

## SalMar ASA

## Rating Action Report

## LONG-TERM RATING

A-

## OUTLOOK

Stable

## SHORT-TERM RATING

N-1+

## PRIMARY ANALYST

Geir Kristiansen  
+4790784593  
geir.kristiansen@nordiccreditrating.com

## SECONDARY ANALYST

Mille O. Fjeldstad  
+4799038916  
mille.fjeldstad@nordiccreditrating.com

## SalMar ASA assigned 'A-' long-term issuer rating; Outlook stable

Nordic Credit Rating (NCR) said today that it had assigned a 'A-' long-term issuer rating to Norway-based [SalMar ASA](#) (SalMar). At the same time NCR assigned an 'N-1+' short-term issuer rating. The outlook is stable. We expect to assign the company's long-term senior unsecured instruments 'BBB+' to reflect the high share of secured debt financing.

### Rationale

The ratings reflect the company's strong profitability relative to its peer group, which is due to its cost-efficient production and excellent farming locations. The rating further reflects the company's strong cash flow and moderate financial leverage. We believe that the current owner-manager structure will keep SalMar's risk appetite in check.

The rating is constrained by the sector's historical earnings volatility due to unstable prices as a result of variable supply. Moreover, we take into account environmental challenges and disease problems in our assessment of the operating environment. Positively, we note that salmon is a healthy food product, with a lower environmental footprint than other sources of protein.

### Stable outlook

The outlook is stable, reflecting our view that profitability will remain strong in the years ahead. We anticipate that a bounce-back of demand after the COVID-19 pandemic and lower supplies from Chilean producers will support prices over the next three years. Accordingly, we expect SalMar to maintain strong credit metrics after a period of high investment in new processing and smolt facilities as well as farming capacity. We believe that the company will keep adverse biological factors under control. We could raise the rating to reflect lower volatility in supply leading to reduced price uncertainty and increased demand or Increased productivity due to better control of biological issues. We could lower the rating to reflect increased biological problems, higher financial leverage leading to debt/EBITDA above 2.5x due to higher-than expected investments, or decreased demand for Norwegian or Atlantic salmon.

### Rating list

Long-term issuer credit rating:

Outlook:

Short-term issuer credit rating:

Senior unsecured issue rating:

### Rating

A-

Stable

N-1+

BBB+

Figure 1. SalMar rating scorecard

Subfactors	Impact	Score
Operating environment	20.0%	bb+
Market position	10.0%	bbb-
Size and diversification	10.0%	a-
Operating efficiency	10.0%	aa-
Business risk assessment	50.0%	bbb
Ratio analysis		a+
Risk appetite		a
Financial risk assessment	50.0%	a
<b>Indicative credit assessment</b>		<b>a-</b>
Peer comparisons		Neutral
ESG		Adequate
Liquidity		Adequate
<b>Stand-alone credit assessment</b>		<b>a-</b>
Support analysis		Neutral
<b>Issuer rating</b>		<b>A-</b>
Outlook		Stable
<b>Short-term rating</b>		<b>N-1+</b>

