

## DEMIRE Deutsche Mittelstand Real Estate AG

**Primary Credit Analyst:**

Nicole Reinhardt, Frankfurt + 49 693 399 9303; nicole.reinhardt@spglobal.com

**Secondary Contact:**

Yilin Li, Frankfurt; yilin.li@spglobal.com

**Table Of Contents**

---

Credit Highlights

Outlook

Our Base-Case Scenario

Company Description

Business Risk

Financial Risk

Liquidity

Covenant Analysis

Other Credit Considerations

Issue Ratings - Recovery Analysis

Reconciliation

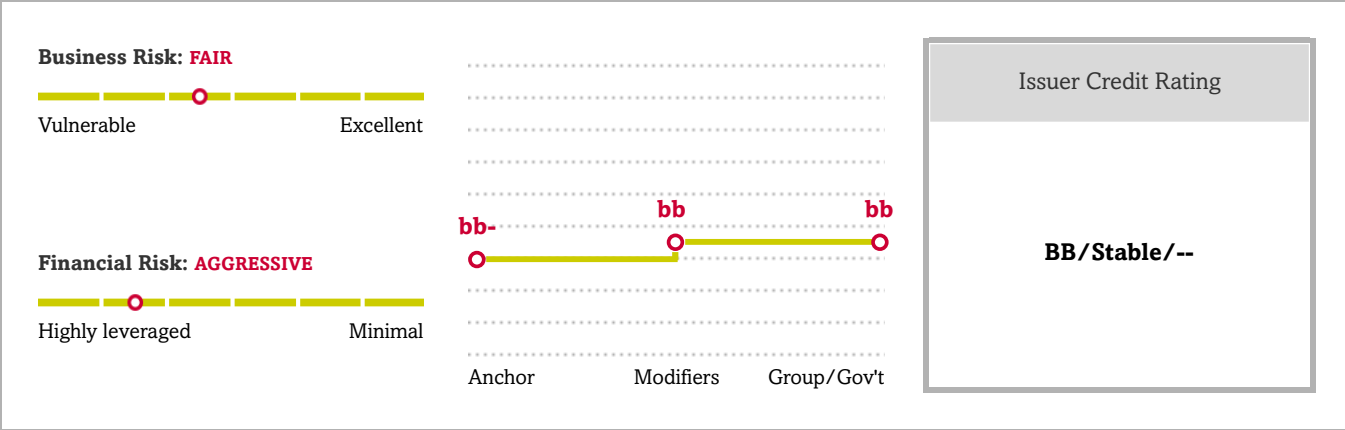
Ratings Score Snapshot

## Table Of Contents (cont.)

---

Related Criteria

# DEMIRE Deutsche Mittelstand Real Estate AG



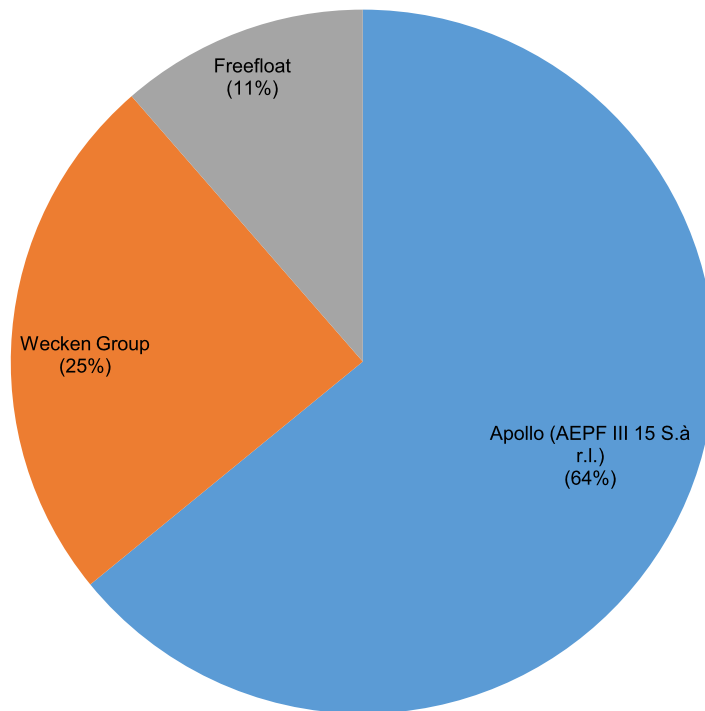
## Credit Highlights

Overview	
Key Strengths	Key Risks
Stable strategy of long-term investments in office and retail properties with very limited exposure to development activities.	Still-small portfolio size of about €1.4 billion compared with peers, including signed acquisitions post first-quarter 2019 reporting.
Focus on secondary locations in Germany with mainly good demand for commercial real estate.	Some tenant concentration to Deutsche Telekom, albeit spread across several lease agreements.
Moderate leverage target, with a reported net loan-to-value (LTV) ratio of below 50%.	Vacancy rate of about 9.6%, excluding buildings undergoing renovation.
	Financial-sponsor owned under majority shareholder Apollo, which could push the company toward more aggressive leverage.

*We consider DEMIRE a financial-sponsor owned company due to the majority ownership of Apollo.* Apollo Global Management LLC, through its affiliate AEPF III 26 S.a.r.l., significantly increased its shareholding in DEMIRE in 2018 to 64%. We believe there is limited visibility on Apollo's investment horizon and that DEMIRE could be pushed toward more aggressive leverage or redevelopment of cash flow proceeds, despite its publicly announced financial leverage target.

**Chart 1**

**Apollo Has Significantly Increased Its Stake In DEMIRE**



Source: S&P Global Ratings.  
 Copyright © 2019 by Standard & Poor's Financial Services LLC. All rights reserved.

*The company's credit metrics are expected to remain moderate, in line with its financial policy.* DEMIRE targets a reported net LTV of below 50% over the medium term (adjusted debt to debt plus equity of about 55%). We expect that the company will use a mix of debt and equity to fund further growth and portfolio investments. For the next 12 to 24 months, we forecast debt to debt plus equity will be close to 50% with EBITDA interest coverage reaching more than 2x.

