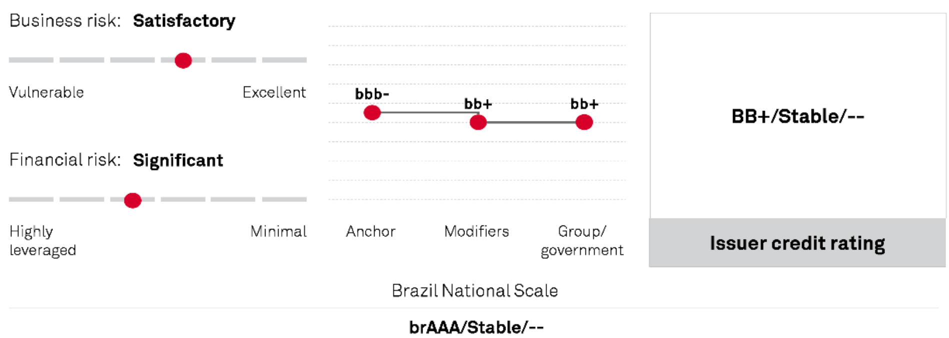
Klabin S.A.

December 15, 2021

Ratings Score Snapshot



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Credit Highlights

Overview

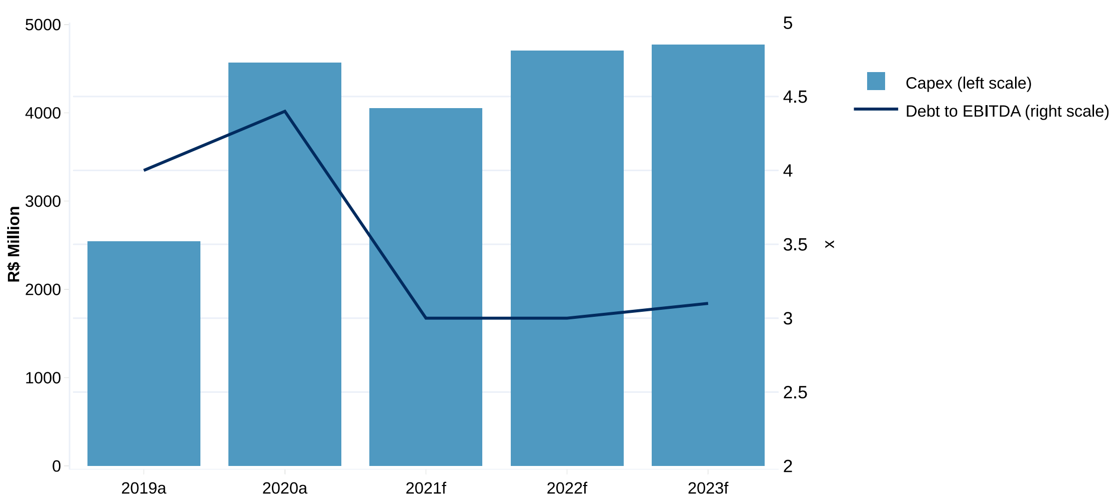
Key strengths	Key risks
A leading position in Brazil's paper packaging production segment, with longstanding relationships with clients.	Exposure to cyclicality in the forest and paper products industry, which has volatile input and selling prices.
Ability to adjust the sales mix and manage export volumes based on market demand.	Klabin's financial policy allows net debt to EBITDA to reach 4.5x during investment cycles and there is still limited track record of the company's commitment to its financial policies amid industry downturns.
Vertical integration allows for good profitability.	

Higher volumes and prices are resulting in stronger profitability. Healthy end-market demand--because most of Klabin's production relates to basic needs-- increasing prices, and the weaker Brazilian real led revenues to increase 37% in the first nine months of 2021 compared with the same period last year. Klabin's new annual capacity of 305,000 tons of corrugated boxes and 148,000 tons per year of packaging paper from the acquisition of International Paper (concluded in fourth quarter 2020) also contributed to the higher revenues. Moreover, Klabin's operational flexibility to switch production between softwood and fluff, and between kraftliner and conversion lines, and to manage exports also translates into market advantages--it's able to capture better prices depending on the product mix. With price increases in all segments this year, the company's profitability has risen, with EBITDA margin likely about 45% at year-end 2021.

