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CREDIT OPINION
22 December 2023

Update

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RATINGS

Kojamo plc

Domicile	Finland
Long Term Rating	Baa2
Type	LT Issuer Rating - Dom Curr
Outlook	Negative

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.

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Kojamo plc

Update to credit analysis

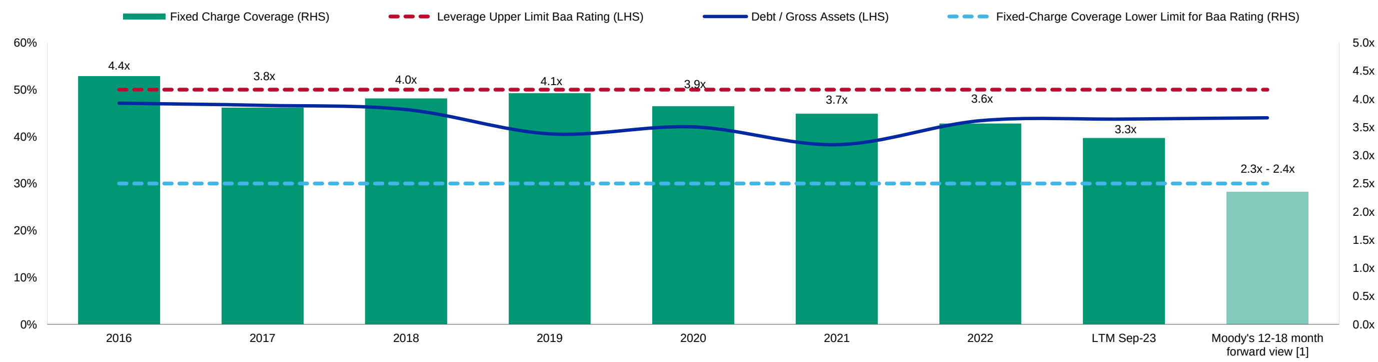
Summary

On 14 December 2023, we affirmed Kojamo plc's Baa2 long-term issuer rating and maintained the negative outlook. The rating action balances weakening EBITDA interest coverage but with some buffer to downgrade triggers, in particular due to rising interest costs and upcoming short term debt maturities with good rental growth, improving operating performance and good access to bank financing. The affirmation of the Baa2 rating continues to reflect Kojamo's its position as Finland's largest residential company and stable rental cash in attractive locations in predominantly Helsinki.

Kojamo's issuer rating reflects its position as Finland's largest residential property company; stable rental cash flow (supported by a granular tenant base and an occupancy rate of 92.7% in the third quarter of 2023) from its portfolio of 40,192 rental apartments as of Q3 2023; and well-located residential property portfolio, predominantly in attractive locations in the Helsinki metropolitan area but also in other high-growth cities in Finland. The weaker-than-expected operating performance, in combination with an oversupplied rental market because of significant building activity during the last years, will limit Kojamo's ability to increase rents to mitigate inflation in 2023. However, the urbanisation trend remains strong, leading to growth in the size of the urban population and the extent of urban areas. Additionally, Kojamo has developed a significant franchise that enhances its ability to attract tenants in a dynamic and competitive rental market. Its properties are concentrated in seven growing Finnish cities that house most of the country's population, with the greatest share (76.3% by property value) in the metropolitan Helsinki area.

The rapid increase in interest rates and subsequently difficult capital market conditions, with widening credit spreads, will continue to drive funding costs significantly. As a result, we expect Kojamo's EBITDA interest coverage to decrease below 3x over the next two years from the estimated 3.3x in Q3 2023. This is because about 45% (15% in 2024, 15% in 2025 and 17% in 2026) of Kojamo's €3.7 billion total debt will mature in the next three years. The fixed-charge coverage was 3.3x as of Q3 2023. In light of increased yield requirements, Kojamo has written down market values of its property portfolio by 1.7% in 2023 and by 10% since the peak valuation in Q3 2022. This caused debt/total assets to increase to 43.7% as of September 2023 from 38.3% at the end of 2021. We expect yields to be elevated and effective leverage, measured as Moody's-adjusted debt/assets, to hover around 43%-45% in the coming 12-18 months. Kojamo's net debt/EBITDA of 14.1x as of September 2023 will likely decrease to 11.3x-12.0x in the next 12-18 months on increasing rental revenue, largely as a result of new flats being delivered and no new developments. We expect Kojamo to mostly use secured funding, which will reduce the share of unencumbered assets in total assets towards 60% from around 73% as of September 2023.

Exhibit 1
Leverage and fixed-charge coverage



[1] This represents Moody's view, not the view of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Investors Service forecasts

Credit strengths

» Good-quality assets located in attractive city centre locations

» A diversified tenant base and historically strong rental growth

» Strong demand for Kojamo's apartments, underpinned by urbanisation

» Controlled development programme, with an adequate pipeline that is likely to enhance value and portfolio quality

» Adequate liquidity and moderate effective leverage

Credit challenges

» Higher refinancing costs, which will reduce EBITDA fixed coverage to less than 3x over the next 12-18 months

» Weaker occupier market and low like-for-like (LFL) rental growth since the pandemic

» Significant construction activity in Kojamo's focus markets, which has constrained rent levels but not necessarily occupancy rates as urbanisation is strong

» High net debt/EBITDA as a result of the company's development programme

» Large portion of debt maturing in the coming three years, which will weaken its interest coverage

Rating outlook

The negative outlook reflects the deteriorating financial market environment amid higher interest rates and expected yield widening, which will make it difficult for Kojamo to protect credit metrics in line with the requirements for its Baa2 rating. This relates in particular to the group's fixed charge cover, which we forecast will decline below 3x over the next two years. In addition, Kojamo is exposed to significant bond maturities in an increasingly difficult public bond market over the next few years, which we expect the group to address proactively.

