

Research Update:

# Denmark-Based Biosolutions Provider Novonesis A/S Assigned 'A-' Rating; Outlook Stable

March 10, 2026

**Editor's note:** This research update, published earlier today, has been republished to clarify the group's activity in the Chinese HMO market. A corrected version follows.

## Rating Action Overview

- Formed in 2024 through the merger of Novozymes and Chr. Hansen, Denmark-based specialty ingredients provider Novonesis A/S (Novonesis) is a leader in the growing biosolutions sector, which comprises enzymes, probiotics, cultures, and other microbials. The group serves diverse end-markets, generating €4.2 billion of revenue and €1.5 billion of S&P Global Ratings-adjusted EBITDA in 2025.
- In our view, Novonesis is able to generate steady revenue growth of 5%-6.5% over the next few years because of its well-entrenched leading market positions thanks to its strong innovation capabilities, enabling it to deliver a wide range of applications across sectors and geographies. The group's strong S&P Global Ratings-adjusted EBITDA margin of 36%-38%, slightly offsets the comparatively smaller size of the earnings base relative to large peers in the Specialty Ingredients industry.
- We view the business as cash generative, although constrained by an expansionary capital expenditure (capex) program to meet high demand, with annual free operating cash flow (FOCF) of €700 million-€800 million in 2026-2027 and adjusted debt to EBITDA of 1.5x-1.7x assuming a consistent financial policy.
- We assigned our 'A-' long-term issuer credit rating and stable outlook on Novonesis.
- The stable outlook reflects our view that the group is well positioned to maintain a resilient operating performance and grow profitably over the next few years while generating positive FOCF, which will support adjusted debt to EBITDA of about 1.5x-1.7x on a sustained basis.

## Rating Action Rationale

**The rating reflects our view that Novonesis' strong competitive advantage within the biosolutions industry should support a profitable growth trajectory and steady FOCF in 2026-2027.** This, together with a prudent financial policy, should support solid credit metrics of

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adjusted debt to EBITDA of 1.5x-1.7x. We forecast overall annual revenue growth of about 5.0%-5.5% in 2026, accelerating to about 6.0%-6.5% in 2027-2028, comprising a mix of volume, product mix, and a positive price effect. Our forecasts represent an overall deceleration from the 2024-2025 annual organic revenue growth of 7%-8%, reflecting the possible effects of the ongoing challenging demand that is affecting some of its customer groups that could also weigh on Novonosis. This is particularly the case in food and beverage and household care industries (together about 52% of 2025 revenue). In 2026, the group's revenue growth will also cycle the effect (-1%) from the exit from certain markets, including Russia. However, we forecast that the S&P Global Ratings-adjusted EBITDA margin (after group-reported special items) will continue to increase toward 36.5% in 2026 (about 36% in 2025) and 37%-37.5% in 2027-2028. This is supported by profitable growth expansion and reducing merger-related integration expenses. We forecast stable to slightly weakening FOCF to about €700 million-€750 million in 2026 (€751 million in 2025), before moderately improving to about €750 million-€800 million in 2027, and approximately €900 million in 2028. In the near term, high capex investments, mainly linked to emerging market-related production capacity increases and enterprise resource planning (ERP) system implementation, will somewhat constrain FOCF. We think that Novonosis should be well positioned to reduce S&P Global Ratings-adjusted debt to EBITDA to about 1.5x over the next two years (1.8x in 2025). This factors in a continued increase in absolute dividend amounts, but no further share buybacks and material acquisitions after the Feed Enzyme Alliance transaction in 2025. This is consistent with its financial policy target and supports the rating.

**We view Novonosis' well entrenched business with high barriers to entry, a leading position in the growing biosolutions sector and ingredients industry, and a clear strategy to achieve profitable growth through innovation, as positive.** The group's S&P Global Ratings-adjusted EBITDA margin of mid 30% compares favorably with the larger specialty ingredients peers (in the 20%-25% range), such as Givaudan SA (A-/Stable/A-2), International Flavors & Fragrances Inc. (IFF; BBB-/Positive/A-3), and DSM-Firmenich AG (A-/Stable/A-2). We attribute its favorable profitability profile relative to peers to the more entrenched positioning of Novonosis' solutions in the value chain of its customers. Enzymes are used very early in a product's life cycle, and have broad applications across different customer groups, from food and beverage and household care to human and animal health and biofuel. Moreover, the combination with probiotics and cultures allows the group to capture value across multiple entry points of the production process. For example, in dairy (about 60% of the end market in the food and beverage segment), enzymes, probiotics, and cultures are used to enhance taste and texture, adding health benefits like gut protection and improving shelf life. The group leverages on its extensive library of microbial strains (over 100,000) and deep research that translates into more than 10,000 patents outstanding.

