S&P Global
Ratings

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Alfa Laval AB

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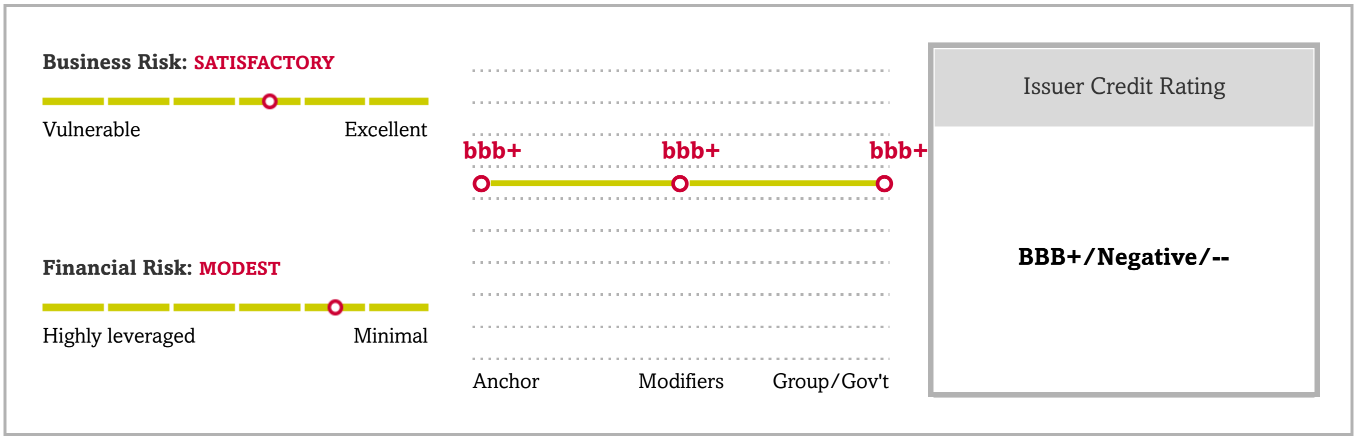
Alfa Laval AB



Credit Highlights

Overview

Key strengths	Key risks
Leading positions with good market shares and sound geographic span, primarily Europe, Asia, and the U.S. with product offer toward clean tech and sustainability that would sustain long-term growth	Exposure to cyclical end markets such as oil and gas (O&G) and shipping, potentially making profitability volatile; new equipment sales represent about 30% of the group's revenue
Diverse earnings base, with about 60% of consolidated revenues from services and stable end markets such as food and water; and heating, vacuuming, and air conditioning (HVAC) and refrigeration	Severe economic downturn following the COVID-19 pandemic and the sharp decline in oil price, which we expect to lead to a 15%-25% fall in revenue in 2020, leading to weaker profitability and credit ratios in the near term
Expected adjusted EBITDA margins of above 18% over the cycle--compared with 19% for 2019--supporting robust free operating cash flow (FOCF) capability	Relative small presence in the aftermarket, representing about 30% of sales, although increasing because of the company's efforts to increase its service offering in recent years
Improved leverage ratios over recent years, notwithstanding increased capital expenditure (capex), with funds from operations (FFO) to debt above 50% in 2018-2019, leaving some headroom to cope with the difficult market environment caused by COVID-19	

Changes to environmental regulation mitigate substantial exposure to O&G and marine. Sixty-eight percent of Alfa Laval AB's revenue comes from the Marine and Energy divisions (combined group revenue of about Swedish krona (SEK) 30 billion in 2019, with SEK16.0 billion from marine and SEK14.0 billion from energy), whose part of its markets are notably shipping and O&G--inherently cyclical sectors. The cyclical exposure of the business is about 30% of consolidated revenues because part of the energy division deals with refrigeration, HVAC, which we perceive as less cyclical. S&P Global Ratings believes that volatility in these markets could easily squeeze Alfa Laval's top line and EBITDA this year. In 2016, the marine order book and revenues were already hit by the downturn in shipping and very low investments from the O&G industry. That year, revenue bases were only SEK10.6 billion for the energy division and SEK12.1 billion for marine. This translated into an S&P Global Ratings-adjusted EBITDA margin contraction to 16.2% for 2016, compared with 19.0% in 2019, in a much more steady state environment. The underlying exposure will likely be a source of substantial revenue volatility for Alfa Laval in 2020. Positively, about 30% of 2019 sales from the marine division came from environmental products such as scrubbers and ballast water treatment systems. We believe this is an area with continued profitable growth potential.