Factors that could lead to an upgrade

» Effective leverage moving towards 40% and a tighter financial policy that supports such a level, in combination with a consistent decline in net debt/EBITDA

» Fixed charge coverage maintained at 4.0x

» Strong market fundamentals, increasing market rental levels and asset values, and good access to capital markets

Factors that could lead to a downgrade

» Effective leverage above 50% on a sustained basis

» Failure to reduce net debt/EBITDA to 12x

» Fixed charge coverage falling to around 2.5x on a sustained basis

» Weaker market fundamentals, resulting in falling rents and asset values

Key indicators

Exhibit 2
Kojamo plc [1][2][3]

USD Billion	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Sep-23	12-18 Month Forward View [3]
Real Estate Gross Assets	$6.3	$7.4	$8.9	$9.9	$9.0	$8.8	$8.4 - $8.6
Amount of Unencumbered Assets	58.6%	59.8%	70.8%	77.7%	80.4%	73.4%	60% - 62%
Debt / Real Estate Gross Assets	45.8%	40.6%	42.1%	38.3%	43.4%	43.7%	43% - 45%
Net Debt / EBITDA	11.0x	11.5x	12.4x	13.1x	14.5x	14.1x	11.3x - 12x
Secured Debt / Real Estate Gross Assets	20.7%	19.3%	17.2%	13.5%	14.6%	16.2%	22% - 23%
EBITDA / Fixed Charges [2]	4.0x	4.1x	3.9x	3.7x	3.6x	3.3x	2.3x - 2.4x

[1] All figures and ratios are calculated using Moody's estimates and standard adjustments.
[2] Periods are Financial Year-End unless indicated. LTM = Last 12 Months.
[3] Moody's Forecasts (f) or Projections (proj.) are Moody's opinion and do not represent the views of the issuer.
Source: Moody's Investors Service

Profile

Kojamo plc is a residential real estate company established in 1969 and headquartered in Helsinki. The company owns, develops and manages a residential property portfolio located across Finland's largest growth cities (market value of €8.2 billion as of 30 September 2023).

The company's main shareholders are Heimstaden (20%), Ilmarinen Mutual Pension Insurance Company (8.3%), Varma Mutual Pension Insurance Company (7.8%), the Finnish Industrial Union (6.5%) and Norges Bank Investment Management (5.6%). Kojamo was listed on the Nasdaq Helsinki Exchange after the IPO in June 2018.

Detailed credit considerations

Leading residential landlord in Finland

Kojamo is the largest residential landlord in Finland, measured by fair value of investment properties, ahead of its close competitor SATO Oyj.

The company's €8.2-billion property portfolio is spread across Finland's seven largest and fastest-growing cities. Its 40,192 units span around 2.0 million square metres (sqm). Kojamo has a relatively high occupancy rate of 92.7%, although it has mainly increased because of pandemic-related restrictions in Helsinki and record-high rate of construction for several years. Kojamo generated €437 million in rental income for the 12 months that ended September 2023, with a reported EPRA net initial yield of around 3.9%. The Finnish professional property investment market had an estimated total value of around €96 billion as of year-end 2022, while total investment volumes amounted to €7.2 billion, 48% of which came from foreign investors, according to Finnish research company KTI. As of September 2023, close to 100% of Kojamo's residential units were not subject to rental regulations.

Kojamo's tenant turnover was 22.1% as of September 2023, which is higher than that of its European peers and which increased because of the pandemic's negative impact on migration and supply. The high turnover rate also reflects the local practice of signing lease agreements that can be terminated at will, the sizeable portion of young professionals among Kojamo's tenants, overall market competition and a growing stock of new properties, but is mitigated by historically high occupancy rates.

Operationally, Kojamo's LFL rental growth has been weak since the pandemic. The record-high rate of construction for a long period has also added to market supply and increased the competition for tenants while making rental growth more difficult.

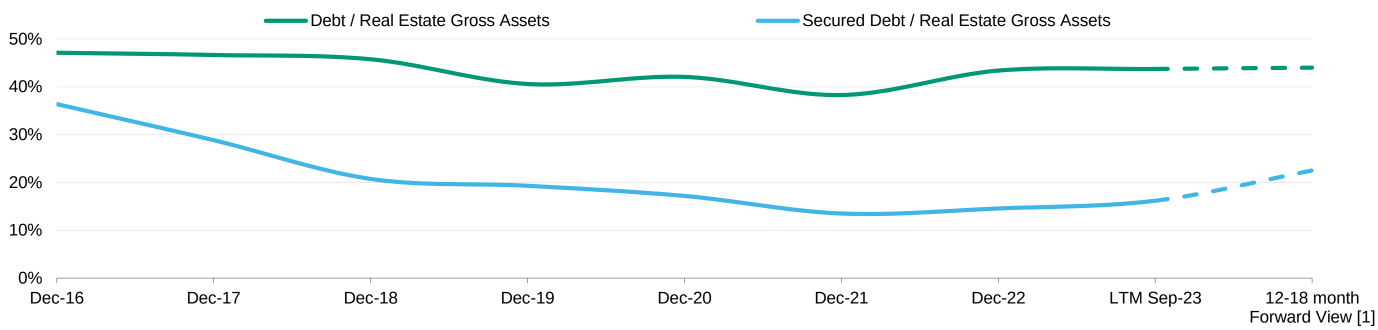
Increasing leverage because of declining values of investment properties

As Exhibit 8 shows, Kojamo's estimated Moody's-adjusted gross debt/total assets was 43.7% as of September 2023, with €3.7 billion of adjusted gross debt and total adjusted assets of €8.3 billion, including €8.2 billion of investment properties.

