S&P Global Ratings

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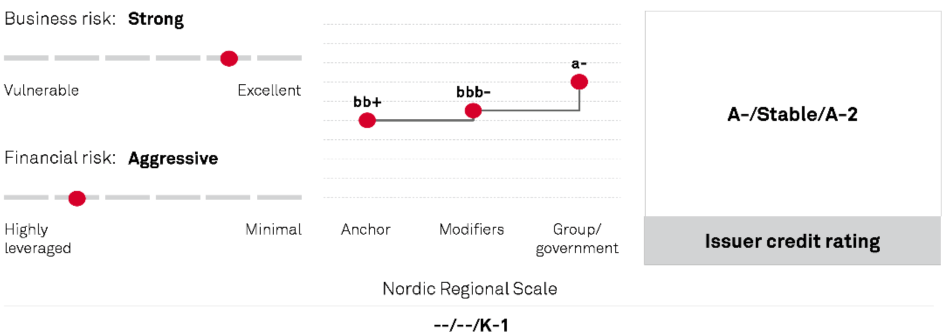
Hemsö Fastighets AB

September 6, 2022

Ratings Score Snapshot



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Credit Highlights

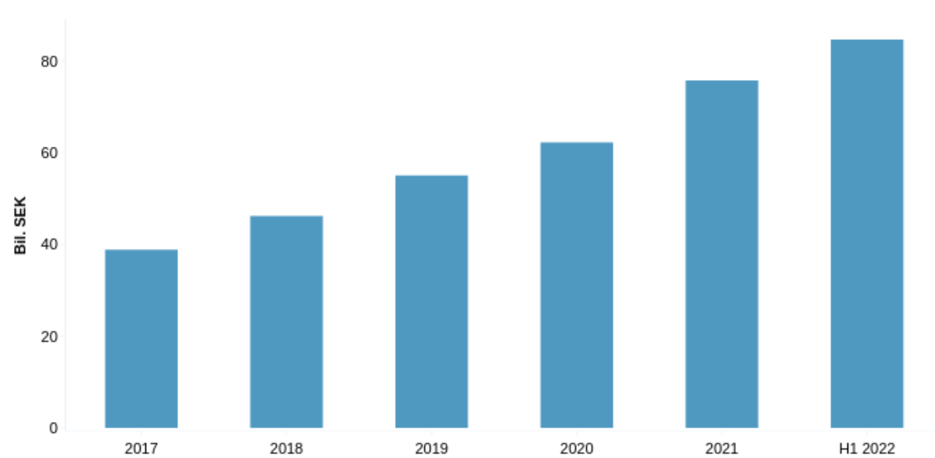
Overview

Key strengths	Key risks
A relatively large property portfolio worth Swedish krona (SEK) 84.7 billion as of June 30, 2022, comprising stable community service properties such as nursing homes (38% of the portfolio's gross asset value), educational facilities (32%), health care facilities (16%), and justice systems (13%).	Moderately high leverage compared to rated European peers, with debt to debt plus equity of just below 60% as of June 30, 2022, and debt to EBITDA of about 17x.
Positive underlying demographic trends such as the growing and aging population, supporting high occupancy rates of 97%-98% and a long average lease duration of nine-to-10 years.	High geographical concentration, with 67% of assets located in Sweden.
A low cost of debt of only 1.1% as of the second quarter of 2022, with 75% of debt being fixed-rate, as well as a lack of material short-term debt maturities, supporting high debt-servicing capacity and mitigating short-term refinancing risks.	The risk of the inflationary environment persisting, which could put pressure on the cost base and margin.
A strong track record of commitment from its main shareholder, AP3, one of the largest state-owned pension funds in Sweden.	

Favorable market dynamics should support Hemsö Fastighets AB's (Hemsö's) stable operating performance over the next 12-24 months. Hemsö managed to increase its rental income during the first half of 2022, with 4.9% like-for like growth on the back of positive indexation and renegotiated contracts. As most of the lease agreements are linked to inflation, we forecast that like-for-like rental income growth will remain relatively high over the coming 12-24 months. Hemsö has consistently maintained high occupancy rates of 97%-98%, with a rental yield of about 4%, which we expect to continue over the next 12-24 months. We believe that Hemsö will be able to maintain a high occupancy rate thanks to the growing and aging population.

