

**Credit Opinion: Investor AB**

**Investor AB**

Stockholm, Sweden

**Ratings**

Category	Moody's Rating
Outlook	Positive
Senior Unsecured	A2
Commercial Paper	P-1

**Contacts**

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**Key Indicators**

**Investor AB**

	2004	2003	2002	2001	2000
Total Assets SEK m (at market value)	105,517	103,656	79,103	129,366	159,243
% Core Holdings of Total	84.6%	82.8%	80.0%	85.4%	82.2%
Net Debt/Total Assets	14.7%	19.9%	20.7%	8.6%	6.4%
Change in Net Asset Value	8.3%	32.4%	-47.0%	-20.7%	-2.7%
Interest Cover	12.43	2.01	2.55	10.60	13.15
Fixed Charge Cover	3.69	0.55	0.51	1.81	3.85

Note: For definitions of Moody's most common ratio terms please see the accompanying [User's Guide](#).

**Opinion**

**Credit Strengths**

- Commitment to high asset cover of debt (>4times) through the cycle
- Reliable alternate liquidity through a SEK10 billion revolving credit due October, 2012
- More than 80% of investments are liquid, being listed on multiple stock exchanges
- Flexibility in dividend distribution

**Credit Challenges**

- Stable portfolio strategy causes unmitigated exposure to asset volatility
- At times relative high volatility of asset values
- Portfolio concentration
- Primary source for debt service are realized results (e.g. capital gains) which have been volatile

**Rating Rationale**

Moody's analytical approach for Investor AB focuses on portfolio size, quality, volatility and liquidity relative to the company's debt level and debt service obligations. Investor's debt is not formally collateralized, and thus management strategy and flexibility is key to future levels of asset coverage. As part of its analysis, Moody's has also tested the ratings against certain portfolio analysis techniques based on asset volatility and leverage over long time horizons. In these models; Moody's uses an asset volatility ranging from 25 - 29% - commensurate with the observed long-term volatility of the OMX stock index, where all of Investor's core holdings are listed, and a leverage factor of 20% - which is in line with Investor's own leverage comfort zone of 20-25% (Net Debt/Total Assets).

The quantitative analysis was complemented by a positive consideration of qualitative factors such as (i) the active portfolio management of Investor with a committed and proven leverage limit, (ii) the quality of its holdings, comprising stakes in large, international corporations, and (iii) the liquidity cushion provided by a committed SEK10 billion, seven-year syndicated credit facility, without financial covenants or a repeating material adverse change (MAC) clause.

### **Rating Outlook**

Positive, reflecting Investor's conservative investment and leverage strategy, the improving quality, liquidity and stock prices of the company's core holdings, and our expectation that the volatility of Investor's asset values will continue to reduce from its historic peak levels as observed over the period from 2001 - 2003.

### **What Could Change the Rating - UP**

A rating upgrade would be considered if (i) Investor sustains its long-term oriented and conservative investment and funding strategy, if (ii) Investor's portfolio of core holdings shows an improved balance of company credit profiles, and if (iii) asset values continue on a high and less volatile level relative to the company's debt service obligations

### **What Could Change the Rating - DOWN**

Investor would face downward rating pressure, if management were to allow its asset leverage to significantly exceed 20% for an extended period of time. Subject to the use of the credit facility, flexibility to address rising leverage in a falling equity price scenario may be limited, depending upon management's continued commitment to its core holdings.

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