While we expect high building cost inflation and economic uncertainty to decrease the supply of rental apartments, it will take some time for Kojamo to return to significant rental growth. In the context of increased yield requirements because of a weakening earnings outlook for 2023 and higher interest rates, Kojamo has written down market values of its property portfolio by 1.7% in 2023 and by 10% since the peak valuation in Q3 2022. This will cause effective leverage, measured as Moody's-adjusted debt/assets, to hover around 43%-45% in the coming 12-18 months.

Exhibit 3

Effective leverage has increased on the back of declining values of investment properties



[1] This represents Moody's view, not the view of the issuer.
Source: Moody's Financial Metrics™

Residential construction activity has been high in recent years, with the number of starts peaking in 2021, when the construction of more than 47,000 residential dwellings was started. According to the Confederation of the Finnish Construction Industries RT, an average of 35,000 new dwellings are required to be constructed annually to meet the needs of urbanisation and migration. However, the number of residential units awaiting completion, especially in the Helsinki metropolitan area, will remain high throughout 2023, maintaining intense competition for tenants. Despite the economic uncertainty, the demand for rental homes is stable as the urbanisation trend continues. The amount of construction has sharply decreased and housing starts-ups and the number of completed apartments is expected to significantly decline. In addition, we expect rising interest rates to make rental housing more attractive than owner-occupied housing, which should over time lead to a better balance in the market. We expect Kojamo's well-located residential property portfolio in attractive locations in the Helsinki metropolitan area, as well as in other growth cities in Finland, to generate stable rental cash flow.

Exhibit 4
Dwelling production starts in Finland decreased notably in 2022 and will likely decline further in 2023

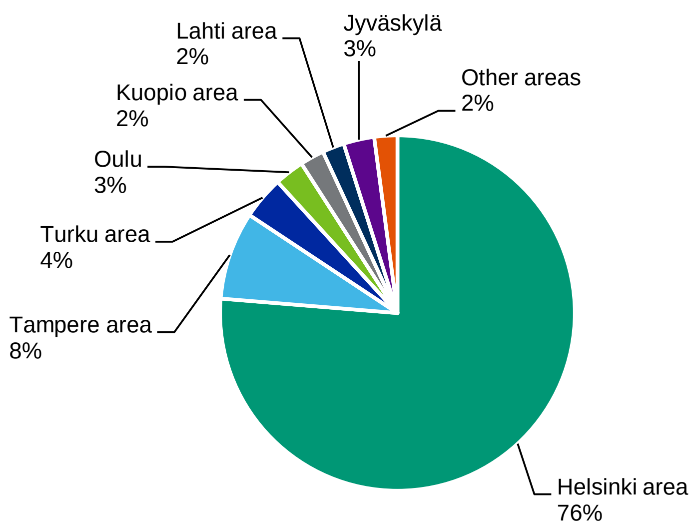
Source: Statistics Finland

Strong tenant diversification; some concentration in Helsinki is mitigated by population growth and presence in attractive micro locations

Kojamo has a diversified tenant base, only partly offset by some geographical concentration. The strong diversification of its tenant base, which is typical for residential real estate companies, is further enhanced by the relatively small size of the apartments on offer, which cater to small family units and individuals. Kojamo's property portfolio is granular, with more than 40,000 rental apartments.

As Exhibit 3 shows, Kojamo's largest holdings are in Helsinki, representing 76% of the total portfolio value and 62% of its total apartments. With a population of around 1.6 million, the Greater Helsinki region is the country's most populous area (out of a total population of around 5.6 million). Kojamo operates in six other metropolitan areas with growing populations, namely Tampere, Turku, Oulu, Kuopio, Lahti and Jyväskylä.

Exhibit 5
Kojamo operates in Finland's seven largest cities
Fair value of apartments as of 30 September 2023



Source: Company information

Increasing urbanisation, ageing population and smaller households underpin steady demand for Kojamo's properties

