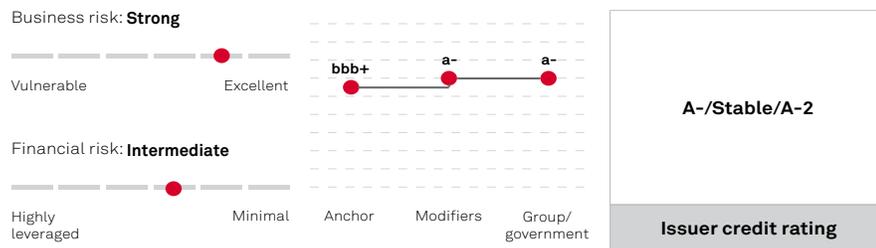


Vesteda Residential Fund FGR

May 1, 2025

This report does not constitute a rating action.

Ratings Score Snapshot



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Credit Highlights

Overview

Key strengths

Good market position as the Netherlands' largest single fund institutional residential real estate investor, with a property portfolio value of €9.8 billion as of Dec. 31, 2024.

Solid operating performance, with positive like-for-like rental growth and high occupancy levels above 98%.

Conservative financial discipline in the past few years, with low leverage and S&P Global Ratings-adjusted debt to debt plus equity maximum 30% (25.6% as of Dec. 31, 2024).

Key risks

Concentration in the Netherlands, resulting in a reliance on the Dutch economy's performance, which has experienced more fluctuations in valuations throughout economic cycles compared to other Western European countries.

Relatively high ratio of debt to EBITDA of 10.1x (as of Dec. 31, 2024) for its current rating level, although EBITDA lacks full year contribution from recently completed projects.

We anticipate leverage metrics to remain broadly stable over the next 12-24 months, including the disciplined investment strategy and support of stable valuations.

We expect Vesteda's investment plans going forward adhere to the company's strict financial policy of a reported loan-to-value (LTV) below 30% (25.6% in 2024), corresponding to S&P Global Ratings-adjusted debt to debt plus equity at about 30% (26.6% year-end 2024). We understand that Vesteda aims to spend no more than €50 million annually on new acquisitions and further portfolio growth, coming primarily from its development pipeline, adding approximately 637 units by year end 2025. This represents an estimated amount of capital expenditure (capex) of €120 million-€160 million this year, a decrease from previous years when Vesteda had €302 million of capex in 2023 and €229 million in 2024. We expect the company will fund future capex with a mix of cash flow from operations, asset disposals, and undrawn available credit lines. Accordingly, over the next 12-24 months, we forecast Vesteda will maintain a debt-to-debt plus equity of about 27.0%, including our assumption of flat fair value adjustments in 2025 (for first quarter 2025, Vesteda reported a positive 1.3% revaluation). In 2024, the company reported positive like for like portfolio valuation of 10.5%, which, while high, appears consistent with other Dutch market participants. For example, Heimstaden Bostad AB reported a 15.2% increase in its Dutch assets. We expect the company to keep its S&P Global Ratings-adjusted debt-to-EBITDA at 9x-10x over the next 24 months (10.1x in 2024), as its acquisition pipeline completes and fully contributes to its EBITDA base.

Vesteda's S&P Global Ratings-adjusted EBITDA interest coverage has tightened to our current rating threshold, but we expect it to remain above 3.8x over the next 24 months.

In 2024, adjusted ratio of EBITDA interest coverage dropped to 3.8x, closer to our rating downside threshold of "well below 3.8x". That said, we forecast the average cost of debt will remain at around 2.5% over the next 12-18 months (2.5% in 2024) and EBITDA will increasingly benefit from the company's recently completed investment pipeline. We anticipate that EBITDA interest coverage will mature at around 4.0x in 2025 and 2026, supported by 3%-4% of annual like-for-like rental growth and the contribution from newly delivered units. We will monitor the development of its interest servicing capacity closely and expect Vesteda to take necessary steps if a further weakening materializes.

Vesteda will continue to benefit from the solid fundamentals of the Dutch residential property sector and increased regulatory clarity.