*DEMIRE intends to expand its portfolio to €2 billion over the medium term.* The company wants to increase its income-producing portfolio to about €2 billion in the medium term, which should help enhance its asset and tenant diversification. Currently, DEMIRE's portfolio is worth about €1.4 billion, including acquisitions signed after first-quarter 2019, compared with about €1.1 billion in second-quarter 2018.

## Outlook: Stable

The stable outlook is based on our view that DEMIRE's property portfolio will generate stable cash flows over the next 12 months.

The majority of DEMIRE's properties in secondary locations are near metropolitan areas across Germany, where demand remains favorable and like-for-like occupancy should improve further, in line with the company's strategy.

We forecast EBITDA interest coverage will improve to above 2x and debt to debt plus equity will stay close to 50% over the next 12-24 months.

### Downside scenario

We could lower the rating if the company fails to keep its debt to debt plus equity below 60% and EBITDA interest coverage above 2x on a sustainable basis. This could occur if DEMIRE were to alter its publicly announced policy to keep its reported net LTV below 50%--translating into S&P Global Ratings-adjusted debt to debt plus equity of 56%-60%--or if the company undertook more debt-financed acquisitions, although this is not part of our base-case scenario.

We could also lower the rating if the company did not manage to realize its business strategy, resulting in a decline in the overall portfolio back to €1 billion or below, or investment in less favorable secondary locations away from metropolitan hubs.

In addition, we could downgrade the company if its liquidity position deteriorates, for example, through acquisitions or a decrease in its cash flow base.

### Upside scenario

We believe an upgrade is currently unlikely. However, we would view positively a change in the ownership structure, for example, if the free float of the company's shareholder structure increases materially, while maintaining a conservative financial policy in line with a higher rating. This would translate into S&P Global Ratings-adjusted debt to debt plus equity of below 55% and EBITDA interest coverage of more than 2.4x.