The group estimates that its offerings often account for only between 1%-5% of its customers' costs of goods sold, while the savings achieved by its customers are material. This supports Novonosis' high margins, which we think are structural in nature and sustainable. We forecast its research and development (R&D) expenses to account for about 11% of revenue in the coming years compared with the peers' average of 4%-7%. The group's revenue and earnings benefit from good visibility with multi-year contracts in place for larger consumer products groups, and no particular customer concentration. The largely local-for-local production footprint centered around the U.S., Denmark, Brazil, India, and China minimizes the risk from trade tariff frictions.

**We positively evaluate Novonosis' high and steady organic revenue growth and strong profitability metrics compared with industry peers.** We attribute the growth to strong innovation capabilities in biosolutions and the ability to execute its commercial strategy across various sectors and regions. The group's 7%-8% organic revenue growth in 2024-2025 exceeded

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the 3%-6% range of its peers in the broader specialty ingredients industry over the same period. Under its August 2025 'GROW' strategy the group targets organic revenue growth of 6%-9% annually through to 2030 with group-reported adjusted EBITDA margins (before special items) reaching about 39% (37.1% in 2025). The group's growth far outpaces underlying end-market growth rates, which are normally flat-to-modestly growing (1%-2%) annually. It exceeds end-market growth by bringing innovation to its customers and penetrating high-growth segments in new markets. For example, the demand for high-protein yogurt and fermented cheese is high in dairy. Similarly, in beverages, plant-based offerings are also outpacing the growth of other segments, while probiotics are in high demand for immune systems and gut balance in human health. In other areas, its solutions include strains used in optimizing the efficiency of biofuels and enhancing the output in the animal production process. These solutions enable the customers' sustainability initiatives.

Approximately 80% of Novonesis' R&D is linked to product development and the group generated about 25% of its revenue in 2025 from launches in the past five years. In 2025, the group launched 33 new products (compared with about 48 in 2024). Moreover, the group relies on a solid and dedicated in-house sales force with deep knowledge of end customer groups and industries. We also note that Novonesis has maintained a consistent positive price effect of 1%-2% annually in recent years, which indicates that it has the ability to sustain margins in high inflationary periods. Like most peers, the group benefits from a good geographic mix with about 64% of sales coming from developed markets and the remainder from emerging markets with stronger growth (about 10%-12%).

**The group's business constraints include a smaller business scale and size of earnings compared with large global specialty ingredients peers, and uncertainties surrounding regulatory approvals for new applications in certain markets.** With reported revenue of about €4.2 billion and S&P Global Ratings-adjusted EBITDA of €1.5 billion, the group has a smaller business scale and earnings base than the top three specialty ingredients players (Givaudan, IFF, and DSM-Firmenich), which nevertheless have lower EBITDA margins by at least 10 percentage points. Novonesis' revenue is lower, but it has higher absolute EBITDA than Kerry Group PLC (BBB+/Stable/A-2) and Roquette Freres S.A. (BBB/Negative/A-2). The group's absolute revenue is similar to Symrise AG's (BBB+/Stable/--), although its profitability metrics are much stronger. In our view, the group's scale is reflective of the size of its core addressable market which is estimated at about €20 billion. Globally, the total addressable biosolutions market is estimated at €60 billion in sales. The size of the industry in each geographical market partly reflects the local-for-local regulatory landscape, which can affect the timing of new product launches. For example, for food and beverage products, the time frame for the approval of new proteins varies greatly across major regions such as the EU (the slowest for approval), the U.S., and Asia. Similarly, in China, the highly profitable and relatively sizable (of global market) human milk oligosaccharides (HMO) market is highly regulated, and approval of a new product could take several years. The group obtained its first approval in the HMO market in China in late 2024 and is in the process for approval of its five-HMO mix, expecting HMO sales in China from late 2026. We note that several global specialty ingredients peers are looking to expand in the enzyme and probiotics segments, which could translate into stronger competition over the long term. However, this is not an imminent risk for Novonesis in our view, given the high barriers to entry in terms of footprint, R&D, and data requirements, which can take a lot of time to accumulate.

