

## CREDIT OPINION

5 April 2017

### Update

Rate this Research >>

#### RATINGS

##### ISS Global A/S

Domicile	Denmark
Long Term Rating	Baa2
Type	LT Issuer Rating - 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

**Martin Hallmark** 44-20-7772-1953  
 Senior Credit Officer  
 martin.hallmark@moodys.com

**Richard Etheridge** 44-20-7772-1035  
 Associate MD-  
 Corporate Finance  
 richard.etheridge@moodys.com

**Nathalie Tuszewski** 44 20 7772-1096  
 Associate Analyst  
 nathalie.tuszewski@moodys.com

## ISS Global A/S

### Update to Credit Opinion

#### Summary Rating Rationale

ISS is a leading provider of outsourced facilities services, with a diversified revenue profile and a strong long term track record of organic revenues and margin growth. Its core competitive advantages lie in its global scale and its ability to self-deliver large complex labour-intensive functions, leveraging its HR capabilities to drive efficiencies. The sector is attractive with above-GDP growth rates driven by increased outsourcing, and by expanding the service and geographic scope of existing customer contracts.

The company is pursuing a strategy of growing its Integrated Facilities Services (IFS) offering (37% of FY2016 revenues) which provides a range of activities and offers the opportunity for deeper customer integration and greater efficiencies. This is a competitive segment with a wide range of players including property-based facilities managers and technology providers and the company is building its technical services and technology offering to drive growth. The company continues to leverage its self-delivery model in this market and increases in automation which could reduce staff levels and erode its competitive advantages are likely to present greater challenges only in the mid to longer-term.

Trading has remained solid in the year ended 31 December (FY) 2016 despite a range of headwinds particularly in relation to commodity sectors and with slow economic growth in its core European markets. Revenue growth is likely to remain modest in the first half of 2017 and we expect stronger growth to resume in FY2018 as the benefit of new contracts and a more positive commodities market outlook gradually takes effect.

ISS maintains conservative financial policies, with strong cash generation and modest Moody's-adjusted leverage of 3.2x in FY2016. It has focused to date on relatively small bolt-on M&A. The acquisition of Guckenhimer (unrated) announced in April 2017 is expected to result in a small and temporary increase in leverage of 0.1x - 0.2x on a Moody's-adjusted basis. The company has ambitions to grow further in the US, an attractive market where it has a relatively small presence, which could drive larger M&A. ISS is expected to continue distributing surplus cash to shareholders which is likely to result in financial metrics remaining stable at current levels.

#### Credit Strengths

- » Large scale and diversification with wide geographic footprint
- » Positive market growth profile
- » Strong record of organic revenue growth through the cycle

- » Continued solid trading performance and high cash generation
- » Conservative financial policies

## Credit Challenges

- » Competitive and fragmented industry
- » Low operating margins and inflationary pressures
- » Currency translation exposures

## Rating Outlook

The stable outlook reflects our assumptions that ISS will continue on a path of organic growth with stable or growing margins. It also assumes that the company will maintain its existing conservative financial policy with low leverage and with surplus cash applied for bolt-on acquisitions and shareholder distributions.

## Factors that Could Lead to an Upgrade

Moody's could consider upgrading the rating to Baa1 if the company's leverage, measured by debt/EBITDA as adjusted by Moody's, moves sustainably below 3.0x with a retained cash flow (RCF) / Net Debt moving towards the mid-20s.

## Factors that Could Lead to a Downgrade

Negative pressure could develop if the conditions for a stable outlook are not met, if ISS's leverage moves above 3.5x for a sustainable period of time or if the company's RCF / Net Debt moves below the high teens.

## Key Indicators

Exhibit 1

### Key Indicators

ISS Global A/S [1] [2]

	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012
Revenue (USD Billion)	\$11.8	\$11.8	\$13.2	\$14.0	\$13.7
EBITA Margin	6.0%	6.0%	5.9%	5.4%	6.2%
Debt / EBITDA	3.2x	3.3x	3.5x	5.1x	5.1x
EBITA / Interest	6.1x	5.6x	3.4x	1.8x	1.6x
RCF / Net Debt	17.2%	22.9%	21.5%	12.2%	8.9%

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

[2] All historic data are based on ISS A/S financial data.