For 2022, we expect further increases in volumes mainly resulting from the new kraftliner machine from the company's Puma II project, which started production at the end of August 2021. On the other hand, we will likely see some margin compression from the current high levels due to lower pulp prices, cost inflation on raw materials, and personnel expenses, although so far the company has been able to pass through higher costs into final prices. We forecast EBITDA margin at 41%-43% in 2022, still healthy and higher than margins in 2019-2020.

Capex to remain high until at least 2023. Of the total planned investment in the Puma II project, Klabin has spent R$7.1 billion since 2019, mainly for the first machine, which will add 450,000 tons of capacity in the kraftliner segment after the ramp-up period until 2024. For the second phase, which consists of constructing a coated board machine with annual capacity of 460,000 tons that will start operating in the second quarter of 2023, Klabin expects to spend additional R$5.8 billion. The company also announced in June 2021 new expansion investments totaling R$342 million until 2022 mainly for capacity increases at the Betim (MG), Goiana (PE), and Lages (SC) plants. Annual capex, including maintenance investments, should total about R$4.7 billion in 2022 and 2023, limiting free operating cash flow (FOCF).

Capex versus Debt to EBITDA



Source: Company's fillings and S&P Global Ratings.

Stronger EBITDA and controlled leverage despite high investments should allow for higher dividend distribution. Because Klabin will likely be able to fund most of its investment plan for the next two years with operating cash flows, we assume relatively stable debt levels. Considering that, we expect controlled leverage of about 3.0x until 2023, compared with 4.4x in 2020. This level is aligned with the company's financial policies, which require debt to EBITDA between 2.5x-3.5x, or up to 4.5x during investment cycles in expansion projects. In this scenario, we expect Klabin to distribute dividends of 15%-25% of adjusted EBITDA.

Outlook

The stable outlook reflects that we expect solid demand and healthy prices to continue in the next few quarters, resulting in debt to EBITDA around 3.0x and funds from operations (FFO) to debt around 20%. These metrics are despite the still high investments in the next two years and excluding possible temporary foreign exchange mismatch effects.

Downside scenario

We could downgrade Klabin in the next 12-18 months if we were to expect significantly weaker leverage metrics, with debt to EBITDA persistently above 4.5x and FFO to debt below 12% after the completion of Puma II investment. This could occur in a scenario of declining prices combined with an appreciation of Brazilian real, or due to a more aggressive growth strategy.

Upside scenario

We would consider a positive rating action if we expect Klabin's credit metrics to strengthen consistently. We would also need to see the company adhere to its financial policies published last year. Although not likely in the next 12 months, an upgrade would depend on debt to EBITDA below 3x and FFO to debt above 30% through the investment cycle.

Our Base-Case Scenario

Assumptions

- Brazil's GDP growth of 4.8% in 2021, 0.8% in 2022, and 2.0% in 2023.
- Average exchange rates of R$5.37 per $1 in 2021, R$5.48 per $1 in 2022, and R$5.53 per $1 in 2023, versus R$5.16 per $1 in 2020, benefiting revenues and margins.
- Average bleached hardwood kraft pulp (BHKP) listing in Europe close to $1,000 per ton in 2021, declining about 10% in 2022 and 2023, compared with $680/ton in 2020. We apply about 35% discount to listed prices.
- Increasing paper and packaging prices according to inflation, the Brazilian real's depreciation, and registered price increases during the past quarters, mainly in kraftliner, due to lower exported volumes from the U.S. amid solid demand.
- Costs and expenses increasing about 35% in 2021 from 2020, due to a larger share of packaging products as well as higher costs of chemicals, fuel, and energy. Inflationary pressures reducing in 2022 and 2023, with costs and expenses increasing about 15% in 2022 and closer to 5% in 2023.
- Annual capex of about R$4.0 billion in 2021 and R$4.7 billion in 2022 and 2023.
- Dividend distribution of about R$400 million in 2021 and close to R$1.5 billion in 2022 and 2023.

