Lanxess AG

Update to credit analysis

Summary

The Baa2 rating of Lanxess AG (Lanxess) takes into account its realignment towards becoming a more specialty-chemicals-focused company. Specialty chemical activities are less volatile and less capital intensive, and should, therefore, further enhance the quality of Lanxess’ earnings and cash flow. At the same time, the disposal of Arlanxeo’s assets in 2018 and those of Currenta in 2020 have resulted in a strong liquidity providing Lanxess with considerable financial flexibility.

The rating takes into account the relative resilience of the company’s product portfolio although it reported a sales decline of around 9% and EBITDA pre-exceptionals declined by around 15% during the first half of 2020. We expect Lanxess’ Moody’s-adjusted gross leverage to be around 4.5x as of year-end 2020. This high gross leverage is mitigated by the company’s strong cash position, which, including marketable securities, was €1.9 billion as of June 2020, accounting for ca 1.8x EBITDA. The high cash balance provides Lanxess with considerable financial flexibility, and we expect the company to use a considerable share of these cash resources to fund inorganic growth. The rating also takes into account the fact that the company will maintain a balanced approach towards its capital allocation.

Exhibit 1

Leverage and coverage metrics

PC (proportional consolidation); Moody’s estimate based on the proportional consolidation of Arlanxeo.
Sources: Moody’s Investors Service and company filings
**Credit strengths**

» Portfolio realignment to enhance the business risk profile and future quality of earnings and cash flow, with more emphasis on specialty chemicals

» Positive free cash flow (FCF) generation and proceeds from the Currenta and Arlanxeo divestments to help reduce leverage following the Chemtura acquisition and build capacity within the current rating category

» Management’s strong track record of executing restructuring measures and conservative financial policies

» Strong liquidity, which provides financial flexibility

**Credit challenges**

» Still significant automotive exposure of around 20% of sales and exposure to other cyclical end-markets

» EBITDA margins at the lower end of global investment-grade-rated specialty chemicals sector peers, despite steady improvements

» Acquisition risk, inherent to Lanxess’ strategy of further strengthening its business portfolio

**Rating outlook**

The stable rating outlook reflects our expectation that Lanxess will gradually improve its financial metrics in line with the Baa2 rating while retaining capacity for further potential external growth activity.

**Factors that could lead to an upgrade**

» Further strengthening in the group’s business profile, demonstrated by the resilience of its operating profitability and cash flow

» A permanent reduction in financial leverage, allowing total debt/EBITDA to drop below 2.0x and retained cash flow/net debt to increase to the high 30s in percentage terms on a sustained basis

**Factors that could lead to a downgrade**

» Significant deterioration in operating profitability, the pursuit of large debt-funded M&A transactions or a significant step-up in cash returns to shareholders

» Increased leverage and some marked weakening in financial metrics, with total debt/EBITDA remaining above 3.0x and retained cash flow/net debt falling to the low 20s in percentage terms on a sustained basis

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This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.
Key indicators

Exhibit 2
Lanxess AG

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<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Revenues (USD Billion)</td>
<td>$8.8</td>
<td>$7.3</td>
<td>$9.1</td>
<td>$8.5</td>
<td>$8.2</td>
<td>$7.2</td>
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<tr>
<td>PP&amp;E (net) (USD Billion)</td>
<td>$4.0</td>
<td>$2.3</td>
<td>$2.9</td>
<td>$3.1</td>
<td>$3.1</td>
<td>$3.0</td>
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<tr>
<td>EBITDA Margin %</td>
<td>10.5%</td>
<td>13.3%</td>
<td>13.5%</td>
<td>14.2%</td>
<td>14.9%</td>
<td>14.5%</td>
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<tr>
<td>ROA - EBIT / Average Assets</td>
<td>4.4%</td>
<td>5.0%</td>
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<td>4.8%</td>
<td>5.5%</td>
<td>5.3%</td>
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<tr>
<td>Debt / EBITDA</td>
<td>3.2x</td>
<td>4.2x</td>
<td>3.3x</td>
<td>3.7x</td>
<td>3.5x</td>
<td>3.8x</td>
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<tr>
<td>EBITDA / Interest Expense</td>
<td>7.0x</td>
<td>7.9x</td>
<td>8.2x</td>
<td>8.7x</td>
<td>9.8x</td>
<td>9.2x</td>
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<tr>
<td>Retained Cash Flow / Debt</td>
<td>21.1%</td>
<td>15.8%</td>
<td>16.2%</td>
<td>21.1%</td>
<td>17.9%</td>
<td>20.9%</td>
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<tr>
<td>Retained Cash Flow / Net Debt</td>
<td>25.6%</td>
<td>46.5%</td>
<td>22.1%</td>
<td>33.6%</td>
<td>25.7%</td>
<td>44.5%</td>
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</table>