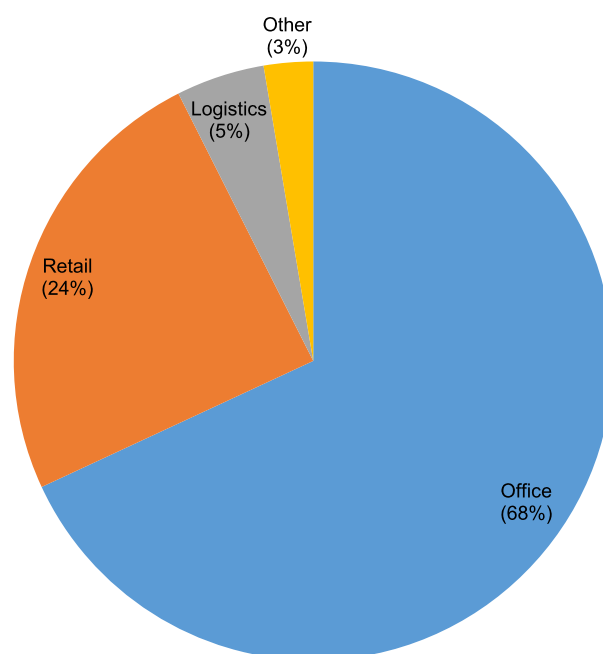
## Our Base-Case Scenario

Assumptions	Key Metrics			
<ul style="list-style-type: none"> <li>• Low GDP growth in Germany of 0.5% in 2019, before rebounding to 1.3% in 2020, with unemployment remaining low at less than 4%.</li> <li>• Consumer price index (CPI) growth in Germany of 1.7%-1.8% for 2019-2020.</li> <li>• About 1.0%-1.5% like-for-like rental income growth over the next two years, stemming from mostly index-linked lease contracts, slightly improved occupancy in the existing portfolio, and favorable supply and demand conditions in the German commercial real estate market.</li> <li>• Acquisitions of €240 million-€260 million in 2019, including the about €170 million office portfolio acquisition closed in April 2019 and the about €70 million acquisition of four Karstadt retail assets expected to close in third-quarter 2019. In line with the company's strategy, we estimate that the income-producing portfolio will expand to about €2 billion in the next few years.</li> <li>• Like-for-like portfolio revaluation of 2%-3% for DEMIRE's properties for full-year 2019, reflecting the company's focus on midsize secondary locations in Germany where demand is expected to remain stable.</li> <li>• Average cost of debt to remain stable at 2.7%-3.0%.</li> </ul>	<b>2018A</b>	<b>2019E</b>	<b>2020E</b>	
	EBITDA margin (%)	65.3	65-66	~66-68
	EBITDA to interest (x)	1.4	~2	2.0-2.2
	Debt to debt plus equity (%)	44.6	52-53	50-52
A--Actual. E--Estimate.				

### Base-case projections

***The company's recent acquisitions will improve rental income growth.*** We project DEMIRE's annual net rental income will reach about €65 million in 2019, an about 10% increase compared with the previous year. This growth will mainly be spurred by the rent contribution from recent acquisitions.

***We expect EBITDA interest coverage will improve because acquisitions are expanding the EBITDA base.*** We forecast that DEMIRE's relatively low EBITDA interest coverage of 1.4x in the rolling 12 months to March 31, 2019, will reach closer to 2x this year through the cash flow contribution from the company's recent acquisitions, which were partially financed with equity and debt, and a stable cost of debt of 2.7%-3.0%.

**Chart 2****DEMIRE's Portfolio By Segment\***

\*Pro forma acquisitions signed after first-quarter 2019. Source: S&P Global Ratings.  
Copyright © 2019 by Standard & Poor's Financial Services LLC. All rights reserved.