We expect Vesteda's operating performance to remain stable, underpinned by expected like-for-like rental growth of 3.5%-4.0% in 2025 and 2026 (5.0% in 2024) and a high occupancy rate of nearly 99% (98.4% in 2024). The portfolio is concentrated in major Dutch cities, which benefit from strong demographic growth, solid housing demand, and constrained new supply. Vesteda applies an annual inflation adjustment plus a 1.0% cap to most of its rental contracts. We understand that Vesteda applies the same rental indexation policy across its social, mid-rental, and liberalized housing segments. This is also in line with latest rent regulation changes in the Dutch market.

Outlook

The stable outlook reflects our view that Vesteda will continue benefiting from stable rental income, thanks to high occupancy rates and favorable demand trends for its Dutch residential assets. We anticipate the company will maintain S&P Global Ratings-adjusted debt to debt plus equity at about 27%, debt to EBITDA of 9x-10x, and EBITDA interest coverage of about 4x over the next 12-24 months.

Downside scenario

We could lower the rating on Vesteda if, on a prolonged basis:

- Debt to debt plus equity increases well beyond 30%;
- EBITDA interest coverage falls well below 3.8x; or
- Debt to annualized EBITDA increases above 9.5x.

This could occur if the company undertakes large, debt-financed acquisitions, if capital expenditure (capex) exceeds our expectation, or if it experiences significant negative portfolio revaluations beyond our current base case.

A deterioration of the company's current liquidity cushion by more than we consider commensurate with an investment-grade rating could also prompt us to lower the rating.

Upside scenario

Rating upside is limited, unless Vesteda significantly expands its portfolio's scale and scope so that it is more aligned with that of higher-rated peers, while maintaining its current financial policy and credit metrics. Such an expansion would also result in stronger portfolio diversification in markets and regions with favorable supply and demand trends and solid demographic prospects, implying a favorable operating environment and visibility of stable valuations.

Our Base-Case Scenario

Assumptions

- Real Netherlands GDP grows 1.5% in 2025 and 1.2% in 2026. CPI growth remains 2.8% in 2025 and 2.2% in 2026. Annual like-for-like rental income grows 4.0% in 2025 and about 3.5% in 2026 based on our assumptions of continued demand for Vesteda's assets.
- A stable gross EBITDA margin of approximately 66% over the next 12 months, and then gradually increasing to 67%-68% in 2026 and 2027.
- Annual capex for the existing portfolio and new development of €120 million-€160 million for the next 12-24 months.
- Moderate asset rotation, with disposals of €150-€160 million in 2025 and €120 million-€130 million in 2026, in line with the company's strategy.
- Flat portfolio fair value adjustments in 2025 and 2026.
- An annual fund redemption of €50 million, in line with the company's forecast.
- Annual dividend payouts of about €200 million in 2025 and 2026, in line with the company's financial policy.
- Average cost of debt has been assumed to be stable at around 2.5% in 2025, gradually increasing to 2.7% in 2026.

Key metrics

Vesteda Residential Fund FGR--Forecast summary

Period ending	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
(Mil. EUR)	2021a	2022a	2023a	2024a	2025e	2026f	2027f
Revenue	347	363	378	399	415	433	450

Vesteda Residential Fund FGR

Vesteda Residential Fund FGR--Forecast summary

EBITDA	239	247	258	261	274	291	306
Funds from operations (FFO)	206	210	209	214	214	220	222
EBIT	236	243	254	260	272	290	306
Interest expense	40	42	56	69	66	76	89
Capital expenditure (capex)	204	196	302	229	120- 160	141	132
Dividends	186	195	199	200	200	200	200
Debt	2,121	2,315	2,597	2,633	2,670	2,720	2,752
Equity	7,553	7,298	6,392	7,271	7,233	7,202	7,173

Adjusted ratios

Debt/EBITDA (x)	8.9	9.4	10.1	10.1	9.7	9.3	9.0
EBITDA interest coverage (x)	6.0	5.9	4.6	3.8	4.1	3.9	~3.7
EBITDA margin (%)	68.9	68.0	68.3	65.4	66.0	67.3	68.0
Debt/debt and equity (%)	21.9	24.1	28.9	26.6	27.0	27.4	27.7

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. EUR--euro.