PC: Moody’s estimate as of 12/31/2016 and 12/31/2017 based on proportional consolidation of Arlanxeo.
All ratios are based on ‘Adjusted’ financial data and incorporate Moody’s Global Standard Adjustments for Non-Financial Corporations.
Source: Moody’s Financial Metrics™

Profile

Headquartered in Cologne, Germany, Lanxess AG (Lanxess) is a leading European chemical company, with reported sales of €6.8 billion from continuing operations and company-reported EBITDA (pre-exceptionals) of €1.0 billion in 2019. As of 24 August 2020, Lanxess had a market capitalisation of around €4.4 billion.

Exhibit 3
Segment EBITDA pre-exceptionals and before reconciliation 2019

Lanxess has four segments:

» Advanced Intermediates — comprises businesses in the field of high quality industrial intermediates. The segment includes inorganic pigments and a portfolio of advanced industrial intermediates, into which Chemtura’s organometallics business was integrated.

» Specialty Additives — a segment, which pools all units that manufacture additives. In particular, it covers additives (that is, lubricant additives, plastic additives and phosphorous flame retardants, and bromine solutions) and the Rhein Chemie business (that is, colourant and rubber additives).

» Consumer Protection — combines application-focused specialty chemicals used in such areas as disinfection, protection and preservation of wood, construction materials and coatings. It comprises material protection products and liquid purification technologies business units, as well as Saltigo.

Sources: Moody’s Investors Service and company filings

Exhibit 4
End-market exposure for Lanxess (2014 versus 2019)

Sources: Moody’s Investors Service and company filings
» Engineering Materials — is an integrated engineering plastics business, which includes high-performance materials and urethane system business units.

**Detailed credit considerations**

**Portfolio realignment enhances Lanxess’ business risk profile**

Since 2016, Lanxess has realigned its product portfolio towards a more specialty-chemicals-focused product portfolio, with strong market positions, differentiating technological capabilities and more diversified end-market exposure. This has been achieved through a number of disposals, most notably its remaining share in Arlanxeo and its stake in the chemical park operator Currenta and the acquisition of Chemtura in 2017. Following the announced disposal of its organic leather chemical business, we expect no further material disposals. However, we would expect the company to direct parts of its considerable liquidity resources towards investing in inorganic EBITDA growth to further complement and diversify its product portfolio.

The Chemtura acquisition significantly expanded the footprint of Lanxess’ growing and profitable additive business. This created the second- and third-largest competitor globally in industrial lubricant additives and flame retardants, respectively. The combined business has a strong backward integration, with long-term secured access to its bromine feedstock needs, and complementary product portfolios, giving rise to cross-selling opportunities. The deal also boosted Lanxess’ presence in North America and Asia.

Since the Chemtura acquisition, Lanxess has disposed of a number of businesses to facilitate the shift towards a specialty-chemicals-focused product portfolio. In August 2018, Lanxess agreed to sell its remaining 50% stake in the Arlanxeo joint venture to its partner, yielding proceeds of around €1.4 billion and eliminating its exposure to the synthetic rubber sector that has chronically been affected by market imbalances and feedstock cost volatility. In Q2 2020, the company closed the sale of its stake in the chemical park operator Currenta, resulting in net proceeds in excess of €800 million (including a €150 million profit participation). Furthermore, the company disposed of its leather chemicals business in two steps, with the closing of the organic leather chemicals divestment expected to happen in mid-2021. The disposal of organic leather chemicals is expected to result in an initial cash consideration of €80 million plus a performance-related component of up to €115 million.

At the same time, the company has focused on cost control to lift the margin potential of its product portfolio. Lanxess is aiming at an EBITDA margin pre-exceptional items of 14%-18% through the cycle. As a result of portfolio measures and its focus on cost control, the company’s Moody’s-adjusted EBITDA margin improved to 14.9% in 2019 from 12.7% in 2016. However, this margin level still is at the lower end of the rated global specialty chemicals peer group, but more aligned to similarly rated European peers.