We expect Hemsö's portfolio to grow through acquisitions and development projects, while we see a risk of increases in construction costs and pressure on asset revaluations. Hemsö's portfolio grew from SEK75.7 billion in 2021 to SEK84.7 billion as of the first half of 2022 (SEK 62.2 billion as of 2020). This was the result of SEK1.4 billion of acquisitions and SEK1.9 billion of capital expenditure (capex) and development projects. Portfolio growth during the first half of 2022 also included property revaluations of SEK4.5 billion, implying a 5.9% like-for-like increase in value. We understand that the portfolio growth was mainly driven by increased cash flow, whereas yields remained unchanged. While we believe that Hemsö will continue growing through acquisitions and development projects, in line with its strategy, we forecast flattish growth in property valuations, reflecting uncertainties in the transaction market on the back of rising interest rates.

Hemsö's Portfolio Growth, 2017- H1 2022



Source: Company reports and S&P Global Ratings.

We expect the company to finance its growth strategy with a balanced mix of debt and equity, in line with its financial policy. This means that leverage should not rise in the coming 12-24 months. We expect Hemsö's debt to debt plus equity to remain at 57%-60%, with debt to EBITDA remaining relatively high, at about 16x, in the coming 12-24 months. We view positively the company's high exposure to fixed-rate debt of about 75%, as well as its limited refinancing needs over the same period, which should support continuously high EBITDA interest coverage of above 5x.

Increasing cost inflation may weigh on margins, but the lease structure helps to limit inflationary risk. We understand that cost inflation includes higher energy and electricity costs that could put pressure on the margins. We have noticed a slight decrease in the surplus margins in the second quarter of 2022, to 73.9% from 74.7% in 2021. However, we anticipate increased rental income over the next 12-24 months in the wake of higher inflation, as over 90% of lease contracts are tied to indexation, and expect this to fully offset any cost increases. Furthermore, we expect the contribution from new development projects to further mitigate some of the burden from higher operating costs.

Outlook

The stable outlook reflects our view that Hemsö will continue to generate strong and predictable cash flows, benefiting from its resilient asset segments and large share of public-sector tenants. We anticipate that the company will continue to expand its portfolio in line with its growth strategy, while exhibiting financial discipline. We expect that like-for-like rental income will increase by 2.0%-5.0% in the next 12-24 months, and that the S&P Global Ratings-adjusted ratio of debt to debt plus equity will remain well below 65%. We also forecast an EBITDA interest coverage ratio of above 5x and debt to EBITDA of close to 16x. The stable outlook also reflects our view that Hemsö will remain strategically important to its main shareholder, AP3.

Downside scenario

We could lower the rating if Hemsö's adjusted debt to debt plus equity increases back to 65% or above. This could occur, for instance, due to a negative asset revaluation or debt-funded investments. We could also lower the rating if EBITDA interest coverage falls toward 1.8x or below, or if the ratio of debt to annualized EBITDA differs materially from our forecast. A deterioration in the company's liquidity assessment could also negatively affect the rating. Finally, we could consider lowering the rating on Hemsö if there is a change in AP3's commitment to its investment in Hemsö, which could lead us to revise our view of Hemsö's support from its main shareholder.

Upside scenario

We could raise the rating if we observe stricter financial policies, leading to a structural improvement in Hemsö's liquidity position and more conservative debt metrics. This implies debt to debt plus equity well below 55% on a sustainable basis and debt to EBITDA falling toward 13.0x or below, with EBITDA interest coverage remaining solidly above 4.0x. Such metrics could stem from a stronger portfolio revaluation than we anticipate, or from the contributions from equity-financed acquisitions. This would also assume no change in the shareholder's strategy or commitment toward Hemsö.

