S&P Global
Ratings

Research

Akzo Nobel N.V.

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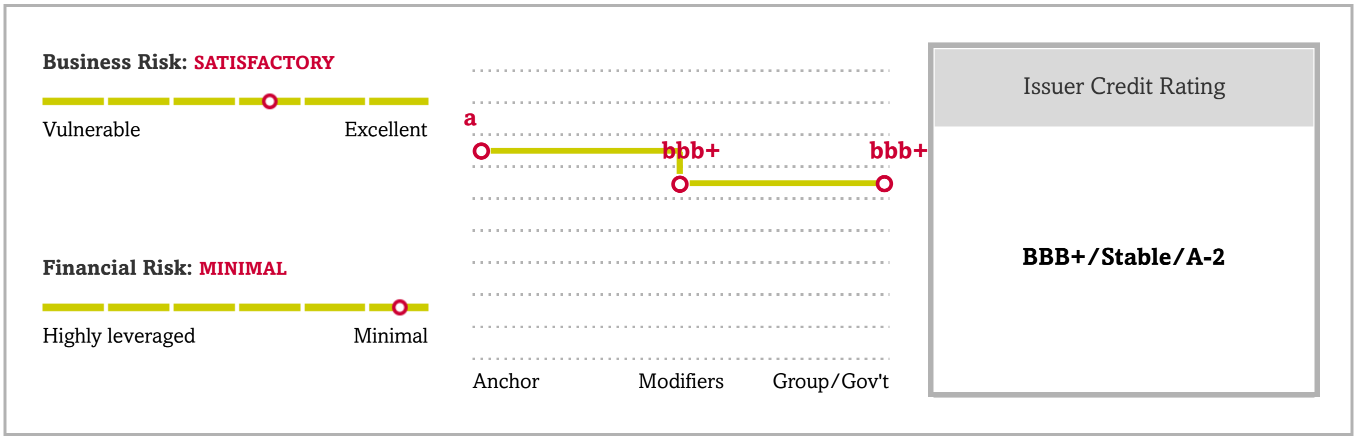
Akzo Nobel N.V.



Credit Highlights

Overview

Key strengths	Key risks
A leading global producer of decorative paints and coatings.	Improving albeit still lower profitability than main competitors and reduced size and scope following the sale of the higher-margin specialty chemicals business.
Strong brand recognition and solid long-lasting relationships with clients.	Demand for key products mirrors GDP trends, partly offset by exposure to the renovation market in the decorative paints segment.
Sizable, well-diversified operations by country and market including in higher-growth emerging and Asian markets.	Potential for margin squeeze from raw material costs and pricing constraints from end markets.
Healthy balance sheet, strong liquidity, and ample rating headroom.	Revenue and profit exposed to foreign exchange volatility, especially in high-inflation regions.
Track record of prudent risk management and low leverage, given minimal adjusted debt at present.	

Akzo Nobel (Akzo) benefits from ample headroom for the rating despite some COVID-19-related disruptions. We view Akzo's rating headroom as healthy under our baseline forecast given the fact that we expect the company's adjusted funds from operations (FFO) to debt to exceed the 45%-60% range we view as commensurate with the 'BBB+' rating through 2021. This compares with 47.5% at end-June 2020, which we view as the seasonal low, exacerbated by the pandemic-related effects.

In the first half of 2020, Akzo's sales declined by 13% as the result of a sharp drop in volumes in its decorative paints business and an even more pronounced drop in its performance coatings business. However the company saw some easing of market headwinds and positive sales momentum in second-quarter 2020 supported by faster-than-anticipated recovery in paints as compared with coatings following the segment's exposure to some cyclical end-markets such as auto and aerospace. For third-quarter 2020, Akzo announced revenue close to the previous years' quarter (on a constant-currency basis). The company continues to benefit from its low-capital-intensive business model, robust cash, working capital management, the resulting strong free cash flow, and management's commitment to the rating, including a target leverage of 1x-2x net debt to EBITDA at end-2020.

