

Rating Action: Moody's assigns (P)A1 long-term rating to Departement de la Seine Maritime's EMTN programme, affirms A1/Prime-1 issuer ratings with stable outlook

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Paris, January 25, 2021 -- Moody's Investors Service ("Moody's") has today assigned a provisional (P)A1 long-term rating to Departement de la Seine Maritime's (DSM) senior unsecured EUR1,000 million Euro Medium Term Note (EMTN) programme and affirmed DSM's Baseline Credit Assessment (BCA) of a1, long-term issuer rating of A1 and short-term issuer rating of Prime-1. The outlook remains stable.

"The (P)A1 debt rating assigned to the new EMTN programme is derived from the issuer rating of Departement de la Seine Maritime (A1/P-1). The proceeds from the debt programme will be used to fund fixed capital expenditures and will enable DSM to diversify external funding sources over the coming years", says Cédric Poynard, Analyst in Moody's Sub-Sovereign Group. "Moody's expects DSM to maintain stable debt levels despite an increase in operating expenses linked to the economic consequences of the coronavirus crisis."

RATINGS RATIONALE

RATIONALE FOR (P)A1 DEBT PROGRAMME RATING

Departement de la Seine Maritime's EMTN programme consists of senior unsecured obligations up to EUR1,000 million, which will be issued to fund capital expenditures (CAPEX). The Departement will maintain high CAPEX levels of EUR170 million per year to support local development over the next two to three years. As a result, its net direct and indirect debt, which represented 85% of operating revenue at the end of 2020, will stabilize to between EUR1,200 million and EUR1,150 million over the next 3 years, representing an average of 84% of operating revenues over this period, after a decreasing trend over the last 5 years.

Moody's expects DSM to complete its inaugural bond issuance in the first quarter of 2021. Over the next two to three years, DSM plans to fund 50% of its annual borrowing needs through bond issuances. While DSM already benefits from access to ample and secured funding from public development banks, including the European Investment Bank (Aaa stable), Caisse des Depots et Consignations (Aa2 stable), and highly rated French commercial banks, this funding strategy will further strengthen DSM's access to external funding.

RATIONALE FOR A1 ISSUER RATING AFFIRMATION AND STABLE OUTLOOK

The A1 rating of Departement de la Seine Maritime is supported by its historically good operating performance, which provides capacity to insulate DSM from the economic shock posed by the coronavirus pandemic. Moody's expects its gross operating balance to remain close to 10% of revenue in 2021 after reaching 14% in 2019, thanks to DSM's efficient control of expenditures, as well as the central government's commitment to maintain revenue at a high level.

The risk profile also captures DSM's high level of debt, although its debt structure is low risk. Moody's expects that DSM's prudent budgetary and financial management practices will keep debt at an affordable level. Moody's also notes the Departement's low financial flexibility for both operating income and expenses (as is the case for all French Departements).

RATIONALE FOR PRIME-1 ISSUER RATING AFFIRMATION

The Prime-1 rating reflects DSM's strong and secure liquidity, supported by a predictable cash flow profile. DSM's cash position averaged EUR136 million in 2020, with an additional EUR32 million in unused revolving facilities.

ECONOMIC DATA

The specific economic indicators, as required by EU regulation, are not available for Departement de la Seine Maritime. The following national economic indicators are relevant to the sovereign rating, which was used as an input to this credit rating action.

Sovereign Issuer: France, Government of

GDP per capita (PPP basis, US\$): 49,799 (2019 Actual) (also known as Per Capita Income)

Real GDP growth (% change): 1.5% (2019 Actual) (also known as GDP Growth)

Inflation Rate (CPI, % change Dec/Dec): 1.6% (2019 Actual)

Gen. Gov. Financial Balance/GDP: -3% (2019 Actual) (also known as Fiscal Balance)

Current Account Balance/GDP: -0.7% (2019 Actual) (also known as External Balance)

External debt/GDP: [not available]

Economic resiliency: aa3

Default history: No default events (on bonds or loans) have been recorded since 1983.

SUMMARY OF MINUTES FROM RATING COMMITTEE

On 20 January 2021, a rating committee was called to discuss the rating of the Departement de la Seine Maritime. The main points raised during the discussion were: The issuer's economic fundamentals, including its economic strength, have not materially changed. The issuer's institutions and governance strength, have not materially changed. The issuer's governance and/or management, have not materially changed. The issuer's fiscal or financial strength, including its debt profile, has not materially changed. The systemic risk in which the issuer operates has not materially changed.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Any change to DSM's issuer rating would result in a corresponding change to its debt rating.

Higher-than-expected operating results, lower debt ratios and increased liquidity would exert positive pressure on DSM's rating. A strengthening of France's credit profile, leading to an upgrade in the country's rating, would benefit the ratings of DSM.

A sustained deterioration in financial performance, leading to a persistently low GOB and higher debt than we currently project, could trigger a downgrade of the rating. A downgrade of the Government of France's (Aa2 stable) rating could also lead to a downgrade of DSM's rating.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSIDERATIONS

In Moody's assessment, environmental considerations are not material to Departement de la Seine Maritime's credit profile.

Social considerations are material as population dynamics affect some key expenses of the DSM, including middle schools and social benefits payments. Moody's regards the coronavirus outbreak as a social risk under its environmental, social and governance (ESG) framework, given the substantial implications for public health and safety. For Departement de la Seine Maritime, the shock is transmitted mainly through lower tax revenues and an increase in operating expenses.

Governance considerations are material to DSM's credit profile. Standards of governance are high, exemplified by the Departement's prudent budgetary practices, conservative planning and sound liquidity and debt management.

The assignment of the rating required the publication of this credit rating action on a date that deviates from the previously scheduled release date in the sovereign release calendar, published on www.moodys.com.

The principal methodology used in these ratings was Regional and Local Governments published in January 2018 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1091595. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

The weighting of all rating factors is described in the methodology used in this credit rating action, if applicable.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1243406.

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