Source: Moody's Financial Metrics

## Detailed Rating Considerations

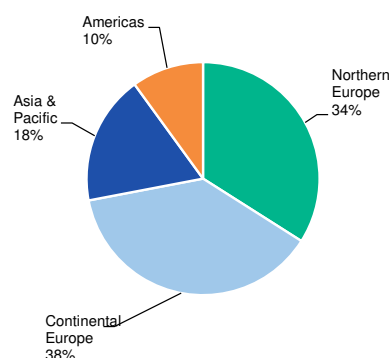
### LARGE SCALE AND DIVERSIFICATION WITH WIDE GEOGRAPHIC FOOTPRINT

With around DKK 79 billion (EUR 10.6 billion) of revenues in FY 2016, ISS is a leading facilities services provider in an industry that remains fragmented. Whilst it continues to have a high exposure to cleaning services, which represented 50% of total revenues in FY2016, the growing importance and scale of some of ISS's remaining services have allowed for a more complete service offering that differentiates the company from many of its competitors. In particular, we view as a positive the growing importance of Integrated Facility Services (IFS, 37% of FY2016 revenues) and multi-services (15% of FY2016 revenues) in ISS's business mix and believe this makes the company a more attractive partner to global companies. IFS revenues grew by 14% in FY2016 through conversion of single-service customers and new contract wins.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for the most updated credit rating action information and rating history.

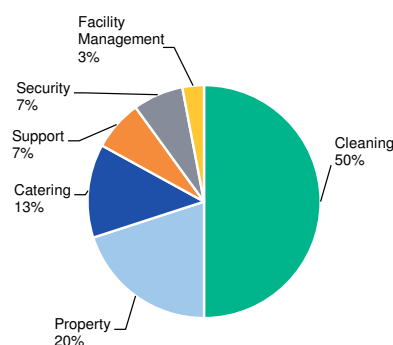
With a presence in 74 countries, ISS has a relatively wide global footprint, which helps protect it against more regional downturns or issues in operating performance. ISS's operations remain focused on Europe (72% of group revenues in FY2016), including the Nordics (19%), the UK (15%), Switzerland (7%), France (6%) and Spain & Portugal (6%). However the company derives an increasing proportion of its revenues from high-growth regions in emerging markets, which grew by 7% organically and represented 25% of group revenues in FY2016. It has relatively low penetration of the North American market (6% of FY2016 revenues) and as a growing and potentially high margin market increasing presence in this region is a key strategic focus.

Exhibit 2  
FY2016 revenues by geography



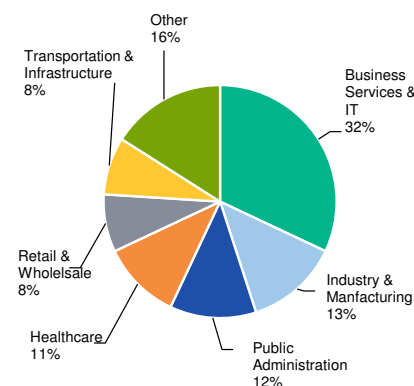
Source: Company reports

Exhibit 3  
FY2016 revenues by activity



Source: Company reports

Exhibit 4  
FY2016 revenues by customer segment



Source: Company reports

However we also note that the company currently generates around 15%-20% of its group revenues through above-base work (i.e. once-only) under existing contracts. We believe these type of contracts to be more vulnerable to the economic cycle and could exert pressure on ISS's operating performance should economic conditions deteriorate. Equally, the company is likely to derive additional benefits from such contracts as the economic environment improves.

#### POSITIVE MARKET GROWTH PROFILE

The global outsourced facility services market is large and highly fragmented with different levels of maturity and demand dynamics across regions. The company has estimated that the market is growing annually at mid-single digit rates, driven by a combination of economic activity and greater levels of outsourcing, as customers increasingly seek to focus on their core activities and in the context of an increasing complexity of health, safety and environmental compliance. In emerging markets growth is considerably faster due to lower levels of outsourcing penetration and is focused to a greater extent on single services. In more mature markets customers are trending towards IFS, a subsector exhibiting near double-digit growth, as larger more sophisticated buyers seek vendor consolidation, value-added partnerships and an element of risk-transfer of compliance issues.