Profitability improvement, despite the pandemic disruptions, slowly narrowing the gap between Akzo and key industry peers. Despite the challenges caused by the pandemic, we forecast EBITDA margin expansion in 2020-2021 and expect it to improve into the range of 15%-17%, up from around 13% for 2019. In our base-case scenario, we factor in adjusted EBITDA of €1.2 billion-€1.4 billion for 2020 (compared with first-half 2020's €583 million) and €1.4 billon-€1.6 billion in 2021. We expect profitability to be largely supported by Akzo's strong margin management and cost-savings initiatives. For third-quarter 2020, Akzo achieved savings of €47 million which also includes structural and temporary savings pertaining to lockdown restrictions. We understand the company is en route to achieving €120 million of structural savings in 2020. We also anticipate Akzo to successfully pass on the higher raw material costs to customers through several pricing initiatives and a reinforced value-over-volume strategy.

We also believe that Akzo is slowly closing the gap in terms of profitability with its closest paints and coatings peers--PPG and Sherwin Williams. We view Akzo's cost saving program and further integration of the business functions as key to sustainable improvement in profitability.

Akzo's long-term financial policy commitment is to a 'BBB+' rating. After our adjustments, the company has very low debt at present, which affords it considerable headroom within the rating and for possible business-enhancing mergers and acquisitions (M&A).

However, in our view, amidst the pandemic most management teams are taking proactive measures to support cash balance. This includes delaying or reassessing discretionary capital expenditure, reducing shareholder distributions, and maintaining robust working capital management to protect credit quality and liquidity. We understand Akzo's management has taken these proactive self-help measures. Nonetheless Akzo remains acquisitive and continues with small bolt on acquisitions. We believe Akzo is well positioned to accommodate such outlays for growth and shareholder returns given the current rating headroom and low leverage levels.

S&P Global Ratings acknowledges a high degree of uncertainty about the evolution of the coronavirus pandemic. The consensus among health experts is that the pandemic may now be at, or near, its peak in some regions, but will remain a threat until a vaccine or effective treatment is widely available, which may not occur until the second half of 2021. We are using this assumption in assessing the economic and credit implications associated with the pandemic. As the situation evolves, we will update our assumptions and estimates accordingly.

Outlook: Stable

The stable outlook reflects our view of Akzo's resilient performance in 2020 and projected performance into 2021, with its adjusted EBITDA at about €1.2 billion. The company's EBITDA is largely unchanged from 2019, and will, by our projections, grow to about €1.2 billion-1.5 billion in 2021.

We consider a ratio of FFO to debt of about 45%-60% as commensurate with the 'BBB+' rating.

Downside scenario

We see a downgrade as unlikely, reflecting generous headroom in the rating. However, we could lower the rating if Akzo's growth strategy results in sizable, debt-financed acquisitions, even though we would weigh such a transaction against the corresponding benefits to the business.

Higher-than-anticipated dividends, share buybacks, or a marked deterioration in the operating performance resulting in a sustained FFO-to-debt ratio below 45% could also lead to a negative rating action.

Upside scenario

We could raise the rating on Akzo if its financial policy supported a higher rating, notably through a commitment to prudent outlays for acquisitions and shareholder remuneration, and adherence to an adjusted FFO-to-debt ratio of at least 60%. A revision of our assessment of Akzo's business, for example if it were to clearly and sustainably narrow the profitability gap with peers, could also lead to a positive rating action.

Our Base-Case Scenario

Assumptions

- Eurozone GDP contracts 7.2% in 2020 and grows 4.8% in 2021, U.S. GDP contracts 4.0% in 2020 and grows 4.2% in 2021, and China GDP grows 2.1% in 2020 and 7.0% in 2021.
- Brent crude prices of $40 per barrel for the remainder of 2020, $50 per barrel in 2021 and 2022, $55 per barrel in 2023 and beyond.
- Revenue decline in 2020 due to COVID-19 pandemic and resulting significant market deterioration followed by 4%-6% growth in 2021 led by moderate increase in prices and volumes.
- Stable EBITDA in 2020, although the company faces demand pressures from cyclical end-markets such as construction or autos mitigated by strong margin management and cost savings initiatives undertaken by the company. We forecast EBITDA margins in the range of 15%-17% for 2020-2021.
- Capital expenditure (capex) at a level of 2.5%-3.0% of sales, as per management's guidance.
- Working capital outflows of about €150 million-€200 million in both years.
- Ordinary dividends at about €1.50 per share, increasing in line with stable-progressive policy.