Our Base-Case Scenario

Assumptions

In our base-case scenario, we assume the following:

- Real GDP growth in Sweden and Finland of about 3.1% and 2.2%, respectively, for 2022, alongside unemployment rates of 7.5% and 6.4%.
- Like-for-like rental growth of 2%-5% in 2022-2024, benefiting from high inflation, mainly in Sweden, Germany, and Finland.
- A sustained high occupancy rate of 97%-98% in the next 24 months, reflecting the strong demand we anticipate for Hemsö's properties.
- Annual capex of about SEK3 billion, including expenditure on development projects. In addition, we forecast annual acquisition spending of about SEK1 billion-SEK2 billion in 2022 and 2023.
- A positive portfolio revaluation of about 6% in 2022, mainly driven by the revaluation Hemsö achieved in the first half of 2022 and lower revaluations of about 1%-2% in future.
- Dividend payments of close to SEK1 billion annually, in line with the company's dividend policy and strategy.
- A slight increase in the average cost of debt to closer to 1.5%, assuming any new funding or refinancing is at higher rates.

Key metrics

Hemsö Fastighets AB--Key Metrics*

Mil. SEK	2020a	2021a	2022e	2023f	2024f
EBITDA	2280	2618	2750-3000	2750-3000	3000-3250
EBITDA interest coverage (x)	4.7	5.6	5.0-5.5	5.0-5-5	5.5.-6.0
Debt to EBITDA (x)	16.8	16.3	16.0-16.5	15.5-16.0	15.5-16.0

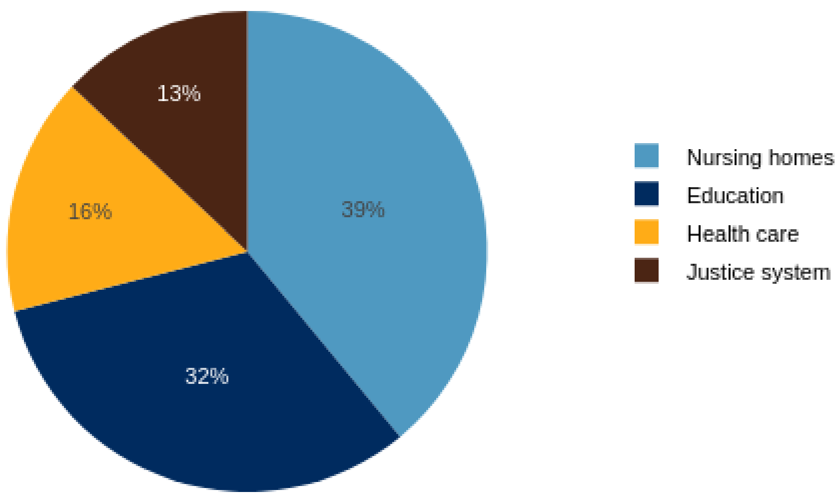
Debt to debt plus equity (%)	65.6	60.0	57-60	55-57	55-57

*All figures adjusted by S&P Global Ratings. a--Actual. e--Estimate. f--Forecast.

Company Description

Hemsö is one of the largest private owners of public service properties in Sweden. It became an independent company in 2009 as a spin-off from Kungsleden, which divested its stake in Hemsö to AP3. Hemsö is 85% owned by AP3 and 15% by AB Sagax. As of June 30, 2022, Hemsö owned 466 properties with a market value of about SEK84.7 billion. The property portfolio is divided into four categories: nursing homes (38%), education (36%), health care (15%), and premises for the legal sector and justice system (11%).

Breakdown Of Hemsö's Portfolio By Segment
Data as of June 30, 2022



Source: Company report.

Peer Comparison

Hemso Fastighets AB--Peer Comparisons

	Hemso Fastighets AB	Aedifica N.V./S.A.	Cofinimmo S.A./N.V.	Icade Sante SAS	Samhallsbyggnadsbolaget i Norden AB (publ)
Foreign currency issuer credit rating	A-/Stable/A-2	BBB/Stable/--	BBB/Stable/A-2	BBB+/Stable/A-2	BBB-/Negative/A-3