**Novonesis is a highly cash generative business, but the high capex investment cycle capitalizing on growth opportunities in key markets will hamper free cash flow growth in 2026-2027.** Under our base-case forecasts, we expect Novonesis to generate FOCF of €700 million-€800 million annually in 2026-2027 (compared with €751 million in 2025). FOCF growth should

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accelerate in 2028, when we forecast FOCF should reach €900 million. We understand the business has no large working capital seasonality. The group is accelerating its capex investment program in 2026-2027 and it anticipates a capex to revenue ratio of more than 10% in the next two to three years (11.3% in 2025) under its 'GROW' strategy. The expansionary program mainly reflects capacity investment projects across existing facilities, notably in emerging markets, and an ERP program implementation that started in 2025. That said, we note that Novonesis exhibits higher capex intensity than most peers with annual maintenance capex of about 5%-6% of revenue. This leads to an absolute amount of FOCF cushion which is lower relative to other 'A-' rated peers despite the lower debt leverage. This reflects its vertical integration with a large fermentation footprint, which we think is key to maintaining a competitive advantage in the medium to long term. The high capex investment program should not slow down the deleveraging prospects, as the Feed Enzyme Alliance business is now fully integrated within the business. There are also no material outstanding costs linked to the legacy merger. The only major outstanding item is the ERP system implementation, which adds about 1% to annual capex in the next two to three years.

**We forecast Novonesis to gradually improve its credit metrics from 2025 levels with adjusted debt to EBITDA of 1.5x-1.7x and FOCF of 25%-30% thanks to steady FOCF and a prudent financial policy.** For 2026, we assume overall dividend payments of about €405 million, a slight increase from the 2025 level, and no further share buybacks, following last year's €100 million program completion. Thereafter, we assume growing dividends, broadly in line with earnings. The group's target reported net leverage of debt to EBITDA of about 1.5x is close to S&P Global Ratings' forecast adjusted debt leverage of 1.5x-1.7x. For 2026 and 2027, we assume the group will prioritize deleveraging after completing the €1.5 billion debt-financed acquisition of Feed Enzyme Alliance in 2025. From 2028 onward, we assumed a moderate step-up in discretionary spending of €200 million-€500 million annually based on our understanding of the financial policy and capital allocation. We assume the group will reverse excess cash to shareholders if net leverage falls below 1.5x, and there are no compelling acquisition opportunities. At this stage, we think that further large transactions like Feed Enzyme Alliance--which was strategic in nature--are unlikely. This is because of the group's stated desire not to deviate from its current capabilities and end markets.

**Our assessment of the group's liquidity position captures our view that Novonesis will address its large upcoming debt maturity, a €1.47 billion bridge loan facility due in December 2026, in a decisive and timely manner.** We think that although Novonesis has no track record of accessing public debt capital markets, the group benefits from easy access to bank financing thanks to its ability to maintain large cash balances and generate large positive FOCF. The bridge loan facility was contracted for the acquisition of DSM-Firmenich's share of the Feed Enzyme Alliance. We understand the group is advancing with the refinancing process, which we anticipate will be completed in the near term. We also understand that extending the facility by another year is among the alternative options at management disposal.

## Outlook

The stable outlook reflects our view that the group is well positioned to maintain a resilient operating performance and grow profitably over the next few years thanks to growing global demand for biosolutions applications. This is across various industries and geographies. We also assume the group will maintain operating cost discipline supporting high and rising S&P Global Ratings-adjusted EBITDA margins to about 36.0%-37.5% and broadly stable FOCF of €700 million-€800 million annually to end-2027. This, alongside a consistent financial policy on debt

leverage tolerance, should translate into Novonosis being able to maintain an adjusted debt leverage of 1.5x-1.7x in 2026-2027.

### **Downside scenario**

We could lower the rating on Novonosis if we observe a material negative deviation to our base case such that the adjusted debt to EBITDA ratio increases above 2.0x with no prospect for rapid deleveraging. This would likely occur if we observed a material deterioration in organic revenue and EBITDA growth prospects stemming from weaker demand across end markets, notably the food and beverage and household care industries, increased competition in key markets, and operating setbacks affecting the development of new applications and solutions.

We would also view a sudden shift from the prudent financial policy, with a sharp increase in spending over shareholder remuneration or debt-funded acquisitions as negative.