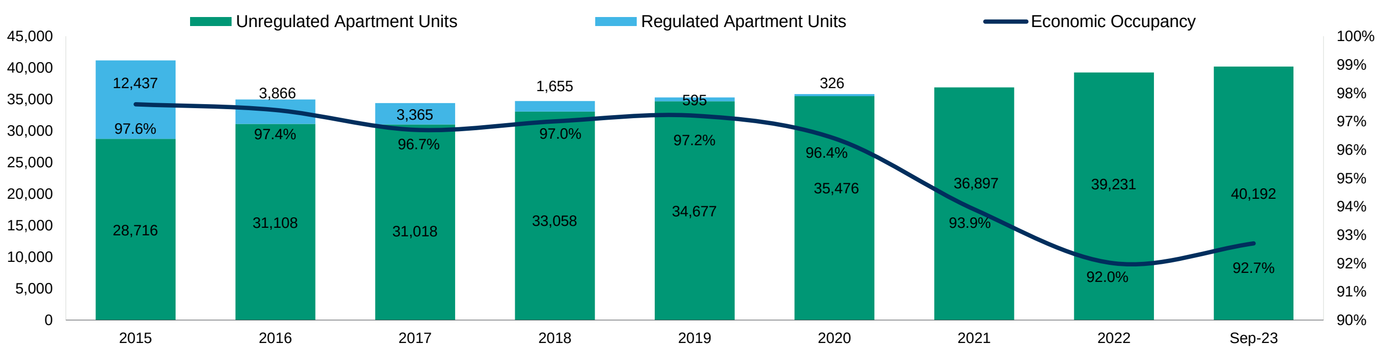
Three population trends in Finland underpin demand for rental housing in general, and for Kojamo's rental housing stock in particular. These trends are growing urbanisation with an increasing proportion of the Finnish population residing in cities; the general ageing of the population, in combination with elderly people staying longer in their own households; and the growing proportion of one-person households in Finland. All of these factors are likely to underpin demand for smaller apartments. As previously emphasized, the interest rate increases over the past 1-1.5 years will also favor rental housing in relation to owner-occupied housing.

Kojamo has developed a significant franchise as Finland's largest residential landlord and benefits from a recognised brand name, LUMO. We positively view the company's focus on providing value-added services to tenants. These include a 24-hour rental service that allows people to choose and rent apartments online, a car-sharing scheme under which cars are reserved and picked up from a building's own car pool, and its affordable offering, Lumo Kompakti.

Kojamo underwent a strategic transformation in 2016 and revised its strategic policies. It invests in properties for which rent can be freely set based on prevailing market trends. As a result, Kojamo divested 11,208 apartments subject to long-term restrictions between 2016 and 2018 (also including units free from restrictions and moving out of a regulated business to an unregulated one), and acquired and developed 4,768 (net) market-based rental apartments.

Exhibit 6

Occupancy is high but has declined because of rent increases and the pandemic



Source: Company information

Development activities are set to decrease

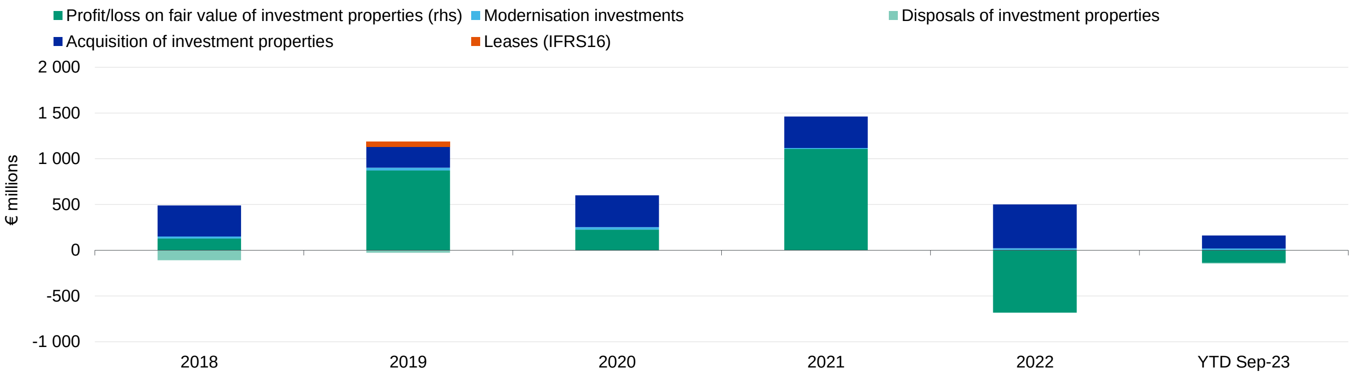
Kojamo has decided to pause new investments in light of the current market environment, with planned development investments of €20 million for 2024, compared with €159 million in 2023. The higher amount of investments will make it more difficult for the group to reach its revenue growth target of 4%-5% per year, but for 2023 and 2024, this is still achievable because of investments that have already been made. The absolute majority of current developments have fixed costs, which means that Kojamo is protected from increasing inflation. However, future project developments will be exposed to cost inflation risks, which will weaken development yields.

As of September 2023, Kojamo had binding acquisition agreements for new developments and cost of completion of apartments under construction totaling €199 million, corresponding to around 2.4% of total assets.

Exhibit 7

Development of Kojamo's investment properties

Kojamo underwent a strategic portfolio reallocation in 2016 and changed its valuation technique in 2019



Source: Company information

Kojamo's projects include large refurbishments of residential and office buildings, which it transforms into residential buildings because of their favorable location in the city, as well as the upgrade of apartments before new tenants move in and greenfield project developments. However, this vacancy risk is significantly mitigated by historical evidence of developments recording occupancy rates of 93%-98% one to three months after completion, which reflects the attractive location of the units and good demand. Ultimately, development activities are likely to improve the asset quality of Kojamo's portfolio.