Hemso Fastighets AB--Peer Comparisons

Local currency issuer credit rating	A-/Stable/A-2	BBB/Stable/--	BBB/Stable/A-2	BBB+/Stable/A-2	BBB-/Negative/A-3
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2021-12-31	2021-12-31	2021-12-31	2020-12-31	2021-12-31
Revenue	3,638	2,380	3,006	2,860	5,930
EBITDA	2,618	2,006	2,125	2,647	3,810
Funds from operations (FFO)	1,987	1,425	1,836	2,104	2,096
Interest expense	465.0	353.8	313.8	523.4	1280.0
Operating cash flow (OCF)	2,514	1,618	1,933	1,765	3,887
Capital expenditure	4,133	3,188	1,048	1,541	3,941
Dividends paid	905.0	491.0	1113.6	1737.0	1664.0
Cash and short-term investments	687	158	204	4,732	9,837
Debt	42,570	21,916	26,588	18,225	87,467
Equity	28,350	28,644	33,426	33,171	75,163
Valuation of investment property	75737.0	49989.0	58307.6	52283.5	149335.0
Adjusted Ratios					
EBITDA margin (%)	72.0	84.3	70.7	92.6	64.2
EBITDA interest coverage (x)	5.6	5.7	6.8	5.1	3.0
FFO cash interest coverage (x)	5.5	4.4	7.4	7.0	2.4
Debt/EBITDA (x)	16.3	10.9	12.5	6.9	23.0
Debt/debt and equity (%)	60.0	43.3	44.3	35.5	53.8

Business Risk

Hemsö's business risk profile is underpinned by its growing and relatively resilient property portfolio, supported by favorable market fundamentals. Hemsö has a portfolio worth SEK84.7 billion as of June 30, 2022, comprising 466 properties across Sweden (67% of the portfolio's gross asset value), Germany (17%), and Finland (16%). Although Hemsö is present in only three countries, its greatest exposure is to Sweden. That said, these countries are characterized by strong economic fundamentals and positive demographic trends. The portfolio is diversified across several property types within social infrastructure, including nursing homes (39% of property value), educational facilities (32%), health care facilities (16%), and justice system (13%), where demand should remain strong and new supply should be moderate in the next few years. Our analysis is also supported by the high creditworthiness of Hemsö's tenants, with the majority (94%) of the company's rental income stemming from tax-funded tenants, and a high share of public-sector tenants (62%). Hemsö enjoys a stable and longstanding collaboration with the municipalities, which supports its sourcing of new deals. Hemsö also has a well-diversified tenant base, with no large concentration. Its largest tenant is the Swedish police, accounting for about 5.5.% of its annual rental income.

Hemsö's business risk profile is also supported by strong operating parameters, such as the occupancy rate of 96%-97% and the long average lease tenure of 9.7 years, with high retention rates providing visibility and cash flow stability. In our view, the aging population and rising life expectancy in Europe, as well as different government bodies' sizable and increasing investments in health care, will continue to support long-term demand and high occupancy levels.

Hemsö has streamlined its portfolio over the past couple of years by divesting noncore assets. This has resulted in a larger share of the portfolio being located in metropolitan areas (83% as of June 30, 2022). Furthermore, an increased focus on project development has led to a higher share of more modern and efficient assets, with about 29% of the portfolio value stemming from properties built less than five years ago.

Rental increases will likely move in line with inflation and be supported by a shortage of community service properties, allowing for growing and stable cash flows. At the same time, we expect that the company's own development projects (8% of reported EBITDA in

2021) will be hit by the significant rise in raw material costs, lowering the projects' profitability. Nevertheless, we expect the projects to contribute positively to margins from 2022 and beyond.

Financial Risk

Hemso's financial risk profile reflects our expectation that the company will maintain leverage at a moderately high level, with debt to debt plus equity of 57%-60% (59.3% as of June 30, 2022) and relatively high debt to EBITDA of around 15x-16x in the coming 12-24 months. Hemsö's current financial policy, with a maximum loan-to-value (LTV) ratio of 60% (translating into adjusted debt to debt plus equity of about 65%) compares negatively with that of most rated peers. However, we take into account the company's reduction in leverage in recent years and its aim to maintain sufficient headroom under the LTV ratio. Historically, the company's reported LTV ratio has been substantially below the maximum allowance under its financial policy.