- Bolt-on acquisitions up to €50 million for 2020 and increasing to €200 million in 2021. In the nine months of 2020, Akzo acquired Stahl Performance Powder Coatings and Titan S.A.U reflecting the company's strategy of investing in new technology and positioning itself in markets with above-average growth potential.
- No transformational acquisitions.
- Various shareholder return programs, albeit at reduced levels compared with prior years. €500 million of share buybacks in 2020. Additional €300 million of repurchases announced, to be completed in the first half of 2021.

Key metrics

Akzo Nobel N.V.--Key Metrics*

	--Fiscal year ended December 31--				
(Mil. €)	**2018a**	**2019a**	**2020e**	**2021f**	**2022f**
EBITDA	1,047	1,219	1,200-1,250	1,200-1,500	1200-1500
Debt to EBITDA (x)	0.0	0.7	0.9-1.1	0.8-1.0	0.9-1.1
FFO to debt (%)	0.0	114.9	80-90	80-100	60-80
FOCF (Bil. €)	146	-168	450-550	600-750	400-600

*All figures adjusted by S&P Global Ratings. §2019 year-end debt consists of net financial debt of €843.5 mil. with key adjustments being €352 mil. in leases. a--Actual. e--Estimate. f--Forecast.

Improving margins due to internal cost efficiencies, despite the challenges caused by COVID-19. We understand that Akzo, in the first half 2020, registered a major decline in revenue and profitability in its performance coatings business, owing to its exposure to the highly cyclical end markets such as auto and industrial coatings. However, we believe the negative impact on profitability was partially mitigated by Akzo's comprehensive efficiency program, with particular focus on service excellence, collaboration with customers, digitalization, inventory management, asset optimization, and other aspects. The company remains on track to achieve €120 million of structural savings in 2020.

We estimate an adjusted EBITDA margin of about 15% in 2020, improving from 13% in 2019, factoring in benefits of margin management and cost saving initiatives.

Sizable M&A is the main downside risk to our forecast. We understand that Akzo is focused on its transformation and integration program and does not foresee meaningful transactions in the near term. However, considering the consolidation in the industry and the strength of Akzo's balance sheet, we view M&A as one of the main event risks.

Company Description

Netherlands-based Akzo Nobel N.V. has operated since 1792 as one of the leading producers of paints and performance coatings globally. Headquartered in Amsterdam, the company has activities in more than 80 countries and employs around 34,000 people.

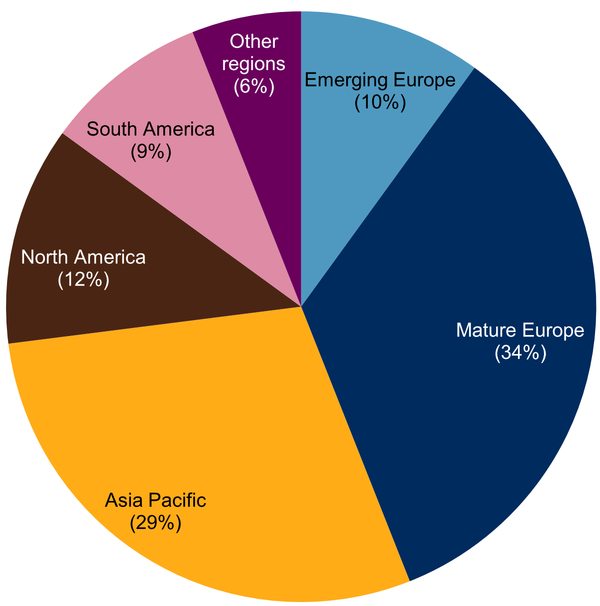
On Oct. 1, 2018, Akzo announced the sale of its specialty chemicals business to private equity firm Carlyle and sovereign wealth fund GIC Private Ltd. The transaction delivered on Akzo's alternative strategy to accelerate value creation for shareholders, announced on April 19, 2017, which envisaged the sale of the specialty chemicals business to allow for undivided focus on the company's core paints and coatings businesses, where it commands leading global market positions. Akzo's sales at year-end 2019 amounted to €9.3 billion.