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating Issue credit rating
Publication date:	The rating was first published on 07 Apr. 2021.
Office responsible for the credit rating:	Nordic Credit Rating AS (NCR), Oslo, Norway. NCR is a registered credit rating agency under Regulation (EC) No 1060/2009.
Primary analyst:	Geir Kristiansen, +4790784593, <a href="mailto:geir.kristiansen@nordiccreditrating.com">geir.kristiansen@nordiccreditrating.com</a>
Rating committee chairperson responsible for approval of the credit rating:	Sean Cotten, +46735600337, <a href="mailto:sean.cotten@nordiccreditrating.com">sean.cotten@nordiccreditrating.com</a>
Were ESG factors a key driver behind the change to the credit rating or rating outlook?	No.
Methodology used when determining the credit rating:	<a href="#">NCR's Corporate Methodology published on 14 Aug. 2018</a> <a href="#">NCR's Rating Principles published on 16 Sep. 2019</a> The methodology and principles documents provide analytical guidance to NCR's rating activities including but not limited to, assumptions, parameters, cash flow analysis, and stress-testing. NCR's methodologies and principles can be found on our website <a href="https://nordiccreditrating.com/governance/policies">nordiccreditrating.com/governance/policies</a> . The historical default rates of entities and securities rated by NCR will be viewed on <a href="#">the central platform (CEREP) of the European Securities and Markets Authority (ESMA)</a> .
Materials used when determining the credit rating:	Annual- and quarterly reports of the rated entity, Company presentations, External market reports, Meetings with management of the rated entity, Non-public information, Press reports/public information, Website of rated entity.
Potential conflicts of interest:	The rating is NCR's independent opinion of the rated entity's relative creditworthiness. The rating is solicited, i.e. it is prepared for a fee paid by the rated entity. At the time of analysis and publication neither NCR nor any of the analysts or persons involved in the rating process held any interest, ownership interest or securities in the rated entity. NCR does not have any direct or indirect shareholder with a holding of more than 5% of NCR's shares and votes. For further information, please refer to NCR's conflict of interest policy which is available on: <a href="https://nordiccreditrating.com/governance/policies">https://nordiccreditrating.com/governance/policies</a>
Additional information:	Prior to publication, the rating was disclosed to the rated entity. The issuer was given 24 hours (of which 8 business hours) to remark on factual errors and/or the inadvertent inclusion of confidential information, if applicable. The rating was not amended after the review by the issuer. No stress test was performed. Standard cash flow forecasting was performed. NCR's rating is an opinion regarding the relative creditworthiness of an entity or an instrument. It is not a prediction, guarantee or recommendation to buy, hold or sell securities. NCR assigns outlooks to issuer ratings to indicate where they could move in the near term, normally 12–18 months. Further information on the rating process, rating definitions and limitations is available on our website: <a href="https://nordiccreditrating.com/governance/policies">nordiccreditrating.com/governance/policies</a> .
Ancillary services provided:	No ancillary services were provided.
Regulations:	This rating was issued and disclosed under Regulation (EC) No 1060/2009.
Legal exemption from liability:	Disclaimer © 2021 Nordic Credit Rating AS (NCR, the agency). All rights reserved. All information and data used by NCR in its analytical activities come from sources the agency considers accurate and reliable. All material relating to NCR's analytical activities is provided on an "as is" basis. The agency does not conduct audits or similar warranty validations of any information used in its analytical activities and related material. NCR advises all users of its services to carry out individual assessments for their own specific use or purpose when using any information or material provided by the agency. Analytical material provided by NCR constitutes only an opinion on relative credit risk and does not address other forms of risk such as volatility or market risk and should not be considered to contain facts of any kind for the purpose of assessing an issuer's or an issue's historical, current or future performance. Analytical material provided by NCR may include certain forward-looking statements relating to the business, financial performance and results of an entity and/or the industry in which it operates. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words "believes", "expects", "predicts", "intends", "projects", "plans", "estimates", "aims", "foresees", "anticipates", "targets", and similar expressions. Forward-looking statements contained in any analytical material provided by NCR, including assumptions, opinions and views either of the agency or cited from third-party sources are solely opinions and forecasts which are subject to risk, uncertainty and other factors that could cause actual events to differ materially from anticipated events. NCR and its personnel and any related third parties provide no assurance that the assumptions underlying any statements in analytical material provided by the agency are free from error, nor are they liable to any party, either directly or indirectly, for any damages, losses or similar, arising from use of NCR's analytical material or the agency's analytical activities. No representation or warranty (express or implied) is made as to, and no reliance should be placed upon, any information, including projections, estimates, targets and opinions, contained in any analytical material provided by NCR, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained in any analytical material provided by the agency. Users of analytical material provided by NCR are solely responsible for making their own assessment of the market and the market position of any relevant entity, conducting their own investigations and analysis, and forming their own view of the future performance of any relevant entity's business and current and future financial situation. NCR is independent of any third party, and any information and/or material resulting from the agency's analytical activities should not be considered as marketing or a recommendation to buy, sell, or hold any financial instruments or similar. Relating to NCR's analytical activities, historical development and past performance does not safeguard or guarantee any future results or outcome. All information herein is the sole property of NCR and is protected by copyright and applicable laws. The information herein, and any other information provided by NCR, may not be reproduced, copied, stored, sold, or distributed without NCR's written permission.

## NORDIC CREDIT RATING AS

[nordiccreditrating.com](https://nordiccreditrating.com)

### OSLO

Biskop Gunnerus' gate 14A  
0185 Oslo  
Norway

### STOCKHOLM

Norrlandsgatan 10  
111 43, Stockholm  
Sweden