Customers typically commence IFS in limited regions or within a small scope of services and subsequently expand, allowing attractive and relatively predictable growth with existing customers. We expect that the expansion of IFS will require a continued strong focus on technology to deliver efficient and value-added services. The smaller regional single service market is by contrast somewhat more challenging and price-sensitive as customers continually demand cost savings which become incrementally harder to achieve. This market is better suited to larger players with high network density, and as customers transfer to more complex IFS contracts a wider range of cost saving opportunities becomes available.

#### COMPETITIVE FRAGMENTED INDUSTRY

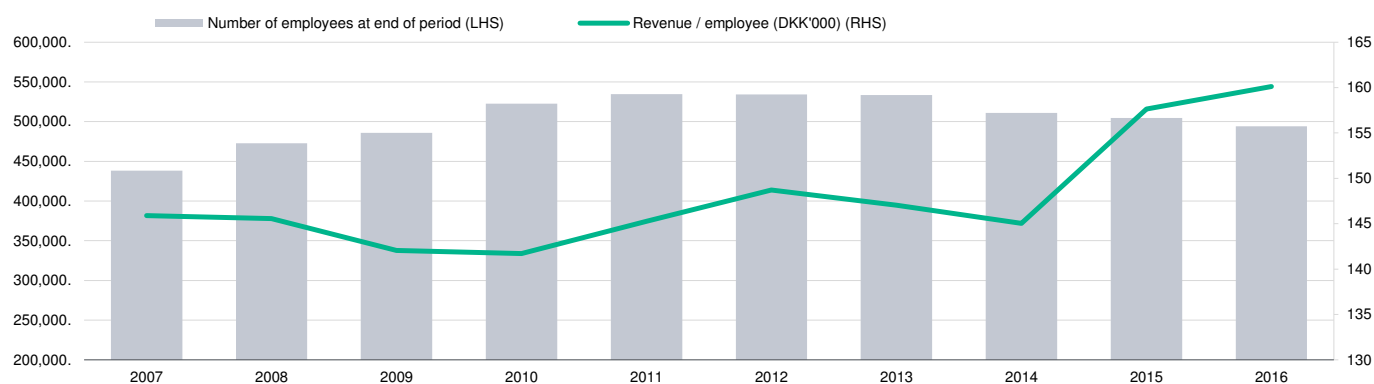
As the market has evolved the nature of competition has become very broad, from local or regional players focused on smaller single service contracts, to a range of global facilities management companies approaching IFS from a more narrow historic specialism. As the distinction between companies with different legacy activities becomes more blurred a wider range of competition is emerging. ISS competes with a range of players within the IFS space include providers of property related (or "hard FM") services such as Jones Lang

Lasalle Incorporated (Baa2, Positive), CBRE Services, Inc. (Baa3, Stable) and Cushman & Wakefield (issuing through DTZ UK Guarantor Ltd - B2 stable), and global outsourcers Compass (A3, Stable) and Sodexo S.A. (unrated). In addition technology companies such as Oracle Corporation (A1, Negative), Cisco Systems, Inc. (A1, stable) and IBM (Aa3, negative) have entered the facilities management market with automated solutions in areas such as security and reception.

ISS's competitive strengths reside in its scale and global leadership and its focus on self-delivery of highly labour-intensive activities - it employs 494,000 staff - requiring a complex HR management capability. Hard FM players typically used third party providers for a large proportion of their services and ISS has greater potential to extract cost savings from activities managed internally and to leverage the efficiency, productivity and compliance benefits of its HR platform. Nevertheless hard FM players represent important competitors as larger contracts typically contain a high proportion of building-related technical services such as heating and ventilation, and property management. Technology and data analytics are likely to play an increasing part in market development, as evidenced by ISS's partnership with IBM, and whilst automation may start to reduce the staff management component of the market we expect ISS's activities to remain highly labour-intensive in the medium term.