### **Upside scenario**

We could consider raising the rating on Novonosis if the group's cash flow conversion generation increased to above our forecast such that FOCF to debt increases to the upper-end of the 25%-40% range, while adjusted debt to EBITDA remains about 1.5x on a sustained basis.

We think that this could occur should the group's operating performance improve to such a level that organic revenue growth reaches the upper end of the group's 6%-9% medium-term guidance with adjusted EBITDA margins increasing to about 39% with cash conversion able to improve despite higher planned capex. Such a scenario would be plausible if the group is able to unlock strong profitable growth opportunities, in terms of new applications, solutions, and strong geographical expansion such as the Chinese infant milk biosolutions market.

## **Company Description**

Denmark-headquartered Novonosis, formed in January 2024 following the merger of Novozymes and Chr. Hansen, is a global leader in biosolutions, specializing in enzymes and microbial solutions for development, manufacturing, and distribution. The group has a direct presence in more than 45 countries, serving more than 30 industries with a workforce of over 11,000 employees and a network of 30 production sites and 40 R&D and application centers worldwide. In the most recent fiscal year (ended Dec. 31, 2025), Novonosis generated revenue of about €4.2 billion (about €3.8 billion in 2024) with S&P Global Ratings-adjusted EBITDA of about €1.5 billion (about €1.3 billion in 2024), implying an adjusted EBITDA margin of about 36% (34% in 2024).

The group operates with two main divisions:

- Planetary Health Biosolutions (2025: 55% of sales, reported EBITDA margin of about 38%) for the household care end market (laundry, dishwasher, and professional and medical cleaning), agriculture (animal, plant), energy (biofuel, biodiesel and biomass), and technology (grain processing, bioprocessing, and oils and fats).
- Food & Health Biosolutions (2025: 45% sales, reported EBITDA margin of about 36%) for the food and beverages industry (dairy, baking, beverages, meat, plant-based, and others), and human health market (dietary supplements, and advanced health and nutrition).

In terms of geographical footprint, about 36% of revenue in 2025 was generated in Europe, the Middle East, and Africa; 32% in North America; 19% in Asia-Pacific; and 13% in Latin America. The U.S. is the largest end market accounting for about 29% of revenue.

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Novonosis is listed on the Nasdaq Copenhagen stock exchange. As of Dec. 31, 2025, the Novo Nordisk Foundation was the controlling shareholder via Novo Holdings A/S which held 63.4% of the voting rights (through its holdings in class A shares which carry 20 votes versus two votes for class B shares) and 25.5% of the total common stock. Institutional investors hold most of the remaining shares.

## Our Base-Case Scenario

### Assumptions

- Real GDP growth in the U.S. of 2.0% in 2026, 1.9% in 2027, and 1.8% in 2028, with average consumer price index (CPI) of 2.6% reducing to 2.2% over the same period. Real GDP growth in the EU of 1.5% in 2026 and 1.6% in 2027-2028, with CPI of 2.1% in 2026 and 2.0% in 2027-2028. Real GDP growth in emerging markets of 4.4% in 2026 and 4.5% in 2026-2027 with CPI of 3.1% in 2026 and 2.8%-2.9% in 2027-2028.
- Overall annual revenue growth of 5.0%-5.5% in 2026 (compared with 8.5% in 2025), increasing to about 6.0%-6.5% in 2027-2028 representing an ongoing mix of volumes, products, and the positive price effect (+1%).
- S&P Global Ratings-adjusted EBITDA margin of about 36.5% in 2026 (compared with 35.9% in 2025) and 37.0%-37.5% in 2027-2028, assuming stable input costs and a gradual reduction in merger-related integration costs. We assume an R&D spend of about 11% of revenue annually.
- Annual working capital of about 22.5%-23.0% of revenue, reflecting an inventory build up to support business growth and new product launches.
- Annual capex of 13.0%-13.5% of revenue in 2026, about 13.0% in 2027 and reducing to about 11.0%-11.5% in 2028. Maintenance capex is about 5%-6% of revenue, with the remainder being spent on the production capacity increase and ERP system implementation projects.
- S&P Global Ratings-adjusted FOCF of €700 million-€750 million in 2026 improving toward €750 million-€800 million in 2027 and approximately €900 million in 2028, reflecting profitable expansion and stabilizing capex in absolute amounts.
- Cash dividend payment of about €405 million in 2026, assuming further nominal growth broadly in line with earnings.
- No material acquisitions and share buybacks in 2026. We assume discretionary spending on potential bolt-on acquisitions and/or share buybacks from 2027 onward, based on our understanding of the group's reported net leverage tolerance and capital allocation.
- In 2025, our adjusted debt figure of €2.74 billion comprising notably €1.47 billion of acquisition-related debt, other loans and drawdowns under the revolving credit facility of about €1.2 billion and about €190 million of lease liabilities. We applied a 5% haircut to reported cash balances which are deemed not immediately available for debt repayment.