Exposure to less cyclical industries such as food processing, pharma, and water treatment should help provide a floor for EBITDA this year. About 32% of Alfa Laval's revenues come from the food and water division. This segment is exposed to less cyclical markets, providing a relative hedge during significant market volatility. During the 2016 O&G crisis, while earnings at the marine and energy divisions suffered, margins at the food and water division improved. However, a good portion of the energy division is less exposed to the cycle because dealing with HVAC, and refrigeration, representing about 60% of consolidated revenues including service business. Furthermore, the group's good geographic diversity, strong market share in all its divisions, and recent cost-cutting initiatives should support earnings to steer through adverse market conditions.

Weak global macroeconomic conditions sparked by the COVID-19 pandemic, coupled with subdued oil prices and volatility in the shipping industry, could meaningfully dent demand for Alfa Laval's products over the near-to-medium term. Marine and energy represents about 68% of sales, but only 10%-15% of the company's total sales are directly exposed to the oil price decrease and the volatility of shipping market. However, the degree of demand drop would depend on how the group's end markets and clients will be affected by COVID-19 amid a largely weaker macroeconomic scenario. At this stage, we estimate that Alfa Laval's revenues should decline by 15%-25% in 2020. However, the company is entering the situation from a strong business position. The group has restructured its cost base over the past couple of years investing in new products, renewing its manufacturing footprint, and focusing in gorwing its business services' reach. Together with supportive market conditions, this has spurred the group's EBITDA margin, which stood at 19%-20% over the last two years, up from 16.2% in 2016. This enabled a robust free operating cash flow in 2018 and 2019 of SEK3.5 billion–SEK4.0 billion, partially used to strengthen the company's balance sheet.

Because of lockdowns in several countries and weaker near-term demand prospects, we expect a deterioration in Alfa Laval's profit measures and credit metrics. We foresee EBITDA margin deteriorating to 14%-17% in 2020 and FFO to debt hovering near 40% for the year. Positively, the company has already initiated a defensive strategy to preserve margins and cash flow aiming at reducing costs by SEK1 billion in 2020. It also halted all expansionary capex, which we now expect to be below SEK1 billion, down from the elevated levels of in 2018 and 2019 to solve production constraints. It has also cancelled its dividend payment for 2020, which also mitigates the negative impact on credit ratios from declining volumes.

Outlook: Negative

The negative outlook reflects an increased risk of a downgrade over the next few quarters depending on how the COVID-19 outbreak and its medium-term macroeconomic effects affect Alfa Laval's EBITDA margins and credit metrics, assuming prospects of a recovery in 2021 remain uncertain.

We could lower the rating if credit ratios materially depart from our expectations, including FFO to debt below 40% for 2020. We could also lower the rating if Alfa Laval's profitability deteriorates materially from historical levels, specifically if its EBITDA margins dropped significantly below 18% without near-term prospects for recovery. This could stem from further unanticipated substantial restructuring expenses, or weaker end markets, resulting in declining sales volume and order intake, in the absence of sufficient counterbalancing measures from the company.

We could revise the outlook to stable if Alfa Laval's adjusted FFO-to-debt ratio for 2020 reaches at least 45% and its EBITDA margins remains above 18%.

