

Export Development Canada

January 11, 2024

This report does not constitute a rating action.

Credit Highlights

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Overview

Key strengths

Status as an agent Crown corporation (agent of His Majesty in Right of Canada) and ownership by the Government of Canada.

The debt issued by the corporation constitutes a direct obligation of the Government of Canada and is a charge on, and payable out of, the government's Consolidated Revenue Fund (CRF).

Almost certain likelihood of receiving timely and sufficient extraordinary government support in a period of financial distress.

Key risks

Policy changes could result in a material weakening of the government's support for the corporation's role.

A downgrade to Canada would lead to a downgrade to Export Development Canada under our government-related entities (GRE) criteria.

High concentration of exposure to the U.S., reflecting Canada's trade links.

The long-term issuer credit, senior unsecured, and short-term global scale and Canada scale ratings on Export Development Canada (EDC) are 'AAA', 'AAA', 'A-1+', and 'A-1(High)', respectively. The ratings reflect our assessment of EDC's critical role in supporting Canadian exporters, the importance of the trade sector in the national economy, and the corporation's integral link with the Government of Canada. We do not believe the almost certain likelihood of extraordinary government support from the federal government is subject to transition risk, given EDC's operations are strategically important to the government.

Outlook

The stable outlook on EDC mirrors that on Canada (AAA/Stable/A-1+), and reflects S&P Global Ratings' expectation that, over the next two years, the corporation will continue to play a critical role in the government's economic policy, and the link between the government and EDC will remain integral.

Downside scenario

Changes in policy that could result in material weakening of the government's support for the corporation's role could lead us to reassess our view of EDC's role and link. This, in turn, could lead us to detach the ratings on the corporation from those on the government and assign a stand-alone credit profile (SACP) to EDC. A downgrade on Canada would also lead to a downgrade on the corporation under our GRE criteria.

Rationale

We expect EDC will continue to play a critical role in supporting Canadian exporters and businesses, a role that was reinforced over the past several years. EDC's recent track record in delivering countercyclical government support programs indicates the importance of the corporation to the Government of Canada, in our view. These programs include provision of guarantees to companies that required credit under the Business Credit Availability Program, and the facilitation of the Canada Emergency Business Account (CEBA) program. In 2022, in response to the ongoing economic challenges faced by small businesses and not-for-profits, the Government of Canada extended the loan repayment deadline for eligible CEBA borrowers to Dec. 31, 2023. Following capital injections totaling almost C\$11 billion from the federal government during the COVID-19 pandemic due to EDC's role in support programs, the corporation is aiming to return its equity to pre-pandemic levels, guided by its internal capital adequacy assessment process. As part of this process, from 2022 onward, dividends to the Government of Canada are paid by way of share buyback until such time that the share capital returns to pre-pandemic levels. EDC repurchased C\$3.8 billion worth of shares in 2022; it repurchased no shares in the first nine months of 2023. Its equity position reached C\$13 billion as of September 2023, up from C\$12.4 billion as of December 2022.

We view EDC as a GRE of the federal government because we believe that the likelihood of the corporation receiving extraordinary government support in a period of financial distress is almost certain. Following our GRE criteria, we base this determination on our assessment of EDC's critical role in supporting Canadian exporters and the importance of the trade sector in the national economy. We also base this on our assessment of the integral link between the government and the corporation, as seen in the government's appointment of the board of directors and establishment of EDC's strategic direction, and direct call on the government's CRF.

We have not assigned an SACP to EDC because of our assessment of the almost certain likelihood of extraordinary government support. We believe the corporation's operations are strategically important to the government and that the government's support is not subject to transition risk. Accordingly, we have equalized our ratings on EDC's debt with those on its parent entity, Canada.

EDC is a federal Crown corporation established in 1944, and wholly owned by the Government of Canada. Its mandate is to support and develop, directly and indirectly, Canada's export trade and the country's capacity to engage in trade, as well as respond to international business opportunities. The corporation provides a wide array of services to Canadian exporters and investors and their international buyers. These services include insurance and financial services, bonding products, and small business solutions. The corporation also supports Canadian direct investment abroad and investment into the country. EDC has identified various growth industries as strategic focus areas in the next several years. These include agrifood, clean technologies, advanced manufacturing, and digital industries. EDC also provides support for

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federal priorities through the Canada Account, whereby it acts as an agent in support of transactions that are in the national interest. EDC's largest concentration of exposure is to the U.S. due to the strong trade links between the two countries. The corporation often works in partnership with other financial institutions and through collaboration with the Government of Canada. Similar to other Crown corporations, it also collaborates with the federal government on environmental, social, and governance initiatives, including a commitment to reach net zero carbon emissions by 2050, and on the federal government's pledge to end new foreign financing of fossil-fuel projects as described in the Glasgow Statement. The corporation is financially self-sufficient, and issues and services its own debt from its own resources. However, because it is a Crown agent, it can service its borrowings through the Government of Canada's CRF, which services the government's direct debt.

Liquidity

As of September 2023, EDC held cash and marketable securities of about C\$10.8 billion with C\$55 billion in loans payable. The corporation's treasury department manages liquidity. It does so based on internal policies and procedures, and monitors liquidity daily. EDC holds sufficient liquidity based on forecast cash requirements. In addition, we expect the corporation would borrow from the government quickly if it needed funds above its internal resources.

Related Criteria

- Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Principles of Credit Ratings, Feb. 16, 2011

Related Research

- Canada, Oct. 25, 2023
- S&P Global Ratings Definitions, June 9, 2023

Ratings Detail (as of Jan. 11, 2024)*

Export Development Canada

Issuer Credit Rating	AAA/Stable/A-1+
Commercial Paper	
Global Scale	A-1+
Canada scale	A-1 (High)
Senior Unsecured	AAA

Ratings Detail (as of Jan. 11, 2024)*

Issuer Credit Ratings History

27-Oct-2011

AAA/Stable/A-1+

*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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