Key metrics

Klabin S.A.--Key Metrics*

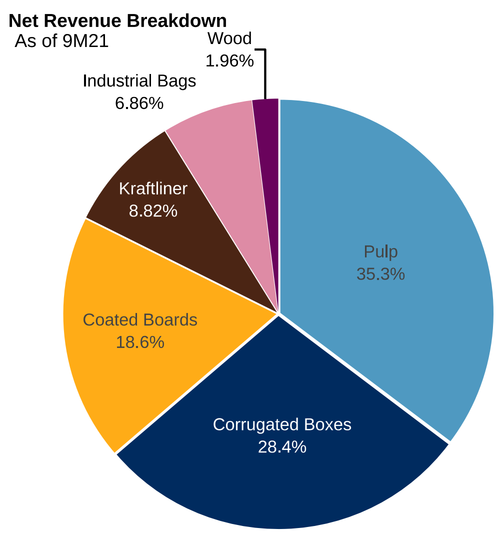
Mil. R$	2019a	2020a	2021e	2022e	2023e
Revenue	10,271	11,948	~15,600	16,500-17,500	17,500-18,500
EBITDA	3,475	4,704	~7,000	7,000-7,500	7,500-8,000
EBITDA margin (%)	36.5	39.4	~45	42-43	41-43
Funds from operations (FFO)	2,327	3,255	~4,500	4,000-4,500	4,200 - 4,700
Capital expenditure	2,546	4,566	~4,000	~4,700	~4,800

Free operating cash flow (FOCF)	389	1,014	~850	~(200)	0-200
Debt	14,856	20,605	~20,700	22,000-22,500	23,000-24,000
Debt to EBITDA (x)	4.0	4.4	~3.0	3.0-3.4	3.0-3.4
FFO to debt (%)	15.7	15.8	~22.0	17-20	17-20
FOCF to debt (%)	2.6	4.9	~4.0	~(1)	~0

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

Company Description

Klabin is one of the largest Brazilian pulp and paper producers, focused on several forest products, and is the leading producer and exporter of paper packaging in the country. The company operates 24 plants in Brazil and one in Argentina. It owns 585,000 hectares (ha) of land with 270,000 ha of planted forests (156,000 ha of which are destined for long fiber and 114,000 for short fiber), enough to supply its current production. Klabin's business units include forestry (wood planted from pine and eucalyptus), paper (coated boards and container boards), market pulp (hardwood, softwood, and fluff), and packaging (industrial bags and corrugated boxes).



Source: Company's fillings and S&P Global Ratings.

Peer Comparison

In the forest products segment, we compare Klabin mainly with other South American companies because their costs are affected by the same climate conditions and they benefit from access to superior natural resources. Klabin has a smaller production capacity than Suzano S.A. and Celulosa Arauco y Constitucion S.A. On the other hand, Klabin posts more stable and higher margins compared with non-Brazilian companies. This is thanks to its strong presence in resilient end-markets (both regionally and globally) and its self-sufficient and integrated production lines geared toward the paper and packaging sectors, which also grant the company a more diversified range of products.

Klabin ranks behind peers in the packaging and containers segment in terms of geographic diversification, production capacity, and revenue base. However, Klabin has integrated and self-sufficient production lines which help boost its efficiency and profitability.