Adequate liquidity despite sizeable upcoming bond maturities

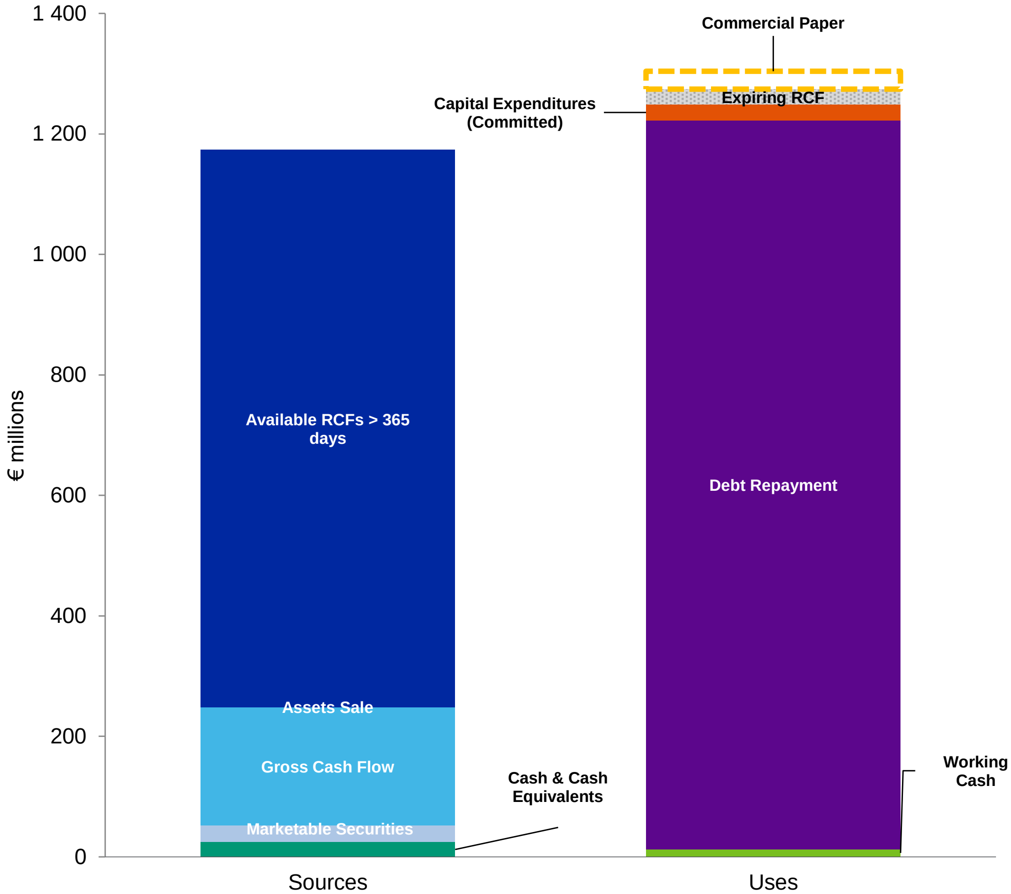
Kojamo has adequate liquidity, reflecting its stable cash flow and significant unused committed credit facilities. However, bond maturities of around €850 million are coming due in the next 18 months; while most of these can be addressed with the new financing agreements signed with available committed credit facilities of around €925 million, additional €130 million of liquidity will likely be needed to fully cover the maturing debt. Kojamo has paused the investment plan, easing its internal cash flow. Also, its liquidity is adequate when including only committed capital spending, while planned but not committed project developments require additional bond or bank financing. We also do not factor in dividend payments in our projections because Kojamo's board of directors will propose suspending the dividend for 2023 at the annual general meeting (AGM) in early 2024.

The company has good access to bank debt, and its diversified bank relationships and highly liquid and unencumbered housing portfolio further support funding needs. Overall, the refinancing risk in the European real estate sector has increased significantly, leaving public bond markets largely unattractive. Therefore, we expect companies, including Kojamo, to return to secured bank financing. Loan financing is the company's second-largest (36% as of September 2023) funding source. We expect the share of unencumbered assets to decrease as Kojamo may increase secured borrowing from banks. Following the issuance of €2,150 million of unsecured bond debt since May 2017, Kojamo increased its unencumbered asset pool to 73% as of September 2023 from 39% in December 2016. This issuance also improved its access to capital. We expect this share to be closer to 60%-62% of total assets in the next 12-18 months as the company moves further towards a secured bank funding structure. The high refinancing requirements will lead to a lower fixed-charge coverage ratio. The company's available committed credit facilities of €925 million as of September 2023 also support its liquidity. We assign Kojamo a Baa score for the Liquidity and Access to Capital subfactor.

Kojamo has a diversified funding mix, consisting of commercial paper, bank loans, bonds and interest subsidy loans. As of 30 September 2023, the company's debt included €1.3 billion of loans; four unsecured bonds of €1,800 million and €200 million secured bond maturing by 2029, of which a secured €200 million bond was repaid in October 2023; and commercial paper outstanding of €30 million. Kojamo has used commercial paper to a large extent as a funding source.The programme amounts to €250 million, but drawn commercial paper still constitutes a low share (1.7% as of September 2023) of total debt. The revolving credit facilities (RCFs) were refinanced and increased to €300 million in Q1 2021. They were spread across several facilities as of September 2023, with staggered maturities between December 2023 and March 2027. Four of these facilities are unsecured. Kojamo also has €19 million in interest subsidy loans outstanding.