Our Base-Case Scenario

Assumptions

- Due to the COVID-19 pandemic, we have marked down our global GDP growth and now expect global GDP to contract 2.4% this year
- We expect the U.S. and eurozone GDP to contract 5.2% and 7.3%, respectively in 2020 and China to have modest growth of 1.2%
- While we expect global GDP growth to rebound to 5.9% in 2021, the decline in activity will be very steep this year
- The COVID-19 pandemic, coupled with subdued oil prices and volatility in the shipping industry, could meaningfully dent demand for Alfa Laval's products over the near-to-medium term
- Revenue falling 15%-25% in 2020, followed by a gradual recovery in the low single digits in 2021. Therefore, the top line figure would be SEK40 billion-SEK43 billion in 2020
- EBITDA margin deteriorating to 14%-17% in 2020, as a result of the harsh operating environment, partially mitigated by the SEK1 billion cost-cutting initiatives, down from 19.0% in 2019 but recovering to 17%-19% in 2021
- Working capital outflows up to SEK300 million in 2020 because of the difficult operating environment, increasing to SEK500 million–SEK 1.5 billion in 2021 on recovering sales volumes, against a cash outflow of more than SEK2 billion for 2019
- Gross capex below SEK1.0 billion annually in 2020-2021, down from SEK1.3 billion in 2019
- No dividend payment in 2020, normalizing to about SEK2 billion in 2021. We expect no or limited bolt-on acquisitions in 2020 given the uncertain market environment, and up to SEK1 billion per year thereafter

Key Metrics

	2019A	2020E	2021E
EBITDA (bil. SEK)	8.8	5.2-6.2	6.2-7.2
EBITDA margin (%)	19.1	14.5-16.5	17.0-19.0
FFO/debt (%)	50.7	38-43	45-50
FOCF/debt (%)	28.4	About 30	About 30

A--Actual. E--Estimate. SEK--Swedish krona.

Base-case projections

Weak global macroeconomic conditions sparked by the COVID-19 pandemic, coupled with subdued oil prices and volatility in the shipping industry, could meaningfully dent demand for Alfa Laval's products over the near-to-medium term. With the pandemic, we now expect to see global GDP falling 2.4% this year, while the oil price is down to about $30 per barrel, a 60% decline year-to-date, which we expect will result in lower investment. The degree of demand drop would depend on how the company's end markets and clients will be affected by COVID-19 and much weaker macroeconomic scenario. At this stage, we estimate that Alfa Laval's revenue could decline by 15%-25% in 2020 in our base-case scenario.

The harsh operating environment could pressure the group's profitability and credit ratios in the near term, although partially mitigated by the group's margin and cash preserving measures. We expect Alfa Laval's profitability to temporarily drop below 18% in 2020 and see a risk that FFO to debt could shrink to near 40%, down from 50% in 2019. Nevertheless, we expect the group's recent cost restructuring over the past couple of years and the sale of the Greenhouse division in 2019, together with the recent SEK1 billion cost-cutting initiative, should partially mitigate the negative impact on profitability from lower demand. The lower capex and the cancelled dividend payment in 2020 will also partially mitigate the negative impact on credit ratios.

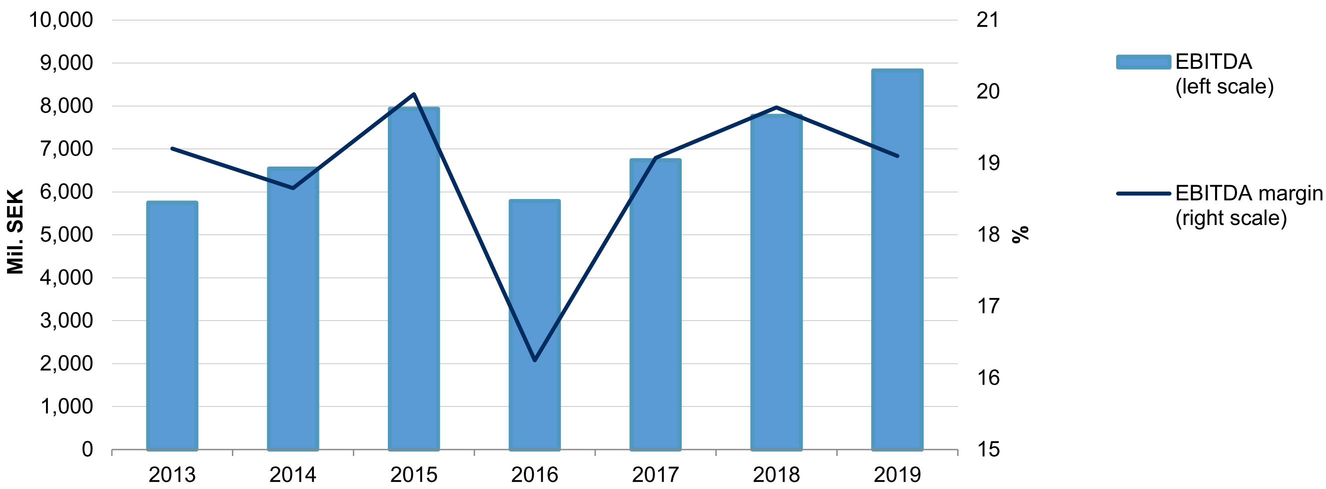
S&P Global Ratings acknowledges a high degree of uncertainty about the rate of spread and peak of the coronavirus outbreak. Some government authorities estimate the pandemic will peak around mid-year; we are currently using this mid-point scenario to generally assess the economic and credit implications of the pandemic. We believe that measures already adopted to contain COVID-19 have pushed the global economy into recession (see our macroeconomic and credit updates here: www.spglobal.com/ratings). As the situation evolves and in particular if the mid-point scenario proves too benign, we will update our assumptions and estimates accordingly.