Akzo now operates across two divisions:

- Performance coatings (60% of 2019 sales), of which it is the leading supplier. Akzo has a strong product portfolio serving transportation, buildings and infrastructure, consumer goods, and industrial end-markets. The company holds No. 1 market positions in coil, marine, powder, protective, yacht, specialty plastic coatings, and wood finishes. Innovation, sustainability, and adherence to clients' specific needs are key in this business-to-business model.
- Decorative paints (40% of 2019 sales), of which Akzo is also a leading global supplier, with No. 1 market positions in EMEA and Latin America, underpinned by well-recognized household brands. Products include paints, lacquers, varnishes, and specialty coatings for metals and wood. End-markets include cyclical buildings and infrastructure industries and the company serves both consumers and professional painters. Key distribution channels are often large-scale retailers such as Leroy Merlin, Kingfisher, and Bricomarche.

Chart 1

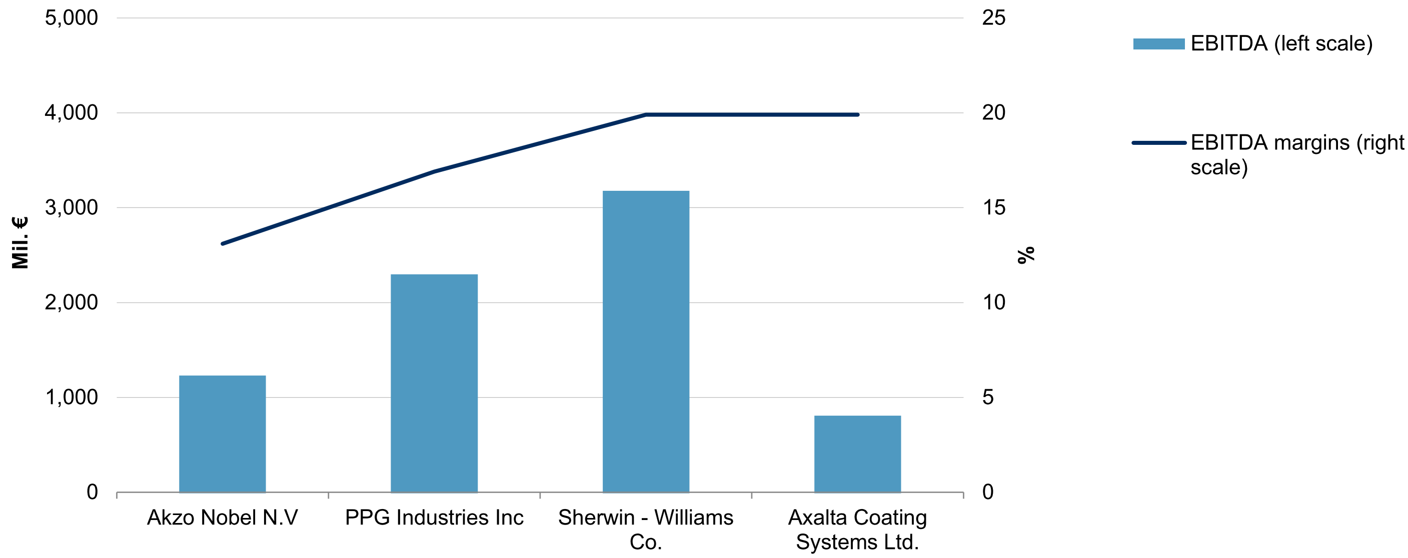
Akzo Nobel N.V--Regional Revenue Breakdown 2019



Source: S&P Global Ratings.

Chart 2

Akzo Nobel's Profitability--Peer Comparison
Absolute EBITDA and EBITDA margins as of December 2019



Source: S&P Global Ratings.