The company had unrestricted cash and cash equivalents of €60 million (including €28 million of marketable securities) as of 30 September 2023. It maintains a low level of cash in bank accounts, and its liquidity is instead managed by cash flow and bank lines. The long-dated unused RCFs with ample covenant capacity provide a backstop in the event that the company struggles to roll over its commercial paper.

Exhibit 8
Kojamo's liquidity as of Q3 2023 for the next 18 months
Kojamo's liquidity sources will cover liquidity needs for 15 months but not for 18 months



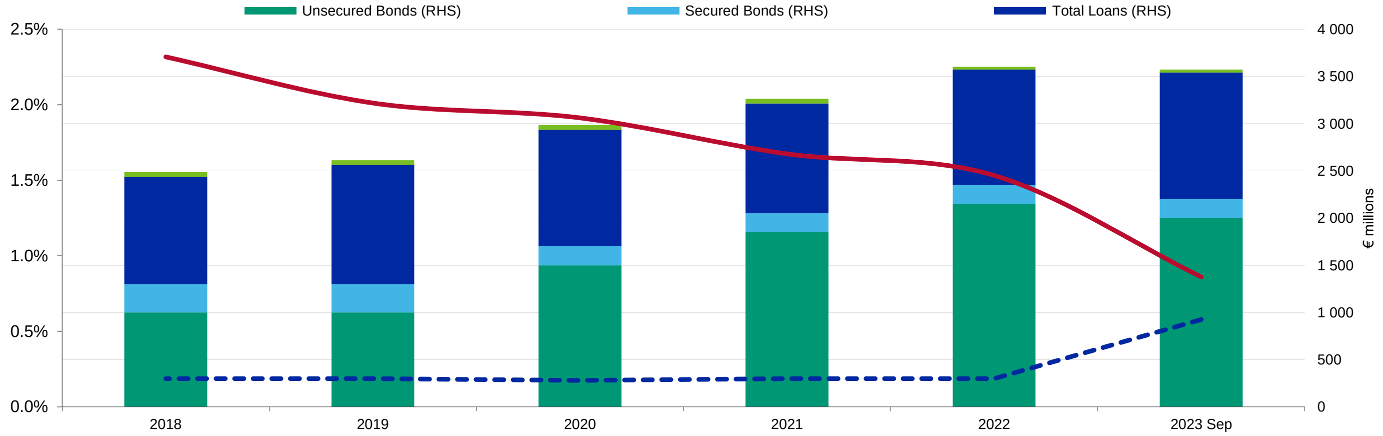
Source: Company

We view positively the fact that the company is not a REIT and it can stop paying dividends if needed, which will be proposed at the AGM in 2024 as previously mentioned. The company's dividend policy is to distribute a minimum of 60% of its funds from operations as dividends, provided that its equity exceeds 40%.

Exhibit 9

Kojamo's debt funding sources

Kojamo has considerably increased unsecured bond debt since 2017



[1] Excludes IFRS16 leases for comparability.
Source: Company

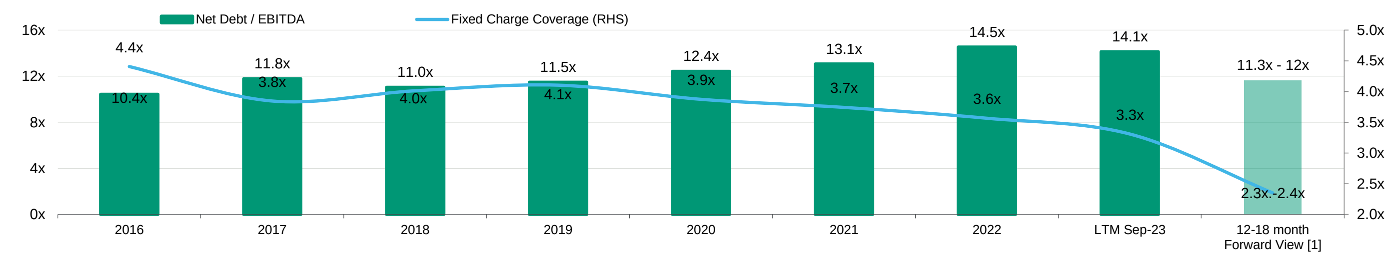
Weakening fixed-charge coverage because of increasing interest rates and significant refinancing needs in the coming years

The rapid increase in interest rates and subsequently difficult capital market conditions with widening credit spreads will continue to significantly increase funding costs. Overall, the refinancing risk in the European real estate sector has significantly increased, leaving public bond markets largely unattractive and, hence, we expect companies, including Kojamo, to return to secured bank financing. While bank financing remains a credible refinancing option at lower costs than bond issuances, it will not shield Kojamo from rising interest costs. As a result, we expect Kojamo's EBITDA interest coverage to decrease below 3x in the next two years from the estimated 3.3x as of September 2023. This is because about 45% (15% in 2024, 15% in 2025 and 17% in 2026) of Kojamo's €3.7 billion total debt will mature in the next three years.

The targeted hedging ratio is 50%-100%. As of 30 September 2023, 86% of Kojamo's debt was fixed, with an average duration of interest hedges of 2.8 years, which explains its exposure to interest rate fluctuations as it is short-dated.