Company Description

Vesteda is an open-ended fund and one of the largest unlisted investment funds in the Netherlands. As of Dec. 31, 2024, the portfolio comprised 28,069 residential units valued at €9.8 billion. The company focuses on residential properties in the Dutch midmarket unregulated sector (85% of the portfolio value as of Dec. 31, 2024), with limited exposure to the mid-rental regulated segment (13%) and regulated rents (2%).

Peer Comparison

Vesteda Residential Fund FGR--Peer Comparisons

	Vesteda Residential Fund FGR	Gecina	Vonovia SE	Grand City Properties S.A.	Akelius Residential Property AB
Foreign currency issuer credit rating	A-/Stable/A-2	A-/Stable/A-2	BBB+/Stable/A-2	BBB+/Negative/A-2	BBB-/Stable/A-3
Local currency issuer credit rating	A-/Stable/A-2	A-/Stable/A-2	BBB+/Stable/A-2	BBB+/Negative/A-2	BBB-/Stable/A-3
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2024-12-31	2024-12-31	2024-12-31	2024-12-31	2024-12-31
Revenue	399	696	3,438	592	357
EBITDA	261	576	2,276	330	188
Funds from operations (FFO)	214	488	1,258	205	117
Interest expense	69.0	106.4	821.3	124.0	47.2
Operating cash flow (OCF)	219	508	1,708	200	140
Capital expenditure	229	439	1,130	86	157
Dividends paid	200.0	393.4	650.1	(19.6)	25.8
Cash and short-term investments	1	179	2018.5	1,514	100

Vesteda Residential Fund FGR

Vesteda Residential Fund FGR--Peer Comparisons

Debt	2,633	6,701	41,954	3,678	2,921
Equity	7,271	10,522	28,127	4,775	3,548
Valuation of investment property	9808.0	14828.2	81449.8	8628.9	5982.0
Adjusted Ratios					
EBITDA margin (%)	65.4*	82.7	64.3	55.8*	52.7*
EBITDA interest coverage (x)	3.8	5.4	2.8	2.7	4.0
Debt/EBITDA (x)	10.1	11.6	18.4	11.1	15.5
Debt/debt and equity (%)	26.6	38.9	59.9	43.5	45.2

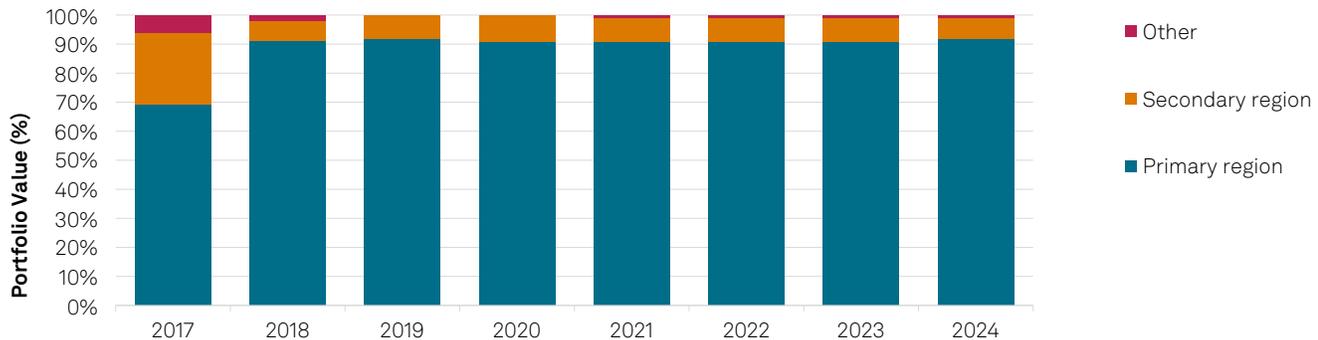
*Calculation based on gross rental income

Business Risk

Vesteda's business risk profile reflects our view of the company's well-positioned portfolio of residential properties in the Netherlands, valued at about €9.8 billion as of Dec. 31, 2024, and comprising 28,069 residential units generating stable and recurring cash flows. Our assessment is further supported by the good location of Vesteda's assets, which compares favorably with other rated residential real estate companies in Europe. Over 90% of Vesteda's portfolio is in its primary region of the Netherlands, spread across the country, with Amsterdam representing the largest share of Vesteda's assets (21%), followed by Rotterdam (9%), Utrecht (5%) and Almere (5%). We view these regions as more resilient than the secondary regions given the Netherlands' stronger economic and demographic trends.