As ISS has carried out divestments, shifted towards more technical services and IFS, and rationalised its European operations its staff profile has changed and this is shown in a gradually reducing headcount and increases in revenue per employee as shown in the table below:

Exhibit 5

**Employee numbers and revenues per employee**

Changes in revenues / employee are affected by organic growth, currency movements and acquisitions and divestments

Source: Company reports

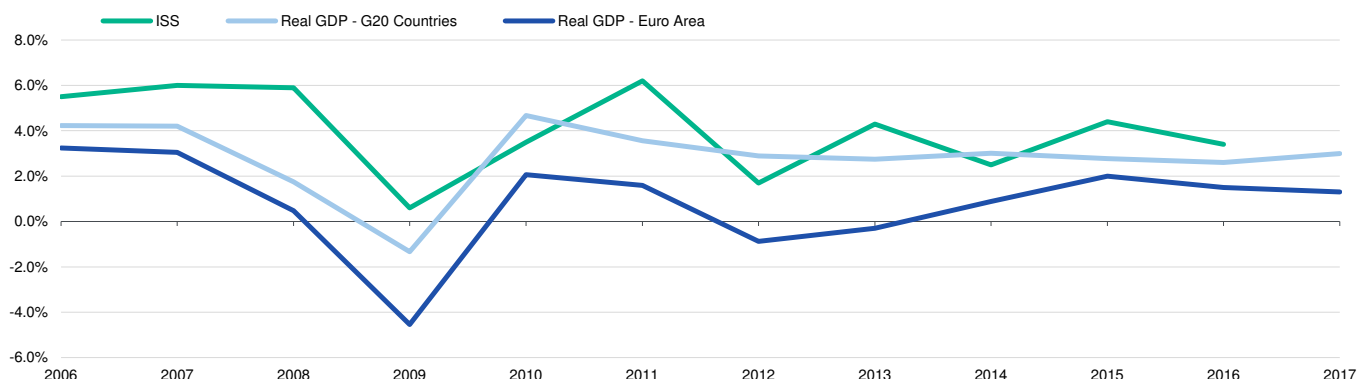
**STRONG TRACK RECORD OF ORGANIC REVENUE GROWTH THROUGH THE CYCLE**

ISS has a strong trading record over the economic cycle. In each of the last 10 years the company has recorded positive organic revenue growth, with the lowest level of 0.6% recorded in FY2009. Revenues are relatively closely correlated to economic growth particularly in Europe which represents 72% of FY2016 revenues.

Exhibit 6

**ISS has a long term track record of organic revenue growth**

Change in organic revenues compared to G20 countries and Euro Area Real GDP



Real GDP estimated data shown for 2016 and 2017

Source: Company reports, Haver, IMF, Moody's Macroeconomic Board

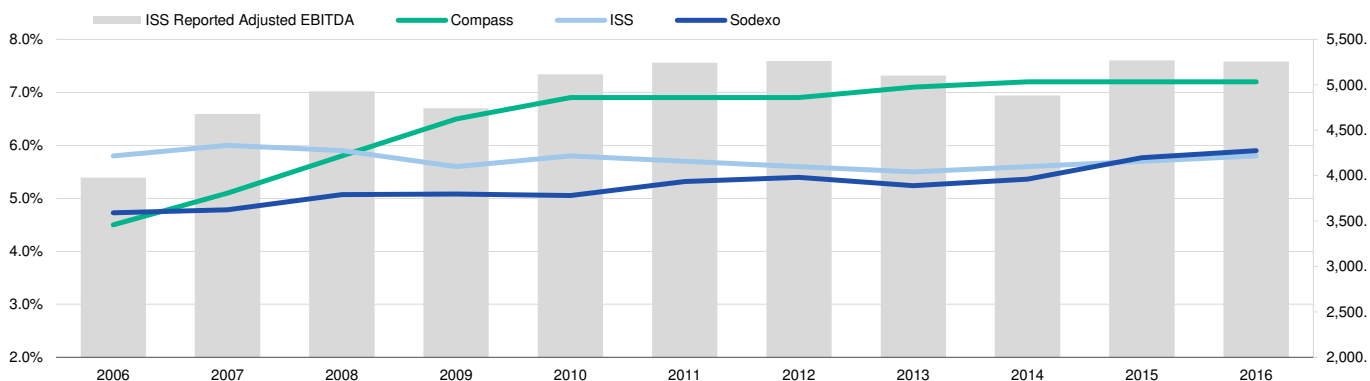
Whilst the non-portfolio business is generally more vulnerable to economic conditions, the historic trends support the sustainability of revenues driven by high levels of contracted income, strong retention rates and high geographic, customer and service line diversity.