Klabin S.A.--Peer Comparisons

	Klabin	Suzano S.A.	Celulosa Arauco	WestRock	IP
Foreign currency issuer credit rating	BB+/Stable/--	BBB-/Stable/--	BBB-/Stable/--	BBB/Stable/A-2	BBB/Stable/A-2
Local currency issuer credit rating	BB+/Stable/--	BBB-/Stable/--	BBB-/Stable/--	BBB/Stable/A-2	BBB/Stable/A-2
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2020-12-31	2020-12-31	2020-12-31	2021-09-30	2020-12-31
Mil.	$	$	$	$	$
Revenue	2,301	5,865	4,733	18,746	20,580
EBITDA	906	2,871	1,028	3,045	3,345
Funds from operations (FFO)	627	2,135	741	2,357	2,454
Interest	312	738	285	450	643
Cash interest paid	277	700	306	416	729
Operating cash flow (OCF)	1,075	2,525	1,106	2,460	3,165
Capital expenditure	879	941	1,668	802	720
Free operating cash flow (FOCF)	195	1,584	(562)	1,658	2,445
Discretionary cash flow (DCF)	139	1,584	(563)	1,302	1,597
Cash and short-term investments	1,263	1,742	1,065	291	595
Gross available cash	1,263	1,742	1,065	291	595
Debt	3,968	13,492	5,226	8,971	9,326
Equity	844	1,413	7,416	11,692	7,868
EBITDA margin (%)	39.4	48.9	21.7	16.2	16.3
Return on capital (%)	14.1	10.9	3.8	6.7	10.6
EBITDA interest coverage (x)	2.9	3.9	3.6	6.8	5.2
FFO cash interest coverage (x)	3.3	4.1	3.4	6.7	4.4
Debt/EBITDA (x)	4.4	4.7	5.1	2.9	2.8
FFO/debt (%)	15.8	15.8	14.2	26.3	26.3
OCF/debt (%)	27.1	18.7	21.2	27.4	33.9
FOCF/debt (%)	4.9	11.7	(10.8)	18.5	26.2
DCF/debt (%)	3.5	11.7	(10.8)	14.5	17.1

Business Risk

Klabin has a solid market position in the Brazilian paper and packaging segments and longstanding relationships with clients. The vertically integrated structure also allows the company to benefit from operational efficiencies that translate into higher margins than those of international peers. Despite these strengths, the cyclical nature of the forest and paper products industry somewhat constrains the company's business. Klabin manages to diminish volatility through its capacity to increase exports or adjust its diverse mix of products sold based on what is more profitable. Although Brazil's paper and packaging segment is fragmented and competitive, Klabin has a leading position with market shares of 42% in kraftliner, 36% in coated boards, and 50% in industrial bags. We believe that longstanding relationships and the resilient nature of end markets (focused on food and consumer goods) mitigate the client concentration risk--in 2020, one relevant client in the paper segment represented about 12% of company's total net revenues, while no other client represented more than 10%. In addition, Klabin's access to rapidly growing and high-quality fiber in Brazil gives it an advantage over international players.

The company's Puma II investment project will bring additional capacity and flexibility in upcoming years. The first machine in the project started operating in third-quarter 2021 and will reach 450,000 tons/year of capacity in the kraftliner segment by 2024. The project consists of a main fiber line to produce unbleached pulp integrated with a kraftliner and white kraftliner (white top liner) machine and it is the world's first kraftliner paper produced 100% from eucalyptus fibers (called Eukaliner®). This product allows for better quality in the printing process and is more sustainable, while also reduces cash cost for Klabin.

Earlier this year, Klabin announced a change in its investment plan. The second machine it will install will be a coated board one that will also produce kraftliner, instead of the initially planned kraftliner-only machine. This will increase valued-added output and flexibility, boosting the company's business diversification and likely reducing volatility, despite somewhat higher capex. The new machine will have a 460,000 ton/year capacity after a ramp-up period of about three years (estimated from 2023-2026).