Company Description

Alfa Laval is a leading global supplier of products and solutions for heat transfer, separation, and fluid handling. As of year-end 2019, the group reported revenue of SEK46.5 billion, an increase of 12.5% against 2019. Its adjusted EBITDA margin stood at of 19.0%, compared with 19.1% in 2018 and the historical trend of 18.0%-21.0% (see chart 1).

Chart 1

Alfa Laval AB--Evolution Of EBITDA And EBITDA Margin



Source: S&P Global Ratings. SEK--Swedish krona.

Alfa Laval's main products are:

- Heat transfers used in heating, cooling, and ventilation systems, representing more than 30% of market share and 40% of group's revenue in 2019;
- Separators and decanters to separate liquids from other liquids or solids, representing 25%-30% of market share and 17% of 2019 revenue; and
- Sanitary fluid-handling equipment, including pumps, valves, and fittings, representing a 10%-12% market share and 22% of group's consolidated revenue in 2019.

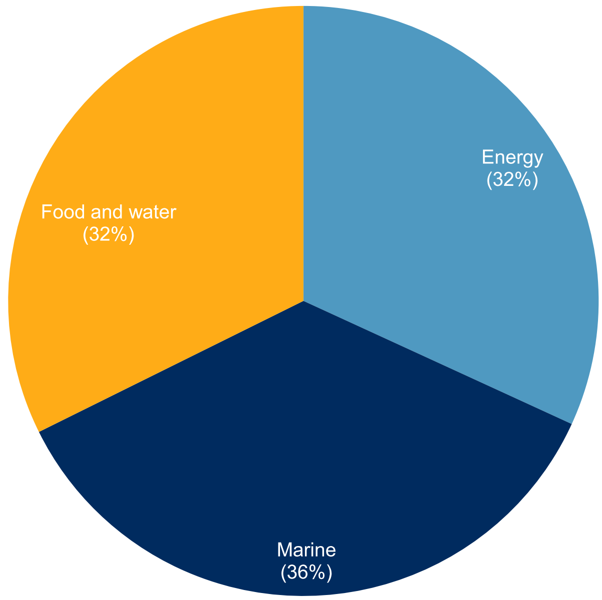
The company's products are used in a wide range of industrial applications for the heating, cooling, separation, and transportation of products such as oil, water, chemicals, beverages, food, pharmaceuticals, and starch.

Alfa Laval reports under three main business divisions with a shared supply chain (see chart 2):

- The energy division serves clients focused on O&G, HVAC, and refrigeration. Sales in 2019 totalled SEK14 billion, or 32% of consolidated revenue.
- Food and water serves food, pharmaceuticals, biotech, vegetable oils, breweries, dairy and body care products. In addition, it focuses on public and industrial water and wastewater treatment. Sales in 2019 totaled SEK14 billion, or 32% of consolidated revenue.
- The marine segment targets ship owners, shipyards, manufacturers of diesel and gas engines, and companies that specialize in offshore extraction of oil and gas. Total sales in 2019 amounted to SEK16 billion, or 36% of consolidated revenue.