## Company Description

DEMIRE Deutsche Mittelstand Real Estate AG is a Germany-based commercial real estate company focusing on office (67% of portfolio value as of March 31, 2019), retail (24%), and logistics/other assets (9%). On March 31, 2019, the company's portfolio was valued at about €1.1 billion and comprised 84 properties. This increases to €1.4 billion, spread over 93 properties, if we include the company's year-to-date acquisitions. DEMIRE's strategy is to focus on midsize secondary locations in Germany, bordering metropolitan areas.

The company is listed on the Frankfurt stock exchange. Its main shareholders are Apollo with about 64%, Wecken Group with about 24%, and the remaining 12% is free float.

**Table 1**

<b>DEMIRE Deutsche Mittelstand Real Estate AG--Portfolio Summary</b>	
Total portfolio value (bil. €)	1.4
No. of properties	93.0
Gross rental income per year* (€ /sqm/month)	6.7
Gross rental income per year § (mil. €)	87.3
Gross rental yield (%)	6.4

**Table 1**

<b>DEMIRE Deutsche Mittelstand Real Estate AG--Portfolio Summary (cont.)</b>	
EPRA vacancy (%)	9.6
Weighted-average lease term (years)	4.7

\*As of March 31, 2019, including signed acquisitions post reporting date. §Annualised contractual rent excluding service charges.  
EPRA--European Public Real Estate Association. Source: company's latest reports.

## **Business Risk: Fair**

DEMIRE's business risk profile reflects the company's relatively small scale and portfolio size compared with rated peers in the commercial real estate segment, and its exposure to a single economy--Germany. Taking into account recent signed acquisitions, the company's pro forma property portfolio comprises 93 buildings with a gross asset value of about €1.4 billion.

The company is one of the highly fragmented German market's 10 largest listed commercial property firms in terms of capitalization. We view market dynamics, such as rental growth potential and demand-supply trends in metropolitan areas, as more favorable than other locations. However, we believe that the majority of midsize cities in which DEMIRE operates are close to metropolitan areas with similar market dynamics, such as Darmstadt or Bonn. We consider about 80% of DEMIRE's portfolio to be located in cities with good infrastructure and favorable macroeconomic fundamentals, including low unemployment rates, and GDP growth in line with the German average. We believe that 15%-20% of the portfolio is located in less favorable areas, such as Trappenkamp and Lichtenfels, where it may take longer to find replacements for departing tenants. DEMIRE has some concentration on its main tenant Deutsche Telekom AG (BBB+/Watch Neg/A-2), which represents about 26% of its annual rental income. We understand that the exposure is spread across several lease contracts and that Deutsche Telekom subleases some of its exposure.

DEMIRE reported a European Public Real Estate Association (EPRA) vacancy ratio of 8.3% as of March 31, 2019, which is in line with most rated peers in the European office and retail market. The company has established a track record in improving the ratio from over 9% at year-end 2018, in line with its strategy. We understand this ratio will edge up in second-quarter 2019 due to the closing of the office portfolio acquisition, but vacancies should reduce further on the back of new leases for existing properties as well as the closing of the Karstadt retail assets in third-quarter 2019, which benefit from full occupancy levels.

We assess DEMIRE's overall portfolio as being of average quality, with capital expenditure (capex) needs of €8 million-€10 million per year, including tenant improvements. DEMIRE benefits from a long-average lease length of close to five years. In our view, the company's strategy to increase its income-producing portfolio to about €2 billion in the medium term should help enhance its asset and tenant diversification. We understand that its new shareholder Apollo, as well as the new management, support the company's existing strategy