We expect Lanxess to use a large portion of the company’s available excess cash on balance sheet of around €1.9 billion to fund external growth opportunities in specialty chemicals, which was among the capital allocation options it cited in a presentation to investors in conjunction with the announcement. Furthermore, we expect the company to maintain a balanced approach towards its capital allocation.

**Difficult demand environment in 2020, but we expect relative resilience**

During Q2 2020, the company’s revenue declined by 17% from that in Q2 2019, with volumes declining by 13% and prices by 4%. Sales declines in Q2 2020 have affected all segments to varying degrees, in particular sales in engineering materials decreased by 33%. On a positive note sales at the company’s consumer protection business increased by 22% as a result of extraordinary strong demand during the quarter. At the same time, the company-defined EBITDA pre-exceptional items decreased by 20% to €224 million (margin of 15.6%) in Q2 2020 from that in Q2 2019, translating into Moody’s-adjusted gross debt/EBITDA of around 3.8x for the 12 months that ended June 2020. We expect sales to increase gradually from the Q2 levels in H2 2020 and the company’s Moody’s-adjusted gross leverage to be around 4.5x in 2020.
Efforts to contain leverage for 2020 will be supported by cost-saving measures initiated before the outbreak of the coronavirus and also by those initiated in response to the pandemic, which the company estimates will result in cost savings of around €50 million in 2020, with further flexibility to adjust its cost structure if needed.

While this gross leverage is high for the assigned rating category, the company has substantial liquidity on its balance sheet of around €1.9 billion, which will allow it to continue to invest in strategic growth projects. We expect the company’s adjusted net leverage to be around 2.5x by the end of 2020, which positions the company adequately at the Baa2 rating level. In addition, we believe that 2020 performance is a trough and will improve gradually into 2021 which will also lead to an improvement in gross leverage.

**Exhibit 7**

**2014-20 EBITDA and EBITDA margin**

PC; Moody’s estimate based on proportional consolidation of Arlanxeo.
Sources: Moody’s Investors Service and company filings

**Strong liquidity provides financial flexibility**

Lanxess’ liquidity on balance sheet of around €1.9 billion consisting of €340 million of cash and €1,547 million of near-cash assets provides the company with considerable financial flexibility during the coronavirus pandemic-induced economic downturn.

Funds from operations (FFO) amounted to €758 million in the 12 months that ended June 2020 and moderately increased from those in 2019. However, FFO in this period were burdened by extraordinary tax payments in connection with the sale of Arlanxeo and Currenta of around €100 million. Lanxess expects to reduce capital spending in 2020 to around €450 million, resulting in a moderately negative FCF of around €50 million in the year, which will allow the company to maintain its strong liquidity.
We expect the company to reduce its liquidity over time through selective M&A activity, which will further strengthen its product portfolio. Our rating takes into consideration our assumption that the company will maintain a balanced approach towards its capital allocation as it has done in the past. Proceeds from the sale of Arlanxeo were used for share buybacks of €200 million in 2019 and also to increase pension assets in the same amount. At the beginning of the year, Lanxess announced a further share buyback of up to €500 million. However, while the company already spent €37 million for share buybacks in H1 2020, these buybacks have been suspended in the wake of the coronavirus pandemic.

Exhibit 8
2014-19 FCF development

<table>
<thead>
<tr>
<th>Year</th>
<th>Free cash flow</th>
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<tbody>
<tr>
<td>2015</td>
<td>€ 136</td>
</tr>
<tr>
<td>2016PC</td>
<td>€ 126</td>
</tr>
<tr>
<td>2017PC</td>
<td>€ 150</td>
</tr>
<tr>
<td>2018</td>
<td>€ -69</td>
</tr>
<tr>
<td>2019</td>
<td>€ -32</td>
</tr>
<tr>
<td>2020f</td>
<td></td>
</tr>
</tbody>
</table>

PC: Moody’s estimate based on the proportional consolidation of Arlanxeo.
Sources: Moody’s Investors Service and company filings

Liquidity analysis
Lanxess has strong liquidity. The group had cash and cash equivalents of €340 million and near-cash assets (other current financial assets) of €1,547 million as of the end of Q2 2020.