Peer Comparison

Table 1

Akzo Nobel N.V.--Peer Comparison

Industry sector: Chemical companies

	Akzo Nobel N.V.	PPG Industries Inc.	Sherwin-Williams Co.	Axalta Coating Systems Ltd.
Ratings as of Dec. 4, 2020	BBB+/Stable/A-2	BBB+/Negative/A-2	BBB-/Stable/A-3	BB/Stable/--
	--Fiscal year ended Dec. 31, 2019--			
(Mil. €)				
Revenue	9,276.0	13,496.9	15,951.8	3,994.2
EBITDA	1,219.0	2,287.5	3,167.8	796.1
Funds from operations (FFO)	969.0	1,837.7	2,444.7	613.8
Interest expense	76.0	144.1	380.6	149.8
Cash interest paid	66.0	139.7	360.1	144.8
Cash flow from operations	46.0	2,037.3	2,411.6	538.3
Capital expenditure	214.0	362.7	293.1	98.5
Free operating cash flow (FOCF)	(168.0)	1,674.6	2,118.5	439.8
Discretionary cash flow (DCF)	(4,134.0)	915.4	1,049.5	316.9

Table 1

Akzo Nobel N.V.--Peer Comparison (cont.)

Industry sector: Chemical companies

	Akzo Nobel N.V.	PPG Industries Inc.	Sherwin-Williams Co.	Axalta Coating Systems Ltd.
Cash and short-term investments	1,388.0	1,138.9	144.2	906.7
Debt	843.5	5,438.0	9,658.3	2,797.8
Equity	6,568.0	4,814.7	3,674.4	1,256.1
Adjusted ratios				
EBITDA margin (%)	13.1	16.9	19.9	19.9
Return on capital (%)	9.0	15.8	17.3	10.8
EBITDA interest coverage (x)	16.0	15.9	8.3	5.3
FFO cash interest coverage (x)	15.7	14.2	7.8	5.2
Debt/EBITDA (x)	0.7	2.4	3.0	3.5
FFO/debt (%)	114.9	33.8	25.3	21.9
Cash flow from operations/debt (%)	5.5	37.5	25.0	19.2
FOCF/debt (%)	(19.9)	30.8	21.9	15.7
DCF/debt (%)	(490.1)	16.8	10.9	11.3

Business Risk: Satisfactory

In our opinion, Akzo benefits from strong positions in the markets it serves and global recognition of its brands and products including Dulux, International, Sikkens, and Interpon. While reduced in size and scope following the disposal of its specialty chemicals division, we believe Akzo continues to be well diversified by product and geography, with no particular reliance on a single customer or supplier. Akzo is, in our opinion, well-balanced by geographic exposure between developed and emerging markets, with Europe accounting for 34% of 2019 revenues, 29% coming from Asia, and the remaining 37% split between North and South America (12% and 9%, respectively), emerging Europe (10%), and other countries. Demand for paints and coatings has historically mirrored GDP, hence we view positively the relatively low capital intensity of Akzo's paints and coatings business, which we view as supportive to resilient cash flow generation during the macroeconomic cycle.

Exposure to the countercyclical renovation business, which accounts for about 70% of decorative paints revenues, affords further resilience, partly balancing the cyclical nature of performance coatings end-markets, namely marine and protective, and automotive and industrial coatings.

Akzo's weighted average adjusted EBITDA margin for the continuing operations is about 13% for 2019, which is at the lower end of the 12%-20% range we consider average for specialty chemicals companies. Profitability is also lower than that of its main peers PPG, Sherwin-Williams, and Axalta, which on average have S&P Global Ratings-adjusted EBITDA margins of about 16%-19%, albeit with a different product mix. We understand that Akzo's management is strongly committed to improving margins through several operating efficiency initiatives across the organization and its functions. The company remains on track to achieve €120 million of structural savings in 2020.

We estimate an adjusted EBITDA margin of about 15% in 2020 and 17% in 2021, factoring in benefits of margin management and cost saving initiatives.

Financial Risk: Minimal

Under our base-case forecast, Akzo will have minimal adjusted debt in 2020 and 2021, and will generate positive free operating cash flow of about €0.5 billion in 2020 and about €0.7 billion in 2021. In 2019, Akzo's return to shareholders amounted to €5.5 billion by way of a €1 billion special dividend and €2 billion capital reduction and share consolidation, as well as the €2.5 billion share buyback program. Akzo intends to use the retained €1 billion for debt reduction, costs associated with the transformation, and bolt-on acquisitions.