### **Peer comparison**



Table 2

DEMIRE Deutsche Mittelstand Real Estate AG--Peer Comparison				
	DEMIRE Deutsche Mittelstand Real Estate AG	Alstria Office REIT-AG	Globalworth Real Estate Investments Ltd.	Summit Properties Ltd.
Rating as of July 11, 2019	BB/Stable/--	BBB/Stable/--	BBB-/Stable/--	BB+/Stable/--
<b>(Mil. €)</b>	<b>--Fiscal year ended Dec. 31, 2018--</b>			
Revenue	58.5	169.1	145.4	67.4
EBITDA	38.2	143.7	115.7	50.4
Funds from operations (FFO)	14.5	117.1	88.7	40.2
Interest expense	26.4	29.8	34.0	11.6
Cash interest paid	22.8	26.6	21.6	10.2
Cash flow from operations	16.0	119.0	79.7	37.4
Capital expenditures	24.7	88.6	67.2	0.1
Cash and short-term investments	190.4	132.9	219.0	19.5
Debt	468.5	1,217.4	1,029.5	585.4
Equity	582.3	2,684.1	1,297.3	841.3
Debt and equity	1,050.9	3,901.4	2,326.9	1,426.7
Valuation of investment property	1,152.1	3,968.5	2,391.0	1,496.8
<b>Adjusted ratios</b>				
Annual revenue growth (%)	5.2	(1.9)	147.4	11.3
EBITDA margin (%)	65.3	85.0	79.6	74.8
Return on capital (%)	3.8	3.9	6.0	4.2
EBITDA interest coverage (x)	1.4	4.8	3.4	4.3
Debt/EBITDA (x)	12.3	8.5	8.9	11.6
FFO/debt (%)	3.1	9.6	8.6	6.9
Debt/debt and equity (%)	44.6	31.2	44.2	41.0

## Financial Risk: Aggressive

Our assessment of DEMIRE's financial risk profile factors in the ownership structure, under which the company is majority controlled by financial sponsor Apollo. Although we see that Apollo supports DEMIRE with equity and underpins its publicly stated financial policy of net LTV below 50% over the medium term, the visibility of the shareholder's investment horizon is limited. The financial-sponsor assessment also reflects our view that the company could be pushed to more aggressive leverage or redevelopment of cash flow proceeds than listed companies with a material free float, for example.

That said, we forecast debt to debt plus equity will remain moderate at close to 50% and EBITDA interest coverage will improve to 2.0x-2.2x over the next 12-24 months. We believe the company will take an adequate mix of debt and

equity to support any further portfolio growth, which will remain in line with our forecast ratios.

In addition, we note that DEMIRE has a redeemable minority interest of about €74 million, as of first-quarter 2019, related to the closed-end funds of its subsidiary Fair Value REIT AG (FVR), which in most cases owns about 50% or more. We do not adjust our credit metrics for the minority interest, since we understand that the termination of the partners of the funds is complicated and may take several years until settlement payments are made. The termination right relates solely to the respective fund and not to DEMIRE or its subsidiary FVR. Also, DEMIRE has no direct control over how the termination rights are exercised, and a majority decision is required for any sale of the assets within the fund. In addition, the funds have been in place for more than 20 years and only a small amount has been terminated so far.

We adjust our calculations for any exercised termination and include these amounts in our debt figure. We may change our view if we believe the likelihood of the termination of a large portion of the minority interest had increased, leading us to include the full redeemable minority interest amount in our adjusted debt figure.