There was only a modest fall in profitability in this period, with reported EBITDA before exceptional items falling by approximately 4% in FY2009. This was followed by a swift recovery, with organic revenue growth of 3.5% in FY2010 and reported EBITDA recovering above FY2008 levels.

Exhibit 7

**Reported adjusted EBITDA and operating margins show resilience over the cycle**

Reported adjusted operating margins for ISS, compared to Compass and Sodexo and ISS reported adjusted EBITDA



Data refers to financial years ending 30 September for Compass, 31 December for ISS and 31 August for Sodexo

Margins refer to reported operating profit margin before exceptional and non-recurring items

Source: Company reports

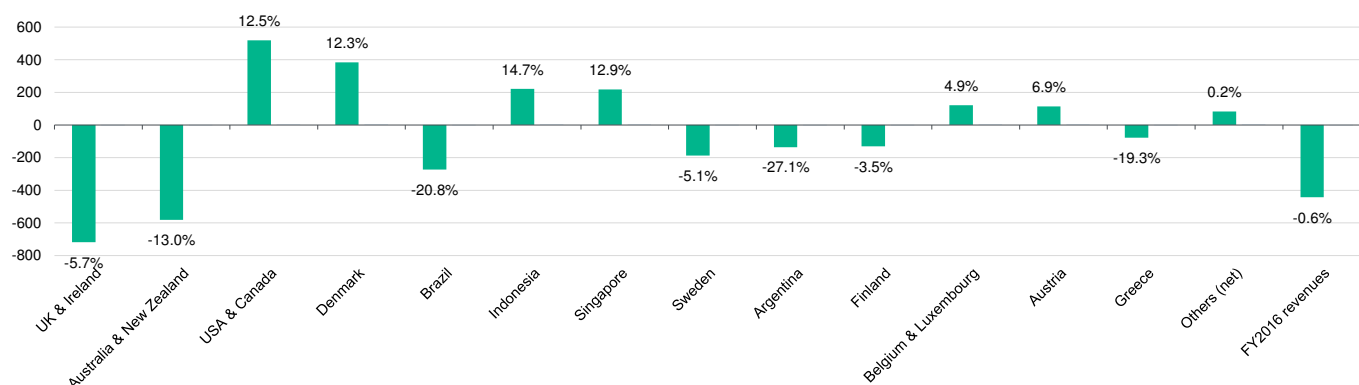
Reported adjusted operating margins have been relatively stable, with a gradual improvement to 5.8% in FY2016 from 5.5% in FY2013 as the company focused on integrating past acquisitions, divested non-core operations and reorganised its cost base.

**CONTINUED SOLID TRADING PERFORMANCE AND HIGH CASH GENERATION**

ISS has continued to deliver solid trading in FY2016, with organic revenues growing by 3.4% in the year, offset by adverse currency movements of 3%, mainly from the depreciation of sterling against Danish Krone. Profitability has improved with reported adjusted operating margin increasing to 5.8% in FY2016 from 5.7% in the previous year. The company remains highly cash generative, with low capital expenditure, representing 1% of revenues in FY2016, and total free cash flow before financing activities of DKK 2.9 billion. Moody's-adjusted leverage remains stable, down slightly to 3.2x at FY2016 from 3.3x last year.