We understand Akzo's management has taken some proactive self-help measures to abate the negative effects of the pandemic and to protect credit quality and liquidity. Amongst others, these include reduced discretionary capex and shareholder distributions. For 2020, Akzo expects to spend about €500 million on share buybacks. An additional €300 million of repurchases announced, to be completed in the first half of 2021.

We understand that Akzo's strategy is to expand organically and by bolt-on acquisitions, with no transformative transactions planned. We see this as the main risk to our base-case scenario in light of the consolidation of the industry and Akzo's clear appetite for larger deals, demonstrated by discussions regarding a potential merger with Axalta in October 2017, which ended without an agreement. We understand that there are no large transactions planned at present.

Financial summary

Table 2

Akzo Nobel N.V.--Financial Summary

Industry Sector: Chemical companies

	--Fiscal year ended December 31--				
	2019	**2018**	**2017**	**2016**	**2015**
(Mil. €)					
Revenue	9,276.0	9,256.0	9,612.0	14,197.0	14,859.0
EBITDA	1,219.0	1,046.5	1,265.2	2,286.0	2,268.5
Funds from operations (FFO)	969.0	771.3	810.4	1,875.4	1,827.1
Interest expense	76.0	114.2	141.8	146.6	167.4
Cash interest paid	66.0	111.2	116.8	125.6	180.4
Cash flow from operations	46.0	306.3	413.7	1,464.4	1,267.1
Capital expenditure	214.0	160.0	257.0	634.0	651.0
Free operating cash flow (FOCF)	(168.0)	146.3	156.7	830.4	616.1
Discretionary cash flow (DCF)	(4,134.0)	(489.7)	(1,190.3)	494.4	335.1
Cash and short-term investments	1,388.0	8,251.0	1,322.0	1,479.0	1,365.0
Gross available cash	1,388.0	8,251.0	1,322.0	1,479.0	1,365.0
Debt	843.5	0.0	2,893.3	3,249.4	2,742.1
Equity	6,568.0	12,038.0	6,307.0	7,034.0	6,980.0

Table 2

Akzo Nobel N.V.--Financial Summary (cont.)

Industry Sector: Chemical companies

	--Fiscal year ended December 31--				
	2019	**2018**	**2017**	**2016**	**2015**
Adjusted ratios					
EBITDA margin (%)	13.1	11.3	13.2	16.1	15.3
Return on capital (%)	9.0	6.8	9.1	15.2	15.9
EBITDA interest coverage (x)	16.0	9.2	8.9	15.6	13.6
FFO cash interest coverage (x)	15.7	7.9	7.9	15.9	11.1
Debt/EBITDA (x)	0.7	0.0	2.3	1.4	1.2
FFO/debt (%)	114.9	N.M.	28.0	57.7	66.6
Cash flow from operations/debt (%)	5.5	N.M.	14.3	45.1	46.2
FOCF/debt (%)	(19.9)	N.M.	5.4	25.6	22.5
DCF/debt (%)	(490.1)	N.M.	(41.1)	15.2	12.2

N.M.--Not meaningful

Reconciliation

Table 3

Akzo Nobel N.V.--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. €)

	--Fiscal year ended Dec. 31, 2019--					
Akzo Nobel N.V. reported amounts						
	Debt	**Shareholders' equity**	**EBITDA**	**Operating income**	**S&P Global Ratings' adjusted EBITDA**	**Cash flow from operations**
Reported	1,859.0	6,350.0	1,201.0	841.0	1,219.0	33.0
S&P Global Ratings' adjustments						
Cash taxes paid	--	--	--	--	(184.0)	--
Cash interest paid	--	--	--	--	(66.0)	--
Reported lease liabilities	352.0	--	--	--	--	--
Postretirement benefit obligations/deferred compensation	--	--	2.0	2.0	--	--
Accessible cash and liquid investments	(1,367.5)	--	--	--	--	--
Share-based compensation expense	--	--	16.0	--	--	--
Nonoperating income (expense)	--	--	--	37.0	--	--
Reclassification of interest and dividend cash flows	--	--	--	--	--	13.0
Noncontrolling interest/minority interest	--	218.0	--	--	--	--
Total adjustments	(1,015.5)	218.0	18.0	39.0	(250.0)	13.0

Table 3

Akzo Nobel N.V.--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. €) (cont.)