Our rating on Hemsö also takes into account the solid track record of capital contributions from its main shareholder, AP3. In 2021, Hemsö received an injection of SEK1 billion of new equity from AP3, supporting deleveraging despite the large investments in 2021. We expect that Hemsö will continue to receive contributions from its main shareholder to offset debt-funded investments to finance its growth plans. Consequently, we anticipate that Hemsö's credit metrics will remain in line with its financial policy and commensurate with the 'A-' rating.

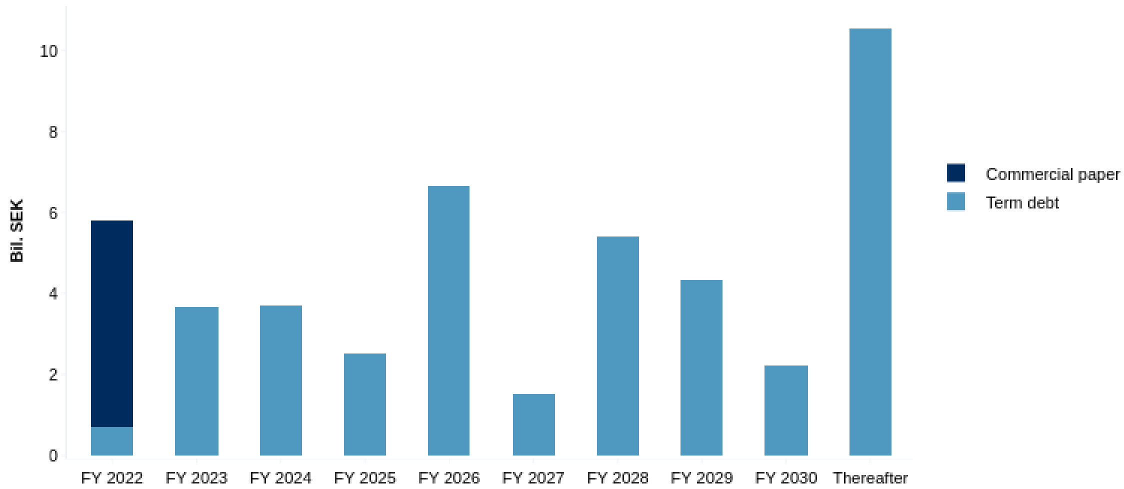
Hemsö has ample capacity to cover its interest burden, and we forecast that its EBITDA interest coverage will remain strong at above 5.0x in the next two years, thanks to its low cost of debt of 1.1% as of June 30, 2022, an average net yield of 3.8% for the overall portfolio, and a positive contribution from its development projects. Our analysis also takes into account the company's fully unsecured funding structure, providing high asset flexibility, as well as the high average debt maturity of 6.4 years.

Our rating on Hemsö incorporates a one-notch upward adjustment for our comparable rating analysis, reflecting our expectation of the company's improving leverage metrics in the near-to-medium term. In line with Hemsö's commitment to deleveraging, its debt to debt plus equity has declined from above 65% as of 2020 to nearly 60% as of 2021 and 59.3% as of June 30, 2022. We expect the company to achieve its financial targets and remain disciplined in the near term, and expect a marginal improvement in its capital structure in the coming 12-24 months. In addition, we take a positive view of Hemsö's solid EBITDA interest coverage of above 5x, which compares favorably with that of peers in the same financial risk category.

Debt maturities

Hemsö’s average debt maturity is 6.4 years as of June 30, 2022.