The trading performance demonstrates the company's diversity and resilience in the context of significant headwinds and a low growth environment in its core markets. In particular three major contracts were lost or completed in Australia, two of which within the resources sector, which drove a 13% revenue decline in Australia and New Zealand region in the year (in DKK equivalent). The market in Brazil continued to contract and the company downsized its operations resulting in a 21% revenue fall in DKK equivalent. These two regions accounted for approximately 7% of group revenues in FY2015.

Exhibit 8

**FY2016 total revenue changes by country (including currency effects)**

Changes in revenues in DKK millions include the effects of currency movements, acquisitions and divestments as well as organic growth

Source: Company reports

These effects were offset by strong organic growth in other regions, particularly emerging markets (up 7% organically), North America, the UK and Denmark driven principally by new contract wins.

Organic revenue growth has slowed towards the end of the year, at below 2% in the fourth quarter excluding the effects of one-off non-portfolio revenue growth, due to the contract losses in Australia and the annualisation effect of new contract start ups at the end of FY2015. As a result growth is expected to be slow in the first half of FY2017 and the company is guiding towards growth in the full year of 1.5-3.5%, depending on the pace of new wins later in the year. This will be supported by a new contract with Shire plc (Baa3, Stable) which when fully rolled out will add 1% to revenues from FY2018. The company reports a low level of major contract renewals pending, with two of the ten global corporate clients renewing in FY2017. ISS is currently in dialogue with these clients and contracts are expected to be renegotiated.

We expect growth in the mid to higher end of guidance, with relatively slow growth continuing in Europe. Whilst the outlook for commodities markets is improving, we expect limited effect in FY2017 with a more positive effect from FY2018 and beyond.

We expect the company to continue to distribute surplus cash to shareholders.

**CONSERVATIVE FINANCIAL POLICIES**

The company has adopted conservative financial policies since its IPO in 2014. We expect ISS continue to focus on organic growth, continuing its strategy adopted over the last 5-6 years, with acquisitions likely to be mainly small bolt-on transactions financed from existing credit facilities and cash flow. The company is seeking to maintain reported net leverage of below 2.5x at all times. Whilst it is currently below this level at 2.1x at December 2016, seasonal cash outflows and the dividend payment are expected to move reported leverage back towards the target maximum.

In April 2017 ISS announced the USD225 million acquisition of Guckenheimer, which is strategically significant in expanding the company's capabilities in food service in the US. The transaction will be debt funded and is expected to result in a small temporary increase in reported leverage of 0.2x (0.1x - 0.2x on a Moody's-adjusted basis). We anticipate that leverage metrics will return to target levels within 12-18 months.

We expect the company to continue to utilise surplus cash for acquisitions and shareholder distributions. ISS's dividend policy remains a 50% payout ratio on profit before goodwill amortisation and impairment on brands and customer contracts. The company retains

financial flexibility through a proportion of discretionary dividends (DKK 734 million in FY2016) to be declared once other cash requirements are identified. Accordingly we expect limited changes in the company's leverage metrics over the next 12-18 months.

#### LOW OPERATING MARGINS AND INFLATIONARY PRESSURES

ISS's reporting operating margins are low in the context of the broader business services sector, however this reflects the nature of its industry in which large amounts of non-core functions are outsourced to the company and efficiency savings are shared with customers. ISS has a strong long term track record of stable profitability and has achieved gradual growth in reported adjusted operating margin since FY2013.

The company has faced increasing cost inflation in FY2016 which we expect will continue in the next year. Minimum wage levels have increased in several countries including the UK and Turkey and further labour inflation is expected in the UK and certain US states. ISS manages inflation effects through a combination of contractual cost pass-through, efficiencies and innovation, and retendering or renegotiating with customers. It is also accustomed to operating in higher inflation emerging market economies. In addition IFS provides the opportunity to add greater value to customers and effectively manage cost inflation pressures through a broad-based dialogue across a range of services.