S&P Global Ratings' adjusted amounts

	Debt	Equity	EBITDA	EBIT	Funds from operations	Cash flow from operations
Adjusted	843.5	6,568.0	1,219.0	880.0	969.0	46.0

Liquidity: Strong

We view Akzo's liquidity as strong because we forecast its ratio of liquidity sources to uses at above 1.9x over the next 12 months and above 1.4x over the subsequent 12 months.

Principal liquidity sources	Principal liquidity uses
• Reported cash of about €1.5 billion as of Sept 30, 2020. • Undrawn committed revolving credit facility (RCF) of €1.3 billion due in 2022, which is not subject to any maintenance financial covenants. • Cash FFO of about €1.0 billion.	• Short-term debt of about €170 million as of Sept. 30, 2020. • Capex at 2.5%-3.0% of sales. • Normalized seasonal working capital outflows of €400 million annually. • Bolt-on acquisitions up to €200 million. • Ordinary dividends at about €1.5 per share, increasing in line with stable-to-progressive policy. • Share repurchases of about €500 million for 2020, and another €300 million of repurchases announced, to be completed in the first half of 2021.

Debt maturities

As of Dec. 31, 2019:

- 2022: €750 million
- 2024: €500 million
- 2026: €500 million

Other Credit Considerations

Our assessment of the company's financial policy does not support raising the rating at this time. That said, we recognize the company's track record of prudent risk management and considerable headroom, given the company has no debt at present after our adjustments.

Environmental, Social, And Governance

Environmental and governance factors are material to our credit analysis of Akzo. Since its divestiture of its specialty chemicals business, the company has concentrated risk related to regulations and shifting consumer preferences in the paints and coatings industry. Similar to other chemical companies, Akzo is taking steps to address global green house gas emissions and has set a target to reduce carbon emissions by 25%-30% per ton by 2020. Akzo's targets also includes zero waste to landfill by 2020, and by 2050 to use 100% renewable energy and become carbon neutral. In terms of governance, Akzo is in line with other large international companies.

Issue Ratings - Subordination Risk Analysis

Capital structure

As of Dec. 31, 2019, Akzo's capital structure primarily comprised a €750 million 2.625% senior unsecured bond due 2022, a €500 million 1.75% senior unsecured bond due 2024, and a €500 million 1.75% senior unsecured bond due 2026. Akzo's liquidity is supported by the undrawn €1.3 billion committed RCF due in 2022.

Analytical conclusions

We rate Akzo's debt 'BBB+', the same as the issuer credit rating, because in our view subordination risk is not significant in its capital structure.

Ratings Score Snapshot

Issuer Credit Rating

BBB+/Stable/A-2

Business risk: Satisfactory

- **Country risk:** Intermediate
- **Industry risk:** Low
- **Competitive position:** Satisfactory

Financial risk: Minimal

- **Cash flow/leverage:** Minimal

Anchor: a

Modifiers

- **Diversification/portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Negative (-2 notches)

- **Liquidity:** Strong (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Related Research

- Top 20 EMEA Chemical Companies And COVID-19: The Credit Impact Relies Largely On Subsector Exposures And Responses, Oct. 22, 2020
- Issuer Ranking: EMEA Chemical Companies, Strongest To Weakest, Aug. 21, 2020
- Q&A: EMEA Chemicals Face A Long Climb Back From COVID-19 Disruption, June 29, 2020
- Industry Top Trends Update: EMEA Chemicals, July 16, 2020
- ESG Industry Report Card: Chemicals, Feb. 11, 2020

Related Criteria

- Group Rating Methodology, July 1, 2019
- Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 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: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Business And Financial Risk Matrix

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

Ratings Detail (As Of December 15, 2020)*	
Akzo Nobel N.V.	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	A-2
Senior Unsecured	BBB+
Issuer Credit Ratings History	
02-Oct-2018	BBB+/Stable/A-2
20-Oct-2017	A-/Negative/A-2
05-May-2017	A-/Watch Neg/A-2
21-Oct-2016	A-/Stable/A-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.

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