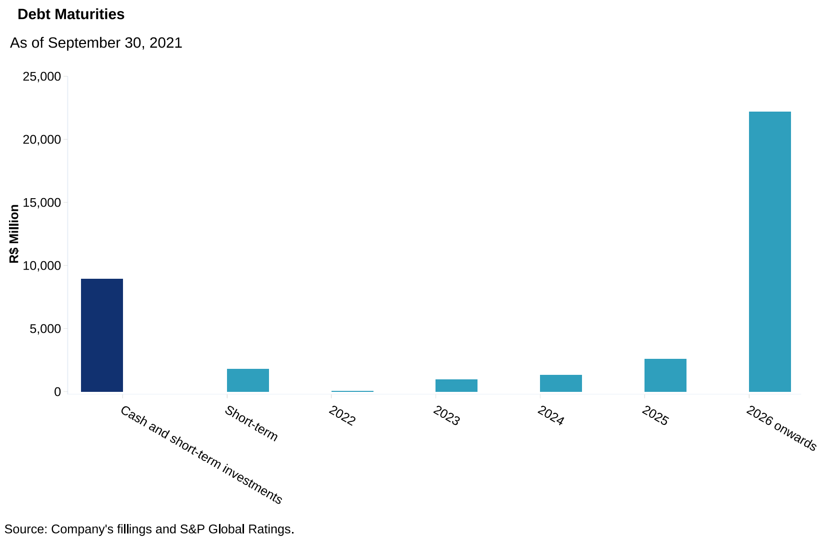
Financial Risk

Higher volumes, better prices, and Brazilian real depreciation helped improve Klabin's margins and cash flow this year at a faster pace than we originally expected. Despite our forecast of lower pulp prices next year, the combination of higher volumes (mainly of kraftliner) and price increases in paper products and packages should compensate and allow for relatively stable leverage levels, with net debt to EBITDA around 3.0x in the next few years compared with 4.4x in 2020 and 4.0x in 2019.

Klabin still has sizable investments planned until 2023 for Puma II, but we expect the company to fund those mostly with operating cash flows and its solid cash position. In any case, the company has contracted financing for this project that up to now has only been partly disbursed. This provides adequate financial flexibility in case market conditions worsen.

In June 2020, Klabin announced new financial policies related to leverage and dividends. It will seek to maintain net debt to EBITDA (measured in dollars) at 2.5x-3.5x and potentially 4.5x during investment cycles in expansion projects (internal or acquisitive ones totaling at least $1 billion). Additionally, it will only pay dividends above the minimum allowed by law if it's below the 3.5x leverage target. We think such policies signal commitment to maintain credit quality, but the 4.5x tolerance during investment cycles may pose some risks and somewhat constrain our rating on the company at the current level. We'll monitor Klabin's adherence to these financial policies and leverage levels.

Debt maturities



Klabin S.A.--Financial Summary

Period ending	Dec-31-2015	Dec-31-2016	Dec-31-2017	Dec-31-2018	Dec-31-2019	Dec-31-2020
Reporting period	2015a	2016a	2017a	2018a	2019a	2020a
Display currency (mil.)	R$	R$	R$	R$	R$	R$
Revenues	5,688	7,091	8,373	10,016	10,272	11,949
EBITDA	1,918	2,216	2,695	4,085	3,746	4,704
Funds from operations (FFO)	839	1,106	1,681	2,833	2,328	3,256
Interest expense	1,329	1,283	1,162	1,210	1,486	1,622
Cash interest paid	1,079	1,110	1,008	1,092	1,213	1,439
Operating cash flow (OCF)	1,486	1,120	1,813	2,839	2,935	5,581
Capital expenditure	4,313	2,436	925	1,096	2,546	4,567
Free operating cash flow (FOCF)	(2,828)	(1,316)	888	1,743	389	1,014
Discretionary cash flow (DCF)	(3,238)	(1,788)	369	903	(576)	720
Cash and short-term investments	5,611	6,464	8,272	7,047	9,731	6,557
Gross available cash	5,611	6,464	8,272	7,047	9,731	6,557
Debt	13,274	12,965	11,966	13,147	14,857	20,606
Common equity	4,917	6,665	7,234	6,533	6,501	4,385
Adjusted ratios						
EBITDA margin (%)	33.7	31.3	32.2	40.8	36.5	39.4
Return on capital (%)	14.9	11.7	11.3	16.8	12.9	14.1
EBITDA interest coverage (x)	1.4	1.7	2.3	3.4	2.5	2.9

Klabin S.A.--Financial Summary

FFO cash interest coverage (x)	1.8	2.0	2.7	3.6	2.9	3.3
Debt/EBITDA (x)	6.9	5.9	4.4	3.2	4.0	4.4
FFO/debt (%)	6.3	8.5	14.0	21.6	15.7	15.8
OCF/debt (%)	11.2	8.6	15.2	21.6	19.8	27.1
FOCF/debt (%)	(21.3)	(10.2)	7.4	13.3	2.6	4.9
DCF/debt (%)	(24.4)	(13.8)	3.1	6.9	(3.9)	3.5

Reconciliation Of Klabin S.A. Reported Amounts With S&P Global Adjusted Amounts (Mil. R$)