Chart 2

Alfa Laval AB--Consolidated Sales Breakdown By Division (SEK46.5 Billion In Fiscal 2019)

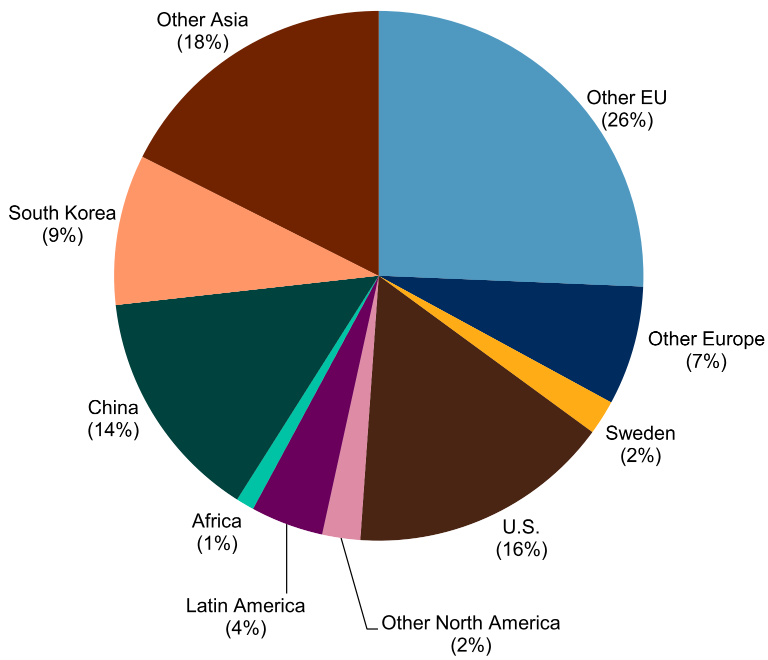


Source: S&P Global Ratings.SEK--Swedish krona.

The group's customers operate in the sanitary, food and brewery, ship manufacturing, utility, pharmaceutical, forest products, O&G, chemical, and original-equipment manufacturing industries. The group has a diversified geographical span, with Europe accounting for about 35% of consolidated revenue in 2019 (see chart 3). The remaining consolidated revenue stem from the U.S. (16%), China (14%), and the rest of Asia (17%).

Chart 3

Alfa Laval AB--Revenue Breakdown By Geography



Source: S&P Global Ratings.

Alfa Laval first listed on the Stockholm Stock Exchange in 1901, where it remained for 90 years, until Tetra Pak bought the company in 1991. Alfa Laval returned to the stock exchange on May 17, 2002. As of Dec. 31, 2019, Tetra Laval B.V., ultimately owned by Tetra Pak, controls 29.1% of Alfa Laval's capital. Free float represented about 56% of shares outstanding. The company's market capitalization as of June 2020 was about SEK85 billion (€8.2 billion).

Business Risk: Satisfactory

Robust position in its core businesses and wide geographic presence

In our view, Alfa Laval boasts a solid position in its core businesses. The group holds leading positions in core technologies, heat exchangers, and separators. It has market-leading positions in heat transfer (30%-35% market share), separation (25%-30%), and fluid handling (10%-12%) through its key products--heat exchangers, separators, pumps, and valves. The group's track record as a reliable supplier of quality products and its global service network underpin its strong brand name. Alfa Laval is also well positioned to benefit from its environmental product for ballast water treatment and for scrubbers, which gained importance in 2016 after the International Maritime Organization introduced stricter norms on sulfur emissions. We believe the company will continue to benefit from demand for energy-efficient solutions. In addition, its geographic diversity reduces the impact of regional cyclicality.

We expect profitability, as measured through EBITDA margin, will exceed 18% over the cycle

We believe Alfa Laval's strong profitability for the industries it operates in supports its business risk. Thanks to the company's effort in reduce costs and the good supportive market conditions in 2018, the EBITDA margin neared 20%, holding up at 19% in 2019 despite a softening market. We view as positive for the rating the company's flexible cost structure, which has enabled the group to sustain its EBITDA margin at 18%-21%, despite its exposure to the volatile O&G and shipping sectors, where investment levels fell materially over 2014-2017. Investment levels in the O&G and marine divisions are the largest risk for Alfa Laval's margin. The weakening demand from O&G- and marine-related products lead to reduced profitability in 2016 to 16.2%.