#### CURRENCY TRANSLATION EXPOSURE

The company is exposed to foreign currency rate movements principally through the translation of currency flows into its reporting currency, DKK. 97% of ISS's drawn debt is denominated in Euros (at 31 December 2016) and hence the company's leverage levels are exposed to depreciation in the rates of its basket of currencies against the Euro. Based on the split of revenues and operating profits we estimate that approximately 20-25% of cash flows are denominated in Euros. Key currency exposures are to emerging markets (c. 25%), Nordic currencies (15%), UK sterling (15%), Swiss franc (7%) and USD (5%). The depreciation of sterling had a significant adverse effect on results in FY2016, whilst the company expects a limited currency impact in FY2017. However earnings volatility is expected to continue and the growing exposure to emerging markets increases the company's risk of adverse currency effects in future.

### Liquidity Analysis

We expect ISS's liquidity profile to be good over the next 12-18 months. At 31 December 2016, ISS had cash balances of around DKK 4.4 billion (EUR 584 million). Further liquidity cushion is provided by the company's EUR 850 million revolving credit facility, of which approximately EUR 807 million remained undrawn at 31 December 2016. We expect ISS to maintain a solid headroom to its maintenance covenants. The financial year end represents a seasonally high liquidity position with working capital outflows and dividend payments over the first four months of the year leading to cash outflows of approximately EUR 250 - 300 million. There are no near-term debt maturities with the EUR 300 million term loan B and the RCF the first to mature in 2019.

### Profile

Headquartered in Copenhagen, ISS Global A/S (ISS, or the company) is one of the world's leading facility services providers. The company is an indirect wholly-owned subsidiary of ISS A/S, which has been listed on the OMX Nasdaq Copenhagen Stock Exchange since March 2014. ISS Global A/S is the issuer of the group's bonds and is the direct or indirect parent company of the group's operating subsidiaries. Consolidated accounts are prepared at the level of ISS A/S and financial information contained herein refers to ISS A/S consolidated data. On 30th March 2017 ISS A/S had a market capitalisation of approximately DKK50 billion.

### Rating Methodology and Scorecard Factors

The principal methodology used in rating ISS was the Business and Consumer Service Industry Rating Methodology published in October 2016. Please see the Credit Policy page on [www.moody's.com](http://www.moody's.com) for a copy of this methodology.

Exhibit 9

## ISS Global A/S

Business and Consumer Service Industry Grid [1][2][3]			Current FY 12/31/2016		Moody's 12-18 Month Forward View As of 3/30/2017 [4]	
Factor 1 : Scale (20%)	Measure	Score			Measure	Score
a) Revenue (USD Billion)	\$11.8	A			\$11.8 - \$12.2	A
Factor 2 : Business Profile (20%)						
a) Demand Characteristics	A	A			A	A
b) Competitive Profile	A	A			A	A
Factor 3 : Profitability (10%)						
a) EBITA Margin	6.0%	Caa			6.1% - 6.2%	Caa
Factor 4 : Leverage and Coverage (40%)						
a) Debt / EBITDA	3.2x	Ba			3.1x - 3.3x	Ba
b) EBITA / Interest	6.1x	Baa			6.2x - 6.4x	Baa
c) RCF / Net Debt	17.2%	Ba			14.5% - 16%	Ba
Factor 5 : Financial Policy (10%)						
a) Financial Policy	Baa	Baa			Baa	Baa
Rating:						
a) Indicated Rating from Grid		Baa2				Baa2
b) Actual Rating Assigned						Baa2

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

[2] As of 12/31/2016; Source: Moody's Financial Metrics™

[3] All data are based on ISS A/S financial data

[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures

## Ratings

Exhibit 10

Category	Moody's Rating
ISS GLOBAL A/S	
Outlook	Stable
Issuer Rating - Dom Curr	Baa2
Senior Unsecured	Baa2

Source: Moody's Investors Service



© 2017 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 INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. 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. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S 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. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S 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 AND MOODY'S 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 OR MOODY'S 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.

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 rating process or in preparing the Moody's 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 SUCH RATING OR 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 rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody.com](http://www.moody.com) under the heading "Investor Relations — Corporate Governance — 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. It would be reckless and inappropriate for retail investors to use MOODY'S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

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 rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.

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

REPORT NUMBER

1065819