	Debt	Shareholder equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	Dec-31-2020									
Company reported amounts	26,339	4,385	11,949	5,565	3,182	1,403	4,704	5,791	294	4,786
Cash taxes paid	-	-	-	-	-	-	(10)	-	-	-
Cash interest paid	-	-	-	-	-	-	(1,220)	-	-	-
Lease liabilities	823	-	-	-	-	-	-	-	-	-
Accessible cash and liquid investments	(6,557)	-	-	-	-	-	-	-	-	-
Capitalized interest	-	-	-	0	0	219	(219)	(219)	-	(219)
Dividends from equity investments	-	-	-	8	-	-	-	-	-	-
Nonoperating income (expense)	-	-	-	-	285	-	-	-	-	-
Reclassification of interest and dividend cash flows	-	-	-	-	-	-	-	8	-	-
EBITDA - Gain/(loss) on disposals of PP&E	-	-	-	(64)	(64)	-	-	-	-	-

Reconciliation Of Klabin S.A. Reported Amounts With S&P Global Adjusted Amounts (Mil. R$)

	Debt	Shareholder equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
EBITDA: Valuation gains/(losses)	-	-	-	(658)	(658)	-	-	-	-	-
EBITDA: other income/ (expense)	-	-	-	(206)	(206)	-	-	-	-	-
EBITDA: other	-	-	-	60	60	-	-	-	-	-
EBIT: other	-	-	-	-	658	-	-	-	-	-
Working capital: other	-	-	-	-	-	-	-	(43)	-	-
OCF: other	-	-	-	-	-	-	-	43	-	-
Total adjustments	(5,733)	0	0	(860)	75	219	(1,449)	(210)	0	(219)
S&P Global Ratings adjusted	**Debt**	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Operating cash flow**	**Dividends**	**Capital expenditure**
	20,606	4,385	11,949	4,704	3,256	1,622	3,256	5,581	294	4,567

Liquidity

We view Klabin's liquidity as strong based on our expectation that its cash sources will exceed uses by more than 2x in the next 24 months. The company's large cash balance--almost R$9 billion as September 2021--will be partly used to finance the Puma II investments and also allows for financial flexibility to face unexpected downturns. We expect the cash position to lower in the next several years, but to remain above R$5 billion, providing sufficient liquidity cushion combined with Klabin's revolving credit facility. In addition, Klabin isn't subject to financial covenants on its debt, and it enjoys well-established, solid relationships with banks as well as a generally high standing in credit markets.

Principal liquidity sources

- Cash position of R$8.9 billion as of September 2021;
- Undrawn credit facility of $500 million; and
- Cash FFO near R$5.0 billion in the next 12 months after September 2021.

Principal liquidity uses

- Short-term debt maturities of R$1.8 billion as of September 2021;
- Capex of about R$4.5 billion in the next 12 months after September 2021;
- Working capital needs of about R$300 million; and
- Dividends of about R$1.2 billion in the next 12 months after September 2021.

Environmental, Social, And Governance

Pulp and paper production requires significant amounts of energy, water, and chemicals, and the process generates greenhouse gas (GHG) emissions, waste, and pollution. On the other hand, Klabin benefits from favorable climate conditions for eucalyptus and pine, which have the highest harvesting rates in the industry, as well as from owning the land. The company has an advanced land management, combining a high proportion of preserved and sustainably-certified forestland. Also, Klabin's vertical integration, the relatively short distance from forests to its pulp mills, and high degree of energy self-sufficiency (about 75%) result in a very competitive cost structure. The company's pulp cash cost is currently at about $180 per ton, among the lowest globally. We also see an accelerating trend of substitution of plastic packaging by paper packaging, which should favor demand growth for Klabin's products in the medium to long term.

Rating Above The Sovereign

The ratings on Klabin are two notches above our 'BB-' foreign currency rating on Brazil, reflecting our view that the company wouldn't default upon a hypothetical sovereign default. In our view, Klabin has moderate sensitivity to the domestic economy due to its partly export-oriented business. As a result, and given the company's asset concentration in Brazil, we may rate Klabin up to three notches above the Brazilian sovereign rating, and up to one notch above Brazil's transfer and convertibility assessment.