Broad end-market diversity counterbalances the group's moderate size, although energy and shipping represent about 65% of sales. However, about 30% of the group's consolidated sales are exposed to cyclical end markets. Its products are used in the manufacturing of food, chemicals, and pharmaceutical, as well as in engineering, waste-water treatment, and indoor climate control. These markets are also more stable than energy and shipping. This stability, alongside with the group's service sales (about 35% of sales), somewhat mitigate the volatility from some of its core sectors. Still, Alfa Laval is of moderate size compared with larger and more diversified capital goods peers like Atlas Copco, ABB, and Siemens.

Peer comparison

Table 1

Alfa Laval AB -- Peer Comparison

Industry Sector: Capital Goods/Diversified

	Alfa Laval AB	**Sandvik AB**	**Atlas Copco AB**	**Epiroc AB**	**Danfoss A/S**
Ratings as of May 13, 2020	BBB+/Negative/--	A-/Stable/A-2	A+/Stable/A-1	BBB+/Stable/--	BBB/Watch Neg/A-2
	--Fiscal year ended Dec. 31, 2019--				
(Mil. SEK)					
Revenue	46,517.0	103,238.0	103,756.0	40,849.0	65,888.1
EBITDA	8,830.0	25,828.0	25,929.0	9,961.0	10,661.6
Funds from operations (FFO)	6,648.0	20,916.0	19,818.0	7,394.0	8,889.9
Interest expense	347.0	1,565.0	467.0	152.0	346.0
Cash interest paid	281.0	1,314.0	610.0	410.0	304.0
Cash flow from operations	5,062.0	18,215.0	15,390.0	6,920.0	8,271.4
Capital expenditure	1,337.0	4,697.0	1,917.0	715.0	3,249.8
Free operating cash flow (FOCF)	3,725.0	13,518.0	13,473.0	6,205.0	5,021.5
Discretionary cash flow (DCF)	1,628.0	8,178.0	4,913.0	3,540.0	2,704.7
Cash and short-term investments	6,467.0	16,953.0	15,005.0	8,540.0	1,153.2
Debt	13,111.9	9,401.9	13,851.0	0.0	13,303.3
Equity	27,747.0	61,587.6	53,290.0	22,537.0	30,747.8
Adjusted ratios					
EBITDA margin (%)	19.0	25.0	25.0	24.4	16.2
Return on capital (%)	18.4	29.3	35.5	39.8	16.9
EBITDA interest coverage (x)	25.4	16.5	55.5	65.5	30.8
FFO cash interest coverage (x)	24.7	16.9	33.5	19.0	30.2
Debt/EBITDA (x)	1.5	0.4	0.5	0.0	1.2

Table 1

Alfa Laval AB -- Peer Comparison (cont.)					
Industry Sector: Capital Goods/Diversified					
	Alfa Laval AB	**Sandvik AB**	**Atlas Copco AB**	**Epiroc AB**	**Danfoss A/S**
FFO/debt (%)	50.7	222.5	143.1	N.M.	66.8
Cash flow from operations/debt (%)	38.6	193.7	111.1	N.M.	62.2
FOCF/debt (%)	28.4	143.8	97.3	N.M.	37.7
DCF/debt (%)	12.4	87.0	35.5	N.M.	20.3

N.M.--Not meaningful. SEK--Swedish krona.

Financial Risk: Modest

In our view, Alfa Laval's financial risk profile is supported by a sound balance sheet, strong liquidity, and sound discretionary cash flow generation through the cycle. For the 12 months ended March 31, 2020 S&P Global Ratings-adjusted FFO to debt, was about 51% and the adjusted debt-to-EBITDA ratio was 1.5x.