Hemsö's Debt Maturity Schedule As Of June 30, 2022



Source: Company report

Hemso Fastighets AB--Financial Summary

Period ending	Dec-31-2016	Dec-31-2017	Dec-31-2018	Dec-31-2019	Dec-31-2020	Dec-31-2021
Reporting period	2016a	2017a	2018a	2019a	2020a	2021a
Display currency (mil.)	SEK	SEK	SEK	SEK	SEK	SEK
Revenues	2,204	2,375	2,618	3,046	3,293	3,638
EBITDA	1,472	1,660	1,806	2,153	2,280	2,618
Funds from operations (FFO)	1,012	1,308	1,383	1,651	1,709	1,987
Interest expense	516	410	255	386	484	465
Operating cash flow (OCF)	1,238	1,348	1,430	1,743	1,525	2,514
Capital expenditure	1,516	2,190	2,660	2,724	3,255	4,133
Dividends paid	585	556	657	721	860	905
Cash and short-term investments	932	1,134	450	988	891	687
Debt	21,551	24,441	29,278	35,136	38,366	42,570
Common equity	8,672	10,795	13,199	16,714	20,083	28,350
Valuation of investment property	33,629	38,883	46,236	55,027	62,240	75,737
Adjusted ratios						
EBITDA margin (%)	66.8	69.9	69.0	70.7	69.2	72.0

Hemso Fastighets AB--Financial Summary

EBITDA interest coverage (x)	2.9	4.0	7.1	5.6	4.7	5.6
Debt/EBITDA (x)	14.6	14.7	16.2	16.3	16.8	16.3
Debt/debt and equity (%)	71.3	69.4	68.9	67.8	65.6	60.0

Reconciliation Of Hemso Fastighets AB Reported Amounts With S&P Global Adjusted Amounts (Mil. SEK)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	Dec-31-2021									
Company reported amounts	42,498	27,581	3,638	2,786	10,350	441	2,618	2,514	905	4,133
Cash taxes paid	-	-	-	-	-	-	(189)	-	-	-
Cash interest paid	-	-	-	-	-	-	(442)	-	-	-
Lease liabilities	759	-	-	-	-	-	-	-	-	-
Accessible cash and liquid investments	(687)	-	-	-	-	-	-	-	-	-
Dividends from equity investments	-	-	-	17	-	-	-	-	-	-
Income (expense) of unconsolid. cos.	-	-	-	(177)	-	-	-	-	-	-
Nonoperating income (expense)	-	-	-	-	12	-	-	-	-	-
Noncontrolling/ minority interest	-	769	-	-	-	-	-	-	-	-
EBITDA - Gain/(loss) on disposals of PP&E	-	-	-	(8)	(8)	-	-	-	-	-
D&A: Asset valuation gains/(losses)	-	-	-	-	(7,579)	-	-	-	-	-
Interest expense: other	-	-	-	-	-	24	-	-	-	-
Total adjustments	72	769	-	(168)	(7,575)	24	(631)	-	-	-
S&P Global Ratings adjusted	**Debt**	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Operating cash flow**	**Dividends**	**Capital expenditure**

Reconciliation Of Hemso Fastighets AB Reported Amounts With S&P Global Adjusted Amounts (Mil. SEK)

Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
42,570	28,350	3,638	2,618	2,775	465	1,987	2,514	905	4,133

Liquidity

Our assessment of Hemsö's liquidity profile as adequate is supported by the company's access to committed undrawn bank lines and limited short-term debt maturities. We forecast that liquidity sources will exceed funding needs by 1.2x over the 12 months from June 30, 2022.

Principal liquidity sources

- Unrestricted cash and equivalents of SEK325 million;
- About SEK11.5 billion of committed undrawn revolving credit facilities maturing in more than 12 months.
- Our forecast of cash funds from operations of about SEK3.0 billion-SEK3.3 billion over the next 12 months;
- Committed asset sales of SEK0.4 billion; and
- A bond issuance of SEK0.8 billion.

Principal liquidity uses

- Short-term debt maturities of about SEK8.2 billion, including commercial paper;
- Committed acquisition spending of SEK1.2 billion;
- Committed capex of about SEK2.3 billion, including development capex; and
- Dividends of about SEK1.2 billion.

Covenant Analysis

Requirements

Hemsö's main financial covenants on its reported debt and revolving credit facilities include:

- Secured debt to total assets below 40%
- An interest coverage ratio of above 1.5x
- An LTV ratio of 70%

Compliance expectations

Hemsö main source of funding comprises unsecured bonds (about 77% of total loan portfolio) which hold a covenant related to the secured debt to total assets (maximum 40%). The loans granted by the Nordic Investment Bank and European Investment Bank have a covenant related to the debt service capacity (ICR > 1.5x) whereas there are no covenants on the commercial papers. The credit facilities granted by commercial banks have one covenant related to the loan to value (LTV < 70%) and there are no covenants under the credit facility guaranteed by the AP3. We understand that all credit lines are unutilized as of Q2 2022. Consequently, currently there is only one covenant (secured debt to total assets) applicable to Hemsö's reported debt on balance sheet. The headroom on this covenant is high given there was no secured debt outstanding on the balance sheet as of Q2 2022.