Vesteda Residential Fund FGR--Portfolio by region

As of December 31, 2024



Source: S&P Global Ratings.

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Vesteda continued to dispose of its assets from secondary regions in 2024, following its strategy to maintain significant portfolio exposure to the prime regions in the Netherlands. The company's business risk profile is underpinned by its strong record of stable rental income. Vesteda's like-for-like rental revenues increased by 5% during 2024, versus 4.7% in 2023, supported by the annual rent-rise of 3.8% and a 0.9% increase due to re-lettings. We believe that Vesteda continues to benefit from the current dynamics of the Dutch market including

Vesteda Residential Fund FGR

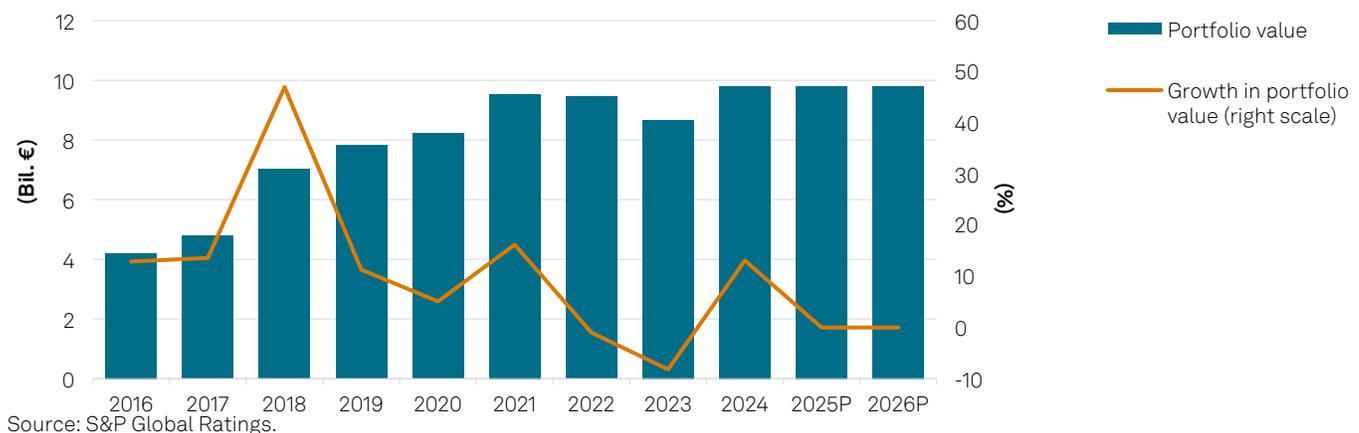
persistent supply shortages, resulting from limited new construction and solid demand for housing. Higher construction costs, a labor shortage in the construction sector, and a reduction in new building permits increases replacement costs, further limiting new supply.

The Dutch government implemented the Affordable Rent Act on July 1, 2024, to include part of the midmarket rental segment in the regulated category. The impact on Vesteda's operations was relatively small, as a total of 3,000 units, or about 13% of its property portfolio was reclassified in the regulated segment with a cap on rental growth, most of the impact was mitigated by investments into the units. We expect moderate inflation of between 2% to 3%, continued solid demand, and limited supply in the Netherlands will support rental growth of about 4% over the next 12 months and about 3.5% over the next 24 months. We expect the occupancy rate to remain strong at 98% to 99% (98.4% at the end of 2024) over the next 12-24 month, mainly due to strong demand and Vesteda's significant exposure to the Randstad area, the region in the Netherlands with the most demand for housing.

