

## Jotun A/S

## Full Rating Report

## LONG-TERM RATING

**BBB+**

## OUTLOOK

**Stable**

## SHORT-TERM RATING

**N-1+**

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## RATING RATIONALE

Our 'BBB+' long-term issuer credit rating on Norway-based paint and coatings manufacturer Jotun A/S (Jotun) reflects the company's moderate debt and strong operational efficiency. It also reflects the resulting robust credit metrics, which are strong in both absolute terms and relative to the company's peer group. Jotun has a leading position in the market for marine coatings. It also holds the No. 1 position in the market for decorative paint in Scandinavia, the Middle East, India and Africa, and occupies the No. 2 position in South East Asia.

The rating is constrained by Jotun's small size in comparison with the biggest players in the global paint and coatings market, which is dominated by large US companies. We also note the cyclical nature of the company's margins, which mainly results from volatile raw material prices but also reflects cyclical demand in certain market segments. However, Jotun's diversification across market segments and regions has allowed the company to sustain relatively strong margins through economic cycles. In addition, we note that the decorative paint market has been resistant to the wider economic downturn associated with COVID-19.

## STABLE OUTLOOK

The outlook is stable, reflecting our view that strong operating cash flows and moderate investment requirements will enable Jotun to maintain strong credit metrics in the years ahead. We believe demand will increase as COVID-19 recedes, as we expect, and anticipate that higher raw material prices will be reflected in higher product prices over time. But we note that margins could be affected negatively over both the short and medium term if product prices fail to keep pace. We expect Jotun to make no significant changes to its currently conservative investment and prudent dividend policies.

## POTENTIAL POSITIVE RATING DRIVERS

- Reduced EBITDA margin volatility through, for example, an increased proportion of revenues from decorative paint.
- A sustainable NCR-adjusted EBITDA margin above 20%.

## POTENTIAL NEGATIVE RATING DRIVERS

- Continuing increases in raw material prices combined with an economic downturn.
- Lower profitability, leading to an NCR-adjusted EBITDA margin below 10%.
- NCR-adjusted net debt/EBITDA sustainably above 1.5x.

Figure 1. Jotun key credit metrics, 2018-2023e

NOKm	2018	2019	2020	2021e	2022e	2023e
Revenue	17,660	19,652	21,070	21,702	23,438	25,313
NCR-adjusted EBITDA	2,152	3,071	4,026	3,602	3,465	4,075
NCR-adjusted EBITDA margin (%)	12.2	15.6	19.1	16.6	14.8	16.1
NCR-adjusted FFO	1,352	2,269	3,122	2,787	2,648	3,119
NCR-adjusted net debt	2,976	2,875	1,821	1,920	1,990	1,925
Total assets	16,714	19,136	20,574	23,347	24,922	26,739
NCR-adjusted net debt/EBITDA (x)	1.4	0.9	0.5	0.5	0.6	0.5
NCR-adjusted EBITDA/interest (x)	6.8	15.1	26.1	22.3	21.4	25.2
NCR-adjusted FFO/net debt (%)	45.4	78.9	171.4	145.2	133.1	162.1
NCR-adjusted FOCF/net debt (%)	-2.7	29.3	123.1	17.7	53.7	62.7

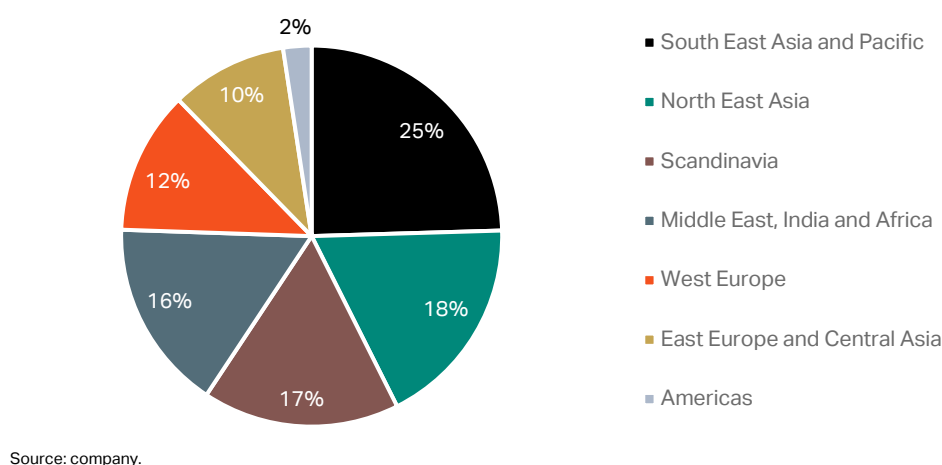
Based on NCR estimates and company data. e-estimate. All metrics adjusted in line with NCR methodology. FFO-funds from operations. FOCF-free operating cash flow.