We expect Lanxess’ FCF to be negative at around €50 million for full year 2020. In addition, the group’s liquidity is supported by the full availability of a €1 billion committed revolving credit facility maturing in 2024. The terms of this facility do not contain any financial covenant.

The next bond maturity is in 2021, relating to a €500 million bond. Lanxess’ debt maturity schedule is well staggered, with other maturities in 2022, 2025, 2026 and 2027, and the first call date for its hybrid notes in 2023.

Methodology and scorecard
The principal methodology used in rating Lanxess is our Chemical Industry rating methodology (published in March 2019), which can be found on www.moodys.com.

Our Chemical Industry rating scorecard indicates a Baa3 rating for both the 12 months that ended June 2020 and the forecast period, one notch below the assigned Baa2. The assigned rating takes into account the company’s strong liquidity profile and the expectation that over time the company will gradually recover EBITDA generation and be able to use its liquidity to fund EBITDA growth.
### Rating factors

#### Lanxess AG

<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>Factor 1: Scale (15%)</strong></td>
<td>Measure</td>
<td>Score</td>
</tr>
<tr>
<td>a) Revenue (USD Billion)</td>
<td>$7.2</td>
<td>Baa</td>
</tr>
<tr>
<td>b) PP&amp;E (net) (USD Billion)</td>
<td>$3.0</td>
<td>Ba</td>
</tr>
<tr>
<td><strong>Factor 2: Business Profile (25%)</strong></td>
<td>Measure</td>
<td>Score</td>
</tr>
<tr>
<td>a) Business Profile</td>
<td>Baa</td>
<td>Baa</td>
</tr>
<tr>
<td><strong>Factor 3: Profitability (10%)</strong></td>
<td>Measure</td>
<td>Score</td>
</tr>
<tr>
<td>a) EBITDA Margin</td>
<td>14.5%</td>
<td>Ba</td>
</tr>
<tr>
<td>b) ROA (Return on Average Assets)</td>
<td>5.3%</td>
<td>B</td>
</tr>
<tr>
<td><strong>Factor 4: Leverage &amp; Coverage (30%)</strong></td>
<td>Measure</td>
<td>Score</td>
</tr>
<tr>
<td>a) Debt / EBITDA</td>
<td>3.8x</td>
<td>Ba</td>
</tr>
<tr>
<td>b) RCF / Debt</td>
<td>20.9%</td>
<td>Baa</td>
</tr>
<tr>
<td>c) EBITDA / Interest Expense</td>
<td>9.2x</td>
<td>Baa</td>
</tr>
<tr>
<td><strong>Factor 5: Financial Policy (20%)</strong></td>
<td>Measure</td>
<td>Score</td>
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<tr>
<td>a) Financial Policy</td>
<td>Baa</td>
<td>Baa</td>
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</table>

**Rating:**

- a) Scorecard-Indicated Outcome: Baa3
- b) Actual Rating Assigned: Baa2

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[3] This represents Moody’s forward view, not the view of the issuer.

Source: Moody’s Financial Metrics™
Appendix

Exhibit 10
Peer comparison
Lanxess AG

<table>
<thead>
<tr>
<th></th>
<th>Lanxess AG</th>
<th>Eastman Chemical Co</th>
<th>Arkema</th>
<th>Covestro AG</th>
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<tr>
<td></td>
<td>Baa2 Stable</td>
<td>Baa3 Stable</td>
<td>Baa1 Stable</td>
<td>Baa2 Negative</td>
</tr>
<tr>
<td>Revenue</td>
<td>8,059</td>
<td>7,615</td>
<td>10,151</td>
<td>9,273</td>
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<tr>
<td>EBITDA</td>
<td>1,143</td>
<td>1,136</td>
<td>2,274</td>
<td>1,950</td>
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<tr>
<td>Total Debt</td>
<td>4,098</td>
<td>4,006</td>
<td>6,877</td>
<td>6,466</td>
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<td>Cash &amp; Cash Equiv.</td>
<td>1,531</td>
<td>1,208</td>
<td>226</td>
<td>204</td>
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<tr>
<td>EBITDA Margin</td>
<td>14.2%</td>
<td>15%</td>
<td>22%</td>
<td>21%</td>
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<tr>
<td>ROA - EBIT / Avg. Assets</td>
<td>5.5%</td>
<td>6.3%</td>
<td>10%</td>
<td>8%</td>
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<tr>
<td>EBITDA / Int. Exp.</td>
<td>8.5x</td>
<td>10.4x</td>
<td>8.6x</td>
<td>8.1x</td>
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<td>Debt / EBITDA</td>
<td>3.7x</td>
<td>3.5x</td>
<td>3.0x</td>
<td>3.3x</td>
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<tr>
<td>Net Debt / EBITDA</td>
<td>2.3x</td>
<td>2.5x</td>
<td>2.9x</td>
<td>3.2x</td>
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<tr>
<td>RCF / Debt</td>
<td>21%</td>
<td>18%</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>RCF / Net Debt</td>
<td>34%</td>
<td>26%</td>
<td>44%</td>
<td>22%</td>
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</table>