Vesteda's €9.8 billion portfolio benefited from a significant positive like-for-like revaluation of about 10.5% in 2024, with gross initial yield of 4.3% in 2024 (4.6% in 2023). We understand this was mainly driven by yield contraction. In our base-case, we remain conservative and assume flat portfolio revaluations over the next 12-24 months.

Vesteda Residential Fund FGR--Growth in Portfolio value

Portfolio value over the years



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We understand that the company's committed investment pipeline has an estimated value of €233 million at completion as of year-end 2024, reduced from €530 million in previous year. We understand Vesteda will finance the remaining amount with a mix of disposal proceeds and undrawn available credit lines. All projects align with Vesteda's strategy, as the majority are situated in urban expansion areas of major cities in the Netherlands, in terms of rental segments and energy efficiency. We expect Vesteda's project pipeline to remain limited to less than 10% of its overall portfolio, and we believe the company can defer proposed investments to future years if necessary to remain in line with its financial policy.

Financial Risk

Our assessment of Vesteda's financial risk profile is supported by its low leverage compared to the industry. Vesteda maintains a reported LTV target of below 30%, equivalent to our ratio of

debt to debt plus equity of about 30%, which is among the most conservative LTV targets in our portfolio of rated residential real estate companies in Europe. In 2022, 2023, and in 2024, Vesteda received redemption requests, that led to a paid redemptions of €50 million per year. Redemption requests have been increasing among European real estate funds, as investors rebalance their portfolios and reduce their appetite for more cyclical sectors such as real estate over the last few years. The maximum redemption Vesteda allows per year is €50 million, and we have included a €50 million annual redemption in our base case for the company for the next 12-24 months. We expect its S&P Global Ratings-adjusted debt to debt plus equity to be at about 27%, with good headroom to our rating downside threshold of well above 30%. We expect the company to take sufficient steps to remain at maximum LTV target of 30% and therefore in line with our requirements for the current rating level. Further, Vesteda has served redemption request of an additional €90 million in 2024 in secondary transactions by entrance of a new investor, MITT pension fund.

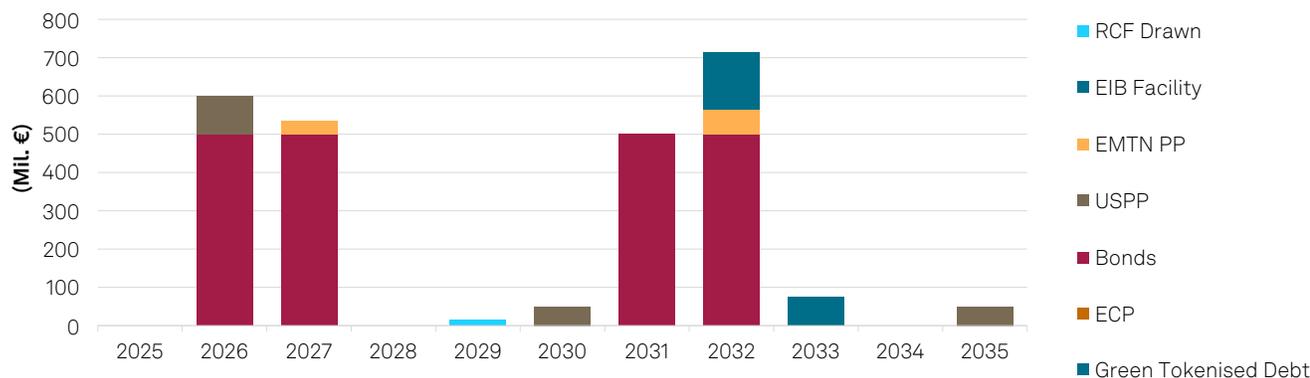
Given management's established track record of prudent financial discipline, including maintaining consistently low leverage in recent years, we expect Vesteda to continue operating with conservative leverage metrics. That being said, Vesteda's S&P Global Ratings-adjusted EBITDA interest coverage ratio weakened to about 3.8x at year-end 2024, down from 4.6x in 2023, primarily due to a higher average cost of debt (2.5% in 2024 versus 2.2% in 2023) and increased gross debt levels. Therefore, the ratio's headroom to our current rating requirements is now limited. We expect the coverage ratio to remain above 3.8x over the next 12 to 24 month and that Vesteda takes sufficient steps if market drivers would pressure the ratio further. Vesteda benefits from a largely fixed or hedged debt profile (94% of total debt as of December 2024, up from 76% the previous year), which offers some protection against further interest rate volatility. While the company has no significant maturities in 2025, we will closely monitor refinancing developments over the next 12 months ahead of the €500 million bond maturity in July 2026. Vesteda maintains a well-diversified funding mix, including unsecured bonds, private placements, a commercial paper program, a revolving credit facility, and loans from the European Investment Bank. We expect the company's debt to EBITDA to remain at 9x-10x in the next 12-24 months, reflecting its committed project development pipeline and investments in sustainability, partially offset by disposals. We assume its debt to annualized EBITDA will be closer to 9x and should be more visible in 2026, when we expect investments to slow down and reflect EBITDA contribution.