Environmental, Social, And Governance

ESG Credit Indicators

E-1	**E-2**	E-3	E-4	E-5	S-1	**S-2**	S-3	S-4	S-5	G-1	**G-2**	G-3	G-4	G-5

ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicator Definitions And Applications," published Oct. 13, 2021.

ESG factors are a neutral consideration overall in our credit rating analysis of Hemsö. The company had about 32% of its assets by portfolio value certified green as of the end of the second quarter of 2022, and it targets net-zero emissions by 2035. The company also aims to reduce its energy consumption by 3% each year, and has secured green financing of about 25% of its total interest-bearing debt as of June 2022. The company mainly operates in the health care, education, and nursing home sectors, which address the key requirements of the aging population. Hemsö is 85% owned by AP3, which has the option to acquire the remaining 15% stake held by Swedish listed real estate company AB Sagax. We understand that AP3 considers Hemsö a long-term core investment and remains committed to support it in future. Half of the directors on the board are independent.

Group Influence

We apply three notches of uplift to Hemsö's 'bbb-' stand-alone credit profile (SACP) because we consider AP3's holding in Hemsö as strategically important, with a high likelihood of group support. Hemsö is 85% owned by AP3, which has the option to acquire the remaining 15% stake held by Swedish listed real estate company AB Sagax. We understand that AP3 considers Hemsö a long-term core investment and is highly unlikely to sell it because of its stable and predictable cash flows and limited correlation to other holdings in the portfolio. We expect that AP3 would support Hemsö in the case of financial difficulties. More precisely, based on publicly stated capitalization targets for Hemsö, AP3 is committed to inject capital if Hemsö's capitalization falls below a minimum target of 35%, which equates to a maximum LTV ratio of 70%. AP3 has demonstrated this commitment through its track record of capital contributions of SEK1 billion annually over the past three years to support Hemsö's growth strategy while keeping its leverage metrics stable. Hemsö also has a contractual agreement whereby AP3 will subscribe to commercial paper of up to SEK5 billion should Hemsö fail to access the capital markets. We further understand that the financial covenants in Hemsö's loan agreements indicate that AP3 is committed to remaining Hemsö's majority shareholder.

Issue Ratings--Subordination Risk Analysis

Capital structure

As of June 30, 2022, Hemsö's capital structure comprised SEK46.4 billion of reported debt, of which SEK35.6 billion is senior unsecured bonds, SEK5.1 billion is commercial paper, and the rest is loans from European and Nordic banks. Hemsö has bonds outstanding at its own level and at financing vehicle Hemsö Treasury Oyj.

Analytical conclusions

We equalize our issue rating on the company's senior unsecured bond with the issuer credit rating because the share of secured debt is less than 40% of its total assets (0% as of June 30, 2022).

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	**Aggressive**
Cash flow/leverage	Aggressive
Anchor	**bb+**
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Satisfactory (no impact)
Comparable rating analysis	Positive (+1 notch)
Stand-alone credit profile	**bbb-**

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- General Criteria: Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- 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
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings Detail (as of September 06, 2022)*

Hemso Fastighets AB	
Issuer Credit Rating	A-/Stable/A-2
Nordic Regional Scale	--/--/K-1
Senior Unsecured	A-

Issuer Credit Ratings History

Ratings Detail (as of September 06, 2022)*

02-Sep-2021		A-/Stable/A-2
03-Jun-2021		A-/Watch Neg/A-2
28-Dec-2015		A-/Stable/A-2
02-Sep-2021	*Nordic Regional Scale*	--/--/K-1
03-Jun-2021		--/Watch Neg/K-1
26-Mar-2015		--/--/K-1

*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.