Exhibit 10

Net debt/EBITDA likely to decline from high levels, along with a deteriorating fixed-charge coverage



[1] This represents Moody's view, not the view of the issuer.
Source: Moody's Financial Metrics™

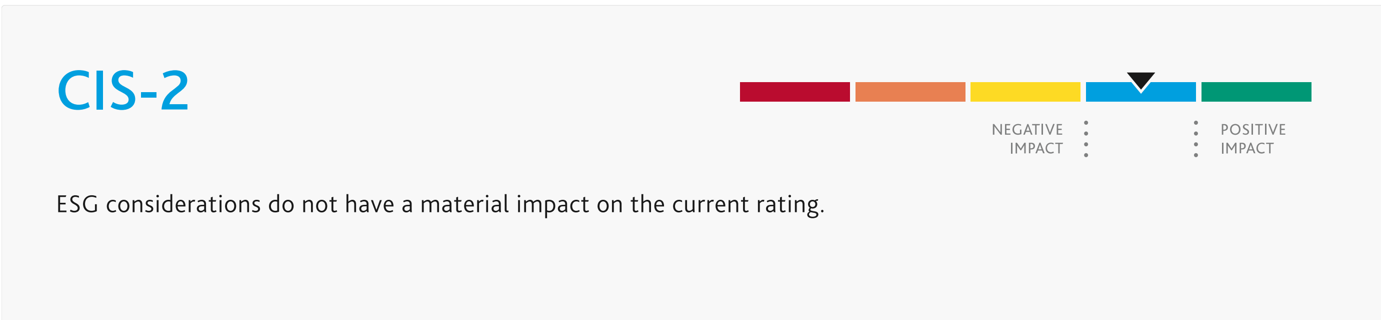
As of September 2023, Kojamo's Moody's-adjusted EBITDA was €254 million and net debt was around €3.6 billion. Its Moody's-adjusted net debt/EBITDA was a high 14.1x, partly reflecting the fact that the company sold and acquired properties from March 2017 to September 2023. The company's net debt/EBITDA will decrease towards 11.3x-12.0x in the coming 12-18 months, driven by increasing rental revenue from the delivery of new flats, potentially decreasing vacancies. In general, the investment and the financing are made upfront and the EBITDA is generated after completion, that is, up to two years later.

In addition, Kojamo's focus on properties in attractive locations implies higher acquisition costs. We assess these costs in conjunction with the effective leverage, which is more moderate and in line with that of similarly rated peers, and reflects the high potential value of Kojamo's property portfolio.

ESG considerations

Kojamo plc's ESG credit impact score is CIS-2

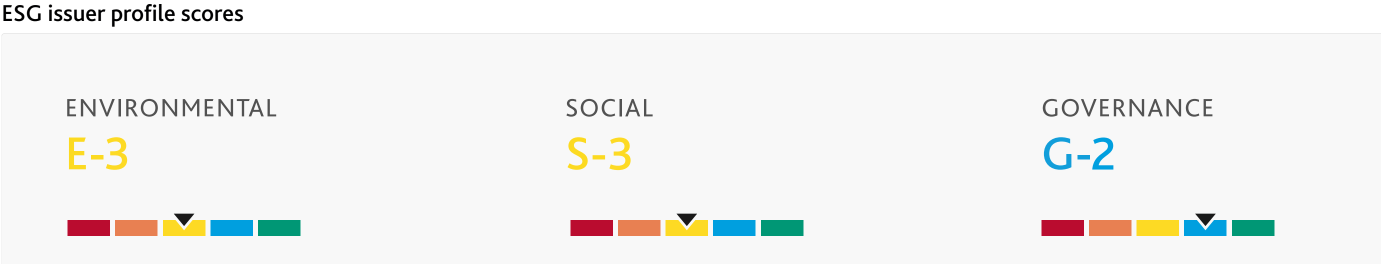
Exhibit 11
ESG credit impact score



Source: Moody's Investors Service

ESG considerations are not material to Kojamo's rating (**CIS-2**), with a potentially larger impact in the future. This mainly reflects a neutral to low negative carbon transition risks and potential exposes the company towards social risk arising from affordable living requirements and competition from alternative lodging options.

Exhibit 12
ESG issuer profile scores



Source: Moody's Investors Service

Environmental

E-3: Kojamo's exposure towards carbon transition risk is limited and in line with most of the peers in the real estate industry in the Nordics. The company is primarily concentrated to Helsinki, 76%. The company's has a development pipeline of ongoing projects 2.4% of total assets which enables the company to improve /upgrade the energy performance. The company target to achieve carbon-neutral energy operations by 2030.

Social

S-3: Credit exposure to social risks is limited. Kojamo is active on a unregulated market and set the rent for its tenants. The company's investments are mostly located in the larger urban areas in Finland. The company has 76% of its portfolio in attractive locations in Helsinki metropolitan. Urbanisation, positive demographic trends, and a trend towards smaller households underpin the demand for Kojamo's rental housing. This market differs from other European regulated markets. Companies in the sector are also exposed to moderate customer relationship risk through the handling of sensitive private individual data.

Governance

G-2: Governance is not material to the rating. Kojamo has a policy to keep LTV below 50%. In Q3 2023 Moody's adjusted effective leverage stood at 44% and represent a significant buffer and management conservative commitment to financial policy. Strong execution, good track-record of management continuous developments (2.4% of total assets) which enhances quality.