Debt maturities

Vesteda has a weighted-average debt maturity of 5.0 years as of Dec. 31, 2024. Its next significant debt occurs in July 2026, when a €500 million bond and a €100 million U.S. private placement are set to mature followed by another €500 million bond maturity in May 2027.

Vesteda Residential Fund FGR--Debt maturities

As of Dec. 31, 2024



EIB--European Investment Bank. EMTN PP--Euro medium-term note private placement. USPP--U.S private placement. ECP--Euro Comm RCF--Revolving credit facility. Sources: S&P Global Ratings and company reports. Source: S&P Global Ratings.

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Vesteda Residential Fund FGR--Financial Summary

Period ending	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024
Reporting period	2019a	2020a	2021a	2022a	2023a	2024a
Display currency (mil.)	EUR	EUR	EUR	EUR	EUR	EUR
Revenues	329	335	347	363	378	399
EBITDA	232	229	239	247	258	261
Funds from operations (FFO)	192	196	206	210	209	214
Interest expense	40	41	40	42	56	69
Operating cash flow (OCF)	196	168	199	209	213	219
Capital expenditure	192	138	204	196	302	229
Dividends paid	344	195	186	195	199	200
Cash and short-term investments	3	2	109	11	4	1
Debt	1,942	2,062	2,121	2,315	2,597	2,633
Common equity	6,022	6,294	7,553	7,298	6,392	7,271
Valuation of investment property	8,012	8,387	9,717	9,448	8,674	9,808
Adjusted ratios						
EBITDA margin (%)	70.5	68.4	68.9	68.0	68.3	65.4
EBITDA interest coverage (x)	5.8	5.6	6.0	5.9	4.6	3.8
Debt/EBITDA (x)	8.4	9.0	8.9	9.4	10.1	10.1
Debt/debt and equity (%)	24.4	24.7	21.9	24.1	28.9	26.6

Reconciliation Of Vesteda Residential Fund FGR Reported Amounts With S&P Global Adjusted Amounts (Mil. EUR)

Financial year	Dec-31-2024	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	Dec-31-2024										

Vesteda Residential Fund FGR

Reconciliation Of Vesteda Residential Fund FGR Reported Amounts With S&P Global Adjusted Amounts (Mil. EUR)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Company reported amounts	2,526	7,271	399	307	1,196	69	261	265	200	229
Cash taxes paid	-	-	-	-	-	-	(1)	-	-	-
Cash interest paid	-	-	-	-	-	-	(46)	-	-	-
Lease liabilities	108	-	-	-	-	-	-	-	-	-
Accessible cash and liquid investments	(1)	-	-	-	-	-	-	-	-	-
Nonoperating income (expense)	-	-	-	-	1	-	-	-	-	-
Reclassification of interest and dividend cash flows	-	-	-	-	-	-	-	(46)	-	-
EBITDA - Gain/(loss) on disposals of PP&E	-	-	-	(46)	(46)	-	-	-	-	-
D&A: Asset valuation gains/(losses)	-	-	-	-	(891)	-	-	-	-	-
Total adjustments	107	-	-	(46)	(936)	-	(47)	(46)	-	-
S&P Global Ratings adjusted	Debt	Equity	Revenue	EBITDA	EBIT	Interest expense	Funds from Operations	Operating cash flow	Dividends	Capital expenditure
	2,633	7,271	399	261	260	69	214	219	200	229

Liquidity

We assess Vesteda's liquidity as adequate and forecast sources will cover funding needs by above 1.2x over the next 12 months beginning March 31, 2025. The short-term rating is 'A-2'.