All ratios are based on ‘Adjusted’ financial data and incorporate Moody’s Global Standard Adjustments for Non-Financial Corporations.
Source: Moody’s Financial Metrics™

Exhibit 11
Moody’s-adjusted debt breakdown
Lanxess AG

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<thead>
<tr>
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<tbody>
<tr>
<td>As Reported Debt</td>
<td>1,677</td>
<td>2,789</td>
<td>2,840</td>
<td>2,720</td>
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<td>Pensions</td>
<td>702</td>
<td>1,129</td>
<td>958</td>
<td>965</td>
<td>1,001</td>
<td>1,001</td>
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<td>Operating Leases</td>
<td>276</td>
<td>280</td>
<td>168</td>
<td>150</td>
<td>-</td>
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<tr>
<td>Hybrid Securities</td>
<td>-</td>
<td>(250)</td>
<td>(250)</td>
<td>(250)</td>
<td>(250)</td>
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<td>Analyst Adjustments</td>
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<td>-</td>
<td>-</td>
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</tr>
<tr>
<td>Moody’s Adjusted Debt</td>
<td>2,655</td>
<td>3,948</td>
<td>3,767</td>
<td>3,585</td>
<td>3,569</td>
<td>3,567</td>
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Source: Moody’s Financial Metrics™

Exhibit 12
Moody’s-adjusted EBITDA breakdown
Lanxess AG

<table>
<thead>
<tr>
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<td>As Reported EBITDA</td>
<td>822</td>
<td>932</td>
<td>747</td>
<td>927</td>
<td>954</td>
<td>1,737</td>
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<td>Pensions</td>
<td>1</td>
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<td>3</td>
<td>4</td>
<td>(2)</td>
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<td>Operating Leases</td>
<td>65</td>
<td>61</td>
<td>48</td>
<td>44</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Interest Expense Discounting</td>
<td>(15)</td>
<td>(12)</td>
<td>(8)</td>
<td>(10)</td>
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<td>Unusual Adjustments</td>
<td>(44)</td>
<td>(1)</td>
<td>109</td>
<td>29</td>
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<td>(784)</td>
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<td>Non-Standard Adjustments</td>
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<td>Moody’s Adjusted EBITDA</td>
<td>829</td>
<td>981</td>
<td>899</td>
<td>994</td>
<td>1,015</td>
<td>940</td>
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Source: Moody’s Financial Metrics™
Exhibit 13
Moody’s-adjusted financial data
Lanxess AG