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

Methodology and scorecard

The principal methodology we used to rate Kojamo was the REITs and Other Commercial Real Estate Firms rating methodology, published in September 2022. The assigned rating is one notch below the scorecard-indicated outcome for the 12 months that ended September 2023 and in our 12-18-month forward view. This is because we expect that Kojamo's EBITA interest coverage will weaken and unencumbered assets will reduce as it returns to secured borrowing at banks.

Exhibit 13

Rating factors

Kojamo plc

REITs and Other Commercial Real Estate Firms Industry Scorecard [1][2]	Current LTM 9/30/2023		Moody's 12-18 Month Forward View As of 12/14/2023 [3]	
Factor 1 : Scale (5%)	**Measure**	**Score**	**Measure**	**Score**
a) Gross Assets (USD Billion)	$8.8	Baa	$8.4 - $8.6	Baa
Factor 2 : Business Profile (25%)				
a) Market Positioning and Asset Quality	A	A	A	A
b) Operating Environment	Baa	Baa	Baa	Baa
Factor 3 : Liquidity and Access To Capital (25%)				
a) Liquidity and Access to Capital	Baa	Baa	Baa	Baa
b) Unencumbered Assets / Gross Assets	73.4%	Baa	60% - 62%	Baa
Factor 4 : Leverage and Coverage (45%)				
a) Total Debt + Preferred Stock / Gross Assets	43.7%	Baa	43% - 45%	Baa
b) Net Debt / EBITDA	14.1x	Ca	11.3x - 12x	Caa
c) Secured Debt / Gross Assets	16.2%	Baa	22% - 23%	Ba
d) Fixed Charge Coverage	3.3x	Baa	2.3x - 2.4x	Ba
Rating:				
a) Scorecard-Indicated Outcome		Baa3		Baa3
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 9/30/2023(L); Source: Moody's Financial Metrics™.
[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.
Source: Moody's Financial Metrics™

Ratings

Exhibit 14

Category	Moody's Rating
KOJAMO PLC	
Outlook	Negative
Issuer Rating -Dom Curr	Baa2
Senior Unsecured -Dom Curr	Baa2

Source: Moody's Investors Service

Appendix

Exhibit 15
Moody's-adjusted debt reconciliation for Kojamo plc

(in EUR million)	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-22	LTM Sep-23
As Reported Total Debt	2,486	2,674	3,053	3,335	3,678	3,650
Leases	43	0	0	0	0	0
Moody's Adjusted Total Debt	2,529	2,674	3,053	3,335	3,678	3,650

[1] All figures are calculated using Moody's estimates and standard adjustments.
[2] Periods are financial year-end unless indicated.
Source: Moody's Financial Metrics™

Exhibit 16
Moody's-adjusted EBITDA reconciliation for Kojamo plc

(in EUR million)	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-22	LTM Sep-23
As Reported EBITDA	324	1,082	445	1,336	(437)	(668)
Unusual Items - Income Statement	(128)	(872)	(226)	(1,106)	674	922
Leases	4	0	0	0	0	0
Moody's Adjusted EBITDA	200	210	220	231	238	254

[1] All figures are calculated using Moody's estimates and standard adjustments.
[2] Periods are financial year-end unless indicated.
Source: Moody's Financial Metrics™

Exhibit 17
Peer comparison

REITs and Other Commercial Property Firms Industry Grid [1]	Kojamo [2]	LEG Immobilien [2]	Grand City Properties Properties S.A. [2]	Annington Limited [2]
Factor 1 : Scale (5%)	**Measure**	**Measure**	**Measure**	**Measure**
a) Gross Assets (USD Billion)	$8.4 - $8.6	$20 - $21	$10 - $11	$9.5 - $10
Factor 2 : Business Profile (25%)				
a) Market Positioning and Asset Quality	A	Baa	Baa	Baa
b) Operating Environment	Baa	A	A	A
Factor 3 : Liquidity and Access To Capital (25%)				
a) Liquidity and Access to Capital	Baa	Baa	Baa	Baa
b) Unencumbered Assets / Gross Assets	60% - 62%	30% - 40%	75% - 80%	100%
Factor 4 : Leverage and Coverage (45%)				
a) Total Debt + Preferred Stock / Gross Assets [3]	43% - 45%	49% - 51%	45% - 47%	50% - 53%
b) Net Debt / EBITDA	11.3x - 12x	15.5x - 16.5x	11.5x - 12.5x	17x - 19x
c) Secured Debt / Gross Assets	22% - 23%	16% - 20%	7% - 8%	0%
d) Fixed Charge Coverage [4]	2.3x - 2.4x	3x - 3.5x	3.5x - 4x	1.3x - 1.5x
Rating:				
a) Scorecard-indicated outcome	Baa3	Baa3	Baa2	Baa2
b) Actual Rating Assigned	Baa2	Baa2	Baa1	Baa2
c) Gap	+1	+1	+1	0

[1] All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] This represents Moody's forward view, not the view of the issuer.
[3] Debt includes a portion of hybrid securities considered to have debt like features as explained in Moody's Approach to Global Standard Adjustments in the Analysis of Financial Statements for Non-Financial Corporations revised December 2010.
[4] Fixed charges includes capitalised interests explained in Moody's Approach to Global Standard Adjustments in the Analysis of Financial Statements for Non-Financial Corporations revised December 2010.
Source: Moody's Financial Metrics™

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