## Financial summary

**Table 3**

DEMIRE Deutsche Mittelstand Real Estate AG--Financial Summary					
Rolling 12 months	--March 31, 2019--	--Dec. 31, 2018--	--Sept. 30, 2018--	--June 30, 2018--	--March 31, 2018--
<b>(Mil.€)</b>					
Revenue	62.4	58.5	56.2	56.4	54.9
EBITDA	41.7	38.2	32.3	31.7	36.2
Funds from operations (FFO)	18.7	14.5	(4.0)	(10.6)	(10.5)
Interest expense	26.2	26.4	23.6	30.9	31.3
Net income from continuing operations	49.2	61.6	51.1	49.5	31.8
Cash flow from operations	16.6	16.0	2.4	(4.2)	(9.1)
Capital expenditures	25.6	24.7	4.4	3.8	4.5
Cash and short-term investments	187.2	190.4	88.5	93.8	69.5
Debt	466.2	468.5	592.8	591.3	628.7
Equity	589.0	582.3	404.9	402.8	325.6
Debt and equity	1,055.2	1,050.9	997.7	994.0	954.3
<b>Adjusted ratios</b>					
Annual revenue growth (%)	13.6	5.2	(0.3)	0.5	(7.4)
EBITDA margin (%)	66.9	65.3	57.3	56.2	65.9
Return on capital (%)	3.9	3.6	3.4	2.8	3.6
EBITDA interest coverage (x)	1.6	1.4	1.4	1.0	1.2
Debt/EBITDA (x)	11.2	12.3	18.4	18.7	17.4
Debt/debt and equity (%)	44.2	44.6	59.4	59.5	65.9

## Liquidity: Adequate

We assess DEMIRE's liquidity as adequate. We estimate that the company's liquidity sources will likely cover uses at least 1.2x for the next 12 months after the closing of recent acquisitions.

Principal Liquidity Sources	Principal Liquidity Uses
<ul style="list-style-type: none"> <li>Unrestricted cash balances of about €187.2 million as of March 31, 2019.</li> <li>Our forecast of cash funds from operations (FFO) of €12 million-€15 million.</li> <li>Committed bank debt issuance of €97 million to finance the acquisition of the Karstadt retail portfolio (already paid out in June 2019).</li> </ul>	<ul style="list-style-type: none"> <li>About €16.8 million of short-term debt maturities, mainly reflecting amortization of debt.</li> <li>About €10 million of capex for the next 12 months including tenant improvements, of which we understand most is not committed.</li> <li>About €240 million of signed acquisitions, including €167 million of office assets (closed in April 2019) and about €71 million of retail assets (closed in July 2019).</li> <li>About €4.0 million of dividend payments related to its subsidiary FVR and minority interest.</li> </ul>

## Covenant Analysis

DEMIRE has covenants under the documentation for its outstanding mortgage debt and promissory notes. In addition, the company has covenants under documentation for its outstanding corporate bond, mainly relating to the fixed-charge coverage ratio (greater than 1.75x), net LTV (less than 60%), and net secured LTV (less than 40%).

We expect that the company will maintain adequate headroom (greater than 10%) under all outstanding financial covenants.

## Other Credit Considerations

Our rating on DEMIRE continues to incorporate one notch of uplift from the anchor, based on our comparable ratings analysis. In our view, this reflects DEMIRE's growth strategy, which should enhance and diversify its portfolio further while keeping vacancy rates below 10%.

We also view favorably the company's recent execution on financial policy targets translating to adjusted debt to debt plus equity close to 50%.

## Issue Ratings - Recovery Analysis

### Key analytical factors

- The issue rating on DEMIRE's senior unsecured nominal €400 million notes due 2022 is 'BB+', one notch above the issuer credit rating. The recovery rating is '2', reflecting the valuable asset base consisting of investment properties.
- Our recovery prospects are constrained by the unsecured nature of the debt instrument and its contractual subordination to the current amount of secured debt (such as mortgage loans). For asset-intensive companies, such as real estate companies, we cap our recovery rating on senior unsecured debt at '2'. We expect recoveries will be about 85% or more. We also take into account recent signed acquisitions and secured lending.
- In our hypothetical default scenario, we envisage a severe macroeconomic downturn in Germany, resulting in market depression and exacerbated competitive pressures.
- We value the group as a going concern. Our stressed valuation figure comprises the stressed value of the company's property portfolio.
- Recovery prospects for the senior unsecured notes are very sensitive to a small change in the amount of senior secured debt or any other priority debt outstanding at default. Since there is no limitation on the incurrence of additional debt in the bond documentation, recoveries could be much lower if the amount of secured debt at default differs from our projections.