According to our base-case scenario for 2020-2021, we expect the group credit ratios to deteriorate because of the coronavirus and drop in oil price. We now see a risk that FFO to debt will drop to near 40% in 2020, despite the dividend cancellation and lower investment. We expect a gradual recovery in 2021, with FFO to debt improving to 45%-50%, compared with 50% in 2019. We expect FOCF will remain solid at about SEK3 billion in 2020.

Moreover, we factor in the group's occasional sizable acquisitions. For example, the 2014 debt-financed acquisition of Frank Mohn tripled the company's debt and materially weakened its credit ratios. While we do not foresee any major acquisitions for 2020-2021, given the market uncertainty, the company's revised financial objectives are oriented to organic growth and profit generation. However, we cannot rule out external acquisitions of moderate size in the medium-to-long term.

Financial summary

Table 2

Alfa Laval AB -- Financial Summary					
Industry Sector: Capital Goods/Diversified					
	--Fiscal year ended Dec. 31--				
	2019	**2018**	**2017**	**2016**	**2015**
(Mil. SEK)					
Revenue	46,517.0	40,666.0	35,314.0	35,634.0	39,746.0
EBITDA	8,830.0	7,770.5	6,736.0	5,789.5	7,927.0
Funds from operations (FFO)	6,648.0	5,810.4	4,814.9	4,267.8	5,906.4
Interest expense	347.0	382.1	413.1	424.7	527.6
Cash interest paid	281.0	318.1	338.1	360.7	443.6
Cash flow from operations	5,062.0	5,183.4	4,733.9	5,190.8	5,918.4
Capital expenditure	1,337.0	1,490.0	675.0	617.0	674.0
Free operating cash flow (FOCF)	3,725.0	3,693.4	4,058.9	4,573.8	5,244.4

Table 2

Alfa Laval AB -- Financial Summary (cont.)

Industry Sector: Capital Goods/Diversified					
	--Fiscal year ended Dec. 31--				
	2019	**2018**	**2017**	**2016**	**2015**
Discretionary cash flow (DCF)	1,628.0	1,910.4	2,261.9	2,773.8	3,548.4
Cash and short-term investments	6,467.0	4,912.0	4,345.0	3,694.0	2,897.0
Gross available cash	6,467.0	4,912.0	4,345.0	3,694.0	2,889.0
Debt	13,111.9	12,636.4	13,862.9	14,203.3	15,602.0
Equity	27,747.0	23,599.0	20,500.0	20,276.0	18,423.0
Adjusted ratios					
EBITDA margin (%)	19.0	19.1	19.1	16.2	19.9
Return on capital (%)	18.4	17.0	14.4	11.6	17.2
EBITDA interest coverage (x)	25.4	20.3	16.3	13.6	15.0
FFO cash interest coverage (x)	24.7	19.3	15.2	12.8	14.3
Debt/EBITDA (x)	1.5	1.6	2.1	2.5	2.0
FFO/debt (%)	50.7	46.0	34.7	30.0	37.9
Cash flow from operations/debt (%)	38.6	41.0	34.1	36.5	37.9
FOCF/debt (%)	28.4	29.2	29.3	32.2	33.6
DCF/debt (%)	12.4	15.1	16.3	19.5	22.7

SEK--Swedish krona.

Liquidity: Strong

We consider Alfa Laval's liquidity strong, with a sources-to-uses ratio of about 3.5x over the coming 12 months and 2.7x over the coming 24 months. We also believe that the group's geographic and end-market diversity should enable it to absorb high-impact, low-probability events in some sectors without refinancing. Other supportive factors include Alfa Laval's solid relationships with banks, its high standing in credit markets as supported by its repeated access to capital markets, and the solid investment-grade rating. Although not included in our liquidity analysis, Alfa Laval's SEK2 billion commercial paper program is fully available. At the same time, the company's history of acquisitions limits our liquidity assessment, because it could occasionally undertake small bolt-on acquisitions using cash sources.