Our main assumptions for a hypothetical Brazilian sovereign default scenario include:

- GDP falls 10% in 2022, resulting in the same decline in domestic volumes of pulp, paper, and packaging;
- Inflation doubles, and the company is unable to pass through all the resulting higher costs into prices;
- A 50% depreciation of the real, which would double Klabin's servicing costs on its foreign currency debt (in domestic currency terms) but would raise its export revenues;
- Hardwood pulp prices of $550 per ton, in line with those in mid-2009, when prices dropped to a 10-year low;
- A doubling of interest rates, increasing interest expenses of local floating rate debt;
- A haircut of 70% applied to investments in Brazilian government securities and 10% haircut for liquid bank deposits; and
- Capex at maintenance levels of about R$1.2 billion.

In this scenario, we believe the company would maintain sufficient liquidity sources to cover its needs in a 12-month period. We consider that Klabin's partly export-oriented business, with ability to redirect its paper production to other markets if the domestic market deteriorates, somewhat insulate the company from a potential Brazilian economic downturn.

Issue Ratings--Recovery Analysis

The issue-level ratings on Klabin's senior unsecured notes are 'BB+' and on its senior unsecured debentures is 'brAAA'. The '3' recovery rating indicates that we expect a recovery of about 60% for unsecured lenders in a hypothetical default scenario.

Key analytical factors

- We assume a scenario with eroding economic and industry conditions, with low pulp and paper prices for a long period, resulting in much weaker cash flows that aren't sufficient to cover the company's interest and principal payments and maintenance capex.
- In our default scenario, EBITDA would plummet about 50% from the currently projected EBITDA in 2023, after most of the ramp up of the first machine of Puma II.
- In a default scenario, we expect Klabin to reorganize rather than liquidate because of its solid market position in the paper and packaging segments.
- We've valued the company on a going concern basis, using a 5.0x multiple applied to our projected emergence-level EBITDA, which results in an estimated gross emergence value of about R$19.8 billion.

Simulated default assumptions

- Simulated year of default: 2026
- EBITDA at emergence: R$4.0 billion
- Implied enterprise value (EV) multiple: 5.0x
- Estimated gross EV at emergence: R$19.8 billion

Simplified waterfall

- Net EV after 5% administrative costs: R$18.8 billion
- Senior secured debt: R$820 million
- Senior unsecured debt R$27.9 billion
- Recovery expectation: 60%

Rating Component Scores

Foreign currency issuer credit rating	**BB+/Stable/--**
Local currency issuer credit rating	**BB+/Stable/--**
Business risk	**Satisfactory**
Country risk	Moderately High
Industry risk	Moderately High
Competitive position	Satisfactory
Financial risk	**Significant**
Cash flow/leverage	Significant
Anchor	**bbb-**
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Strong (no impact)
Management and governance	Fair (no impact)
Comparable rating analysis	Negative (-1 notch)
Stand-alone credit profile	**bb+**

Related Criteria

- General Criteria: Methodology For National And Regional Scale Credit Ratings, Published June 25, 2018
- Criteria - Corporates - General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Published Dec. 7, 2016
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Published Dec. 16, 2014
- Criteria - Corporates - Industrials: Key Credit Factors For The Forest And Paper Products Industry, Published Feb. 12, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Published Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology, Published Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Published Nov. 19, 2013
- Criteria - Corporates - Industrials: Key Credit Factors For The Containers And Packaging Industry, Published Nov. 19, 2013
- General Criteria: Group Rating Methodology, Published Nov. 19, 2013
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Published Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, Published Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Published Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Published Sept. 14, 2009

Ratings Detail (as of December 15, 2021)*

Klabin S.A.		
Issuer Credit Rating		BB+/Stable/--
Brazil National Scale		brAAA/Stable/--
Senior Unsecured		
Brazil National Scale		brAAA
Issuer Credit Ratings History		
29-Jun-2016	*Foreign Currency*	BB+/Stable/--
27-Oct-2015		BBB-/Negative/--
10-Sep-2015		BBB-/Watch Neg/--
29-Jun-2016	*Local Currency*	BB+/Stable/--
27-Oct-2015		BBB-/Negative/--

Ratings Detail (as of December 15, 2021)*

10-Sep-2015		BBB-/Watch Neg/--
16-Aug-2017	*Brazil National Scale*	brAAA/Stable/--
29-Jun-2016		brAA/Stable/--
27-Oct-2015		brAA+/Negative/--

*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.