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<td><strong>INCOME STATEMENT</strong></td>
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<td>Revenues</td>
<td>8,006</td>
<td>7,902</td>
<td>7,699</td>
<td>6,530</td>
<td>6,824</td>
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<td>EBITDA</td>
<td>681</td>
<td>829</td>
<td>981</td>
<td>899</td>
<td>968</td>
<td>1,015</td>
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<tr>
<td>EBIT</td>
<td>235</td>
<td>329</td>
<td>460</td>
<td>495</td>
<td>530</td>
<td>555</td>
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<td><strong>BALANCE SHEET</strong></td>
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<td>Cash &amp; Cash Equivalents</td>
<td>518</td>
<td>466</td>
<td>2,520</td>
<td>588</td>
<td>1,339</td>
<td>1,076</td>
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<td>Total Debt</td>
<td>2,910</td>
<td>2,655</td>
<td>3,948</td>
<td>3,767</td>
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<td><strong>CASH FLOW</strong></td>
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<td>Funds from Operations</td>
<td>485</td>
<td>606</td>
<td>720</td>
<td>778</td>
<td>840</td>
<td>730</td>
<td>758</td>
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<td>Change in Working Capital items</td>
<td>224</td>
<td>61 (46)</td>
<td>117</td>
<td>(289)</td>
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<td>Cash Flow from Operations</td>
<td>709</td>
<td>667</td>
<td>674</td>
<td>895</td>
<td>551</td>
<td>614</td>
<td>773</td>
</tr>
<tr>
<td>Capital Expenditures (CAPEX)</td>
<td>(649)</td>
<td>(485)</td>
<td>(488)</td>
<td>(438)</td>
<td>(519)</td>
<td>(556)</td>
<td>(516)</td>
</tr>
<tr>
<td>Dividends</td>
<td>(46)</td>
<td>(46)</td>
<td>(55)</td>
<td>(75)</td>
<td>(85)</td>
<td>(90)</td>
<td>(11)</td>
</tr>
<tr>
<td>Free Cash Flow (FCF)</td>
<td>14</td>
<td>136</td>
<td>131</td>
<td>381</td>
<td>(53)</td>
<td>(32)</td>
<td>246</td>
</tr>
<tr>
<td>Retained Cash Flow (RCF)</td>
<td>439</td>
<td>560</td>
<td>665</td>
<td>702</td>
<td>755</td>
<td>640</td>
<td>747</td>
</tr>
<tr>
<td>RCF / Debt</td>
<td>15%</td>
<td>21%</td>
<td>17%</td>
<td>19%</td>
<td>21%</td>
<td>18%</td>
<td>21%</td>
</tr>
<tr>
<td>RCF / Net Debt</td>
<td>18%</td>
<td>26%</td>
<td>47%</td>
<td>22%</td>
<td>34%</td>
<td>26%</td>
<td>44%</td>
</tr>
<tr>
<td>FCF / Debt</td>
<td>0.5%</td>
<td>5.1%</td>
<td>3.3%</td>
<td>10.1%</td>
<td>-1.5%</td>
<td>-0.9%</td>
<td>6.9%</td>
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<tr>
<td><strong>PROFITABILITY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>EBIT Margin %</td>
<td>2.9%</td>
<td>4.2%</td>
<td>6.0%</td>
<td>7.6%</td>
<td>7.8%</td>
<td>8.2%</td>
<td>7.3%</td>
</tr>
<tr>
<td>EBITDA Margin %</td>
<td>8.5%</td>
<td>10.5%</td>
<td>12.7%</td>
<td>13.8%</td>
<td>14.2%</td>
<td>14.9%</td>
<td>14.5%</td>
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<td><strong>INTEREST COVERAGE</strong></td>
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</tr>
<tr>
<td>EBIT / Interest Expense</td>
<td>1.7x</td>
<td>2.7x</td>
<td>3.9x</td>
<td>3.9x</td>
<td>4.7x</td>
<td>5.7x</td>
<td>4.6x</td>
</tr>
<tr>
<td>EBITDA / Interest Expense</td>
<td>5.1x</td>
<td>6.8x</td>
<td>8.2x</td>
<td>7.0x</td>
<td>8.5x</td>
<td>10.4x</td>
<td>9.2x</td>
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<tr>
<td><strong>LEVERAGE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Debt / EBITDA</td>
<td>4.3x</td>
<td>3.2x</td>
<td>4.0x</td>
<td>4.2x</td>
<td>3.7x</td>
<td>3.5x</td>
<td>3.8x</td>
</tr>
<tr>
<td>Net Debt / EBITDA</td>
<td>3.5x</td>
<td>2.6x</td>
<td>1.5x</td>
<td>3.5x</td>
<td>2.3x</td>
<td>2.5x</td>
<td>1.8x</td>
</tr>
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</table>

All ratios are based on ‘Adjusted’ financial data and incorporate Moody’s Global Standard Adjustments for Non-Financial Corporations and represent 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 Investors Service

Ratings

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<td>Outlook</td>
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<td>Senior Unsecured -Dom Curr</td>
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<tr>
<td>Pref. Stock -Dom Curr</td>
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Source: Moody’s Investors Service
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