### Simulated default assumptions

- Year of default: 2022
- Jurisdiction: Germany

### Simplified waterfall

- Gross enterprise value (EV) at emergence: €980 million
- Net EV at emergence after administrative costs: €931 million
- Estimated priority debt (mortgages and other secured debt): €374 million
- Net EV available to senior unsecured bondholders: €557 million
- Senior unsecured debt claims: €406 million
- Recovery expectation: 70%-90% (rounded estimate: 85%)

\*All debt amounts include six months' prepetition interest.

## Reconciliation

Table 4

**Reconciliation Of DEMIRE Deutsche Mittelstand Real Estate AG Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. €)**

--Fiscal year ended Dec. 31, 2018--

DEMIRE Deutsche Mittelstand  
Real Estate AG reported  
amounts

	<b>Debt</b>	<b>Shareholders' equity</b>	<b>EBITDA</b>	<b>Operating income</b>	<b>S&amp;P Global Ratings' adjusted EBITDA</b>	<b>Cash flow from operations</b>
Reported	636.6	537.9	34.0	127.1	38.2	38.9
<b>S&amp;P Global Ratings' adjustments</b>						
Cash taxes paid	--	--	--	--	(0.9)	--
Cash taxes paid - Other	--	--	--	--	--	--
Cash interest paid	--	--	--	--	(22.8)	--
Reported lease liabilities	2.1	--	--	--	--	--
Accessible cash and liquid investments	(171.4)	--	--	--	--	--
Share-based compensation expense	--	--	1.4	--	--	--
Nonoperating income (expense)	--	--	--	0.5	--	--
Reclassification of interest and dividend cash flows	--	--	--	--	--	(22.8)
Noncontrolling interest/minority interest	--	44.4	--	--	--	--
Debt - Contingent considerations	0.1	--	--	--	--	--
Debt - Other	1.2	--	--	--	--	--
EBITDA - Gain/(loss) on disposals of PP&E	--	--	(0.1)	(0.1)	--	--
EBITDA - Valuation gains/(losses)	--	--	2.9	2.9	--	--
D&A - Asset valuation gains/(losses)	--	--	--	(93.1)	--	--
Total adjustments	(168.0)	44.4	4.2	(89.7)	(23.7)	(22.8)
<b>S&amp;P Global Ratings' adjusted amounts</b>						
	<b>Debt</b>	<b>Equity</b>	<b>EBITDA</b>	<b>EBIT</b>	<b>Funds from operations</b>	<b>Cash flow from operations</b>
Adjusted	468.5	582.3	38.2	37.3	14.5	16.0

## Ratings Score Snapshot

### Issuer Credit Rating

BB/Stable/--

### Business risk: Fair

- **Country risk:** Very low
- **Industry risk:** Low
- **Competitive position:** Fair

**Financial risk: Aggressive**

- **Cash flow/Leverage:** Aggressive

**Anchor: bb-**

**Modifiers**

- **Diversification/Portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** FS-5 (no additional impact)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Fair (no impact)
- **Comparable rating analysis:** Positive (+1 notch)

**Related Criteria**

- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria - Corporates - Industrials: Key Credit Factors For The Real Estate Industry, Feb. 26, 2018
- Criteria - Corporates - General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

**Business And Financial Risk Matrix**

<b>Business Risk Profile</b>	<b>Financial Risk Profile</b>					
	Minimal	Modest	Intermediate	Significant	<b>Aggressive</b>	Highly leveraged
Excellent	aaa/aa+	aa	a+ / a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+ / a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
<b>Fair</b>	bbb/bbb-	bbb-	bb+	bb	<b>bb-</b>	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

**Ratings Detail (As Of July 11, 2019)\*****DEMIRE Deutsche Mittelstand Real Estate AG**

Issuer Credit Rating BB/Stable/--

Senior Unsecured BB+

**Issuer Credit Ratings History**

17-Jul-2017 BB/Stable/--

\*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

**Additional Contact:**

Industrial Ratings Europe; Corporate\_Admin\_London@spglobal.com

Copyright © 2019 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.