Principal liquidity sources

- About €2.5 million of unrestricted cash and about €705 million available under the undrawn bank lines, and European Investment Bank agreement as of March 31, 2025; and
- Our forecast of €195 million-€205 million of cash funds from operations.

Principal liquidity uses

- About €14.5 million of short-term debt maturities;
- €12 million of committed capex;
- About €50 million of equity redemption payments; and
- Cash dividend distribution of €195 million

Covenant Analysis

Requirements

Vesteda must comply with the following financial maintenance covenants:

- An LTV ratio of maximum 50% (as of Dec. 31, 2024, it was 25.6%); and
- An interest coverage ratio of minimum 2.0x (as of Dec. 31, 2024, 4.3x)

Vesteda's LTV target, of less than or equal to 30%, is more conservative than the LTV covenant.

Analytical conclusions

We see limited subordination risk for Vesteda's unsecured debt because there is no amount of secured debt outstanding in its capital structure. Therefore, we continue to align our issue ratings on the unsecured bonds with our issuer credit rating on Vesteda.

Compliance expectations

As of Dec. 31, 2024, Vesteda had significant headroom of above 30% under all its financial maintenance covenants. We expect Vesteda to maintain solid headroom under all financial covenants going forward.

Environmental, Social, And Governance

ESG factors are a neutral consideration in our credit rating analysis of Vesteda. The company implemented a sustainability improvement strategy to ensure that 99% of its properties achieve green energy labels by year-end 2024. This will help the company reduce greenhouse gas emissions and cut its carbon footprint by 55% by 2030 and 95% by 2050, compared with 1990 levels. We understand the company will allocate about €25 million-35 million for sustainability investments per year over 2025-2027 to continue improving the portfolio's quality and energy performance. Vesteda issued its first green bond in May 2019 and its second in October 2021, followed by the third in April 2024, under its green financing framework.

Issue Ratings--Subordination Risk Analysis

Capital structure

As of Dec. 31, 2024, the capital structure solely comprised unsecured debt. Unsecured bonds are issued by the company's financing entity, Vesteda Finance B.V. (A-/Stable/A-2).

Analytical conclusions

We rate the senior unsecured bond 'A-', in line with the issuer credit rating. This is because the company's exposure to secured debt is 0% as of Dec. 31, 2024.

Vesteda Residential Fund FGR

Rating Component Scores

Foreign currency issuer credit rating	A-/Stable/A-2
Local currency issuer credit rating	A-/Stable/A-2
Business risk	Strong
Country risk	Very Low
Industry risk	Low
Competitive position	Strong
Financial risk	Intermediate
Cash flow/leverage	Intermediate
Anchor	bbb+
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Positive (+1 notch)
Stand-alone credit profile	a-

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- 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
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- 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, Jan.7, 2024
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Industry Credit Outlook 2025: Real Estate, Jan. 14, 2025

Vesteda Residential Fund FGR

- HYPERLINK

"<https://www.capitaliq.com/ciqdotnet/CreditResearch/SPResearch.aspx?ArtObjectId=101602371&ArtRevid=1>"Tear Sheet: Vesteda Residential Fund FGR, Aug. 9, 2024

Ratings Detail (as of May 01, 2025)*

Vesteda Residential Fund FGR

Issuer Credit Rating	A-/Stable/A-2
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Issuer Credit Ratings History

23-Apr-2021	A-/Stable/A-2
24-Jan-2019	BBB+/Stable/A-2
22-Apr-2016	BBB+/Stable/--

Related Entities

Vesteda Finance B.V.

Issuer Credit Rating	A-/Stable/A-2
Senior Unsecured	A-

*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.

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