$434 | \$567 | \$541 | \$1,213 | \$1,524 | \$1,329 |
| Total Debt | \$4,212 | \$4,193 | \$4,654 | \$5,302 | \$6,084 | \$6,200 | \$1,287 | \$1,341 | \$1,632 | \$3,590 | \$3,528 | \$3,442 |
| Cash & Cash Equivalents | \$652 | \$956 | \$831 | \$213 | \$527 | \$529 | \$202 | \$231 | \$234 | \$802 | \$1,116 | \$679 |
| Operating Margin | 6.4% | 7.0% | 6.6% | 5.4% | 7.1% | 7.1% | 8.9% | 10.0% | 9.8% | 6.7% | 7.3% | 6.6% |
| ROIC | 9.7% | 12.2% | 11.4% | 9.6% | 12.4% | 12.4% | 9.4% | 12.6% | 11.4% | 11.0% | 15.5% | 14.1% |
| Debt / EBITDA | 3.0x | 2.4x | 2.6x | 3.9x | 3.3x | 3.3x | 2.9x | 2.2x | 2.7x | 2.5x | 1.9x | 2.0x |
| RCF / Debt | 21.1% | 26.3% | 19.8% | 12.6% | 19.7% | 18.5% | 21.4% | 26.2% | 17.7% | 24.1% | 33.7% | 26.9% |
| EBITA / Interest Expense | 9.2x | 11.4x | 9.4x | 3.3x | 4.8x | 4.2x | 19.7x | 19.3x | 14.1x | 15.8x | 13.5x | 9.9x |

All figures and ratios are calculated using our estimates and standard adjustments. FYE = Financial year-end. LTM = Last 12 months.

Source: Moody's Financial Metrics™

© 2023 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved. CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$5,000,000. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody's.com under the heading "Investor Relations — Corporate Governance — Charter Documents - Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY100,000 to approximately JPY550,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

REPORT NUMBER 1385548

CLIENT SERVICES

| | |
|--------------|-----------------|
| Americas | 1-212-553-1653 |
| Asia Pacific | 852-3551-3077 |
| Japan | 81-3-5408-4100 |
| EMEA | 44-20-7772-5454 |