Principal Liquidity Sources

Our estimates for Alfa Laval's principal liquidity sources and uses for the 12 months from March 31, 2020, are as follows:

- Cash and short-term investments of about SEK5 billion
- Cash FFO of SEK3.5 billion–SEK4.5 billion in 2020

Principal Liquidity Uses

- Debt repayments of SEK1.2 billion over the coming 12 months and SEK1.4 billion over the following 12 months
- Working capital outflows up to SEK300 million in 2020, increasing to SEK0.5 billion–SEK 1.5 billion in 2021 on recovering sales volumes
- About SEK1.0 billion in capex annually over

and SEK4.5 billion–SEK5.5 billion in 2021 • A fully undrawn €900 million revolving credit facility, maturing in June 2022	2020-2021 • No dividend payment in 2020, returning to about SEK2 billion in 2021

Debt maturities

The debt maturity profile as of March 31, 2020, is as follows:

- 2020: SEK1.2 billion for a U.S dollar denominated loan amounting to $136 million maturing in June 2020
- 2021: SEK1.4 billion for a euro-denominated loan amounting to €100 maturing in June 2021
- 2022: SEK4.7 billion for the €500 million bond, due in September 2022
- 2024: SEK2.8 billion for the €300 million bond, due in June 2024

Covenant Analysis

The company's credit facilities carry one financial covenant that requires net financial debt to be less than 3.5x EBITDA; however, this has not been tested given the investment-grade level.

Other Credit Considerations

We believe Alfa Laval's EBITDA margin of about 20% and strong FOCF would support the company. We therefore expect the company to exhibit improving credit metrics, above 45% FFO to debt. We believe that Alfa Laval's financial performance is stronger than that of peers.

Issue Ratings - Subordination Risk Analysis

Capital structure

Alfa Laval's capital structure consists of senior unsecured debt issued at its financing subsidiary, Alfa Laval Treasury International AB.

Analytical conclusions

We rate Alfa Laval's debt 'BBB+', in line with the issuer credit rating, because no significant elements of subordination risk are present in the capital structure.

Reconciliation

Table 3

Alfa Laval AB--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts

	--Fiscal year ended Dec. 31, 2019--						
Alfa Laval AB reported amounts (Mil. SEK)							
	Debt	**Shareholders' equity**	**EBITDA**	**Operating income**	**Interest expense**	**S&P Global Ratings' adjusted EBITDA**	**Cash flow from operations**
	12,022.0	27,600.0	9,062.0	7,198.0	292.0	8,830.0	5,223.0
S&P Global Ratings' adjustments							
Cash taxes paid	--	--	--	--	--	(1,901.0)	--
Cash interest paid	--	--	--	--	--	(281.0)	--
Reported lease liabilities	2,620.0	--	--	--	--	--	--
Postemployment benefit obligations/deferred compensation	2,251.0	--	(23.0)	(23.0)	55.0	--	--
Accessible cash and liquid investments	(3,781.1)	--	--	--	--	--	--
Income (expense) of unconsolidated companies	--	--	(20.0)	--	--	--	--
Nonoperating income (expense)	--	--	--	120.0	--	--	--
Reclassification of interest and dividend cash flows	--	--	--	--	--	--	(161.0)
Noncontrolling interest/minority interest	--	147.0	--	--	--	--	--
EBITDA: Gain (loss) on disposals of PP&E	--	--	(189.0)	(189.0)	--	--	--
Total adjustments	1,089.9	147.0	(232.0)	(92.0)	55.0	(2,182.0)	(161.0)
S&P Global Ratings' adjusted amounts							
	Debt	**Equity**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**	**Cash flow from operations**
Adjusted	13,111.9	27,747.0	8,830.0	7,106.0	347.0	6,648.0	5,062.0

Ratings Score Snapshot

Issuer Credit Rating

BBB+/Negative/--

Business risk: Satisfactory

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

Financial risk: Modest

- **Cash flow/leverage:** Modest

Anchor: bbb+

Modifiers

- **Diversification/portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Strong (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- Criteria | Corporates | Industrials: Key Credit Factors For The Capital Goods Industry, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, 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 June 4, 2020)*	
Alfa Laval AB	
Issuer Credit Rating	BBB+/Negative/--

Ratings Detail (As Of June 4, 2020)*(cont.)	
Issuer Credit Ratings History	
01-Apr-2020	BBB+/Negative/--
23-May-2018	BBB+/Stable/--
20-May-2016	BBB+/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.

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