### Key metrics

#### Novonosis A/S--Key metrics

Period ending	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028
(Mil. EUR)	2024a	2025a	2026e	2027f	2028f
Revenue	3,834	4,158	4,365-4,386	4,638-4,661	4,928-4,975

## Novonosis A/S--Key metrics

EBITDA	1,302	1,494	1,590-1,600	1,715-1,748	1,848-1,890
Funds from operations (FFO)	921	1,236	1,336-1,346	1,420-1,450	1,544-1,586
Capital expenditure (capex)	355	465	574-584	~600	560-580
Free operating cash flow (FOCF)	660	751	700-750	750-800	870-920
Dividends	250	403	~405	415-430	440-450
Debt	1,504	2,742	2,660-2,670	2,600-2,630	2,734-2,772
<b>Adjusted ratios</b>					
Debt/EBITDA (x)	1.2	1.8	~1.7	~1.5	~1.5
FFO/debt (%)	61.2	45.1	~50.0	~55.0	~56.0
FOCF/debt (%)	43.9	27.4	~27.0	~30.0	~33.0
Annual revenue growth (%)	59.6	8.5	5.0-5.5	6.0-6.5	6.0-7.0
EBITDA margin (%)	34.0	35.9	~36.5	37.0-37.5	37.5-38.0

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

## Liquidity

We assess Novonosis' liquidity profile as adequate, reflecting our calculation that sources of cash will exceed uses by more than 1.2x over the next 12 months even after a 15% EBITDA stress. We note the group benefits from a strong pool of local and international bank relationships but is yet to access public debt capital markets. In our calculation we excluded the €1.47 billion acquisition bridge facility which the group plans to refinance in 2026.

Principal liquidity sources	Principal liquidity uses
<ul style="list-style-type: none"> <li>Unrestricted cash and cash equivalents of about €262 million as of Dec. 31, 2025</li> <li>Committed undrawn RCF of about €700 million (out of €1.1 billion total commitments) not due until 2028-2030</li> <li>S&amp;P Global Ratings' forecast cash funds from operations of about €1.3 billion-€1.34 billion over the next 12 months</li> </ul>	<ul style="list-style-type: none"> <li>Debt due within 12 months of about €197 million, excluding the bridge facility, which is the process of refinancing</li> <li>Forecast working capital outflows of about €40 million-€50 million</li> <li>Estimated maintenance capex of about €300 million annually</li> <li>Estimated cash dividends of about €405 million</li> </ul>

## Covenants

Novonosis is currently subject to a maintenance financial covenant under certain bank facilities. We understand the group had strong (>30%) headroom under this covenant such that a 15% EBITDA decline will not cause a breach as of end-2025 and forecast it to remain strong in 2026.

## Rating Component Scores

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### Rating Component Scores

Component	
Foreign currency issuer credit rating	A-/Stable/--
Local currency issuer credit rating	A-/Stable/--
Business risk	Strong
Country risk	Intermediate risk
Industry risk	Low risk
Competitive position	Strong
Financial risk	Modest
Cash flow/leverage	Modest
Anchor	a
Modifiers	
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Adequate
Management and governance	Neutral
Comparable rating analysis	Negative
Stand-alone credit profile	a-

## Related Criteria

- [Criteria | Corporates | General: Sector-Specific Corporate Methodology](#), July 7, 2025
- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Jan. 7, 2024
- [Criteria | Corporates | General: Corporate Methodology](#), Jan. 7, 2024
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1, 2019
- [Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), Dec. 16, 2014
- [General Criteria: Methodology: Industry Risk](#), Nov. 19, 2013
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

## Related Research

- [Industry Credit Outlook 2026 | Consumer Products](#), Jan. 14, 2026

## Ratings List

## Denmark-Based Biosolutions Provider Novonosis A/S Assigned 'A-' Rating; Outlook Stable

### Ratings List

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#### New Rating

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#### **Novonosis A/S**

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Issuer Credit Rating

A-/Stable/--

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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://www.capitaliq.com). All ratings referenced herein can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings).

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