## ISSUER PROFILE

Jotun is among the world's largest manufacturers of paints and coating products. It is a global company with a presence in more than 100 countries, with particular strength in East Asia, the Middle East and Scandinavia. The company has a globally diverse production model, with 39 manufacturing facilities and about 10,000 employees, of which 1,000 are located in Norway. Jotun is a one-brand company with products including decorative paint and protective marine and powder coatings. It has a strategy of organic growth and expansion into new markets.

Jotun was established by Odd Gleditsch in 1926 and is still controlled by the Gleditsch family. However, Paint Holding AS, owned by Orkla ASA, is now the largest single shareholder. The company's international expansion began with a production facility in Libya in 1961. In 1972, Jotun merged with three other Norwegian paint producers and became the leading domestic paint producer as well as one of the largest companies in Norway. The company's shares are unlisted.

Figure 2. Jotun operating revenue by region, 2020



## BUSINESS RISK ASSESSMENT

Business risk  
assessment 'bb+'

Our business risk assessment reflects Jotun's market position and global diversification, which partly offset its exposure to cyclical fluctuations, particularly in the market for performance coatings and raw material prices. We note, however, that the decorative paint market has been generally resistant to the downturn caused by the COVID-19 pandemic and that Jotun has a strong position in specific regions and market segments. In addition, we note the company's strong operational efficiency and ability to transfer some costs to its customers. This constitutes a positive factor in our business risk assessment.

### Raw material prices high, but product prices likely to follow

Operating environment  
'bb'

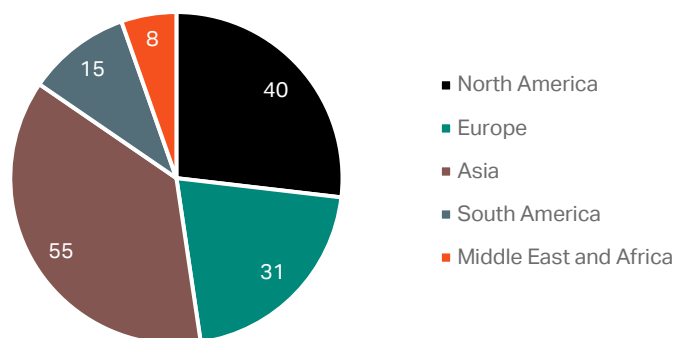
The global paint and coatings market is estimated to be worth about USD 150bn annually and is expected to grow by 4-5% annually for the next 10 years in line with global economic development. Jotun's exposure and growth in developing markets has supported its historical 15% growth rate. Our assessment takes into account cyclical fluctuations, particularly in the market for performance coatings and in raw material prices, as well as the potential for political risk and corruption in some of Jotun's less-developed markets (see Environmental, social and governance factors below).

The paint and coatings market is divided between the decorative paint market (outdoor and indoor) and the marginally smaller market for performance coatings. Both markets have similar long-term growth prospects. However, the decorative paint market is less cyclical and has proven more resistant to the effects of the COVID-19 pandemic. This is particularly the case in do-it-yourself markets, such as the Nordic countries, and produced exceptional revenue growth in Scandinavia in 2020. Margins tend to be higher in the decorative paints market, where competition is primarily local, than in performance coatings, where global players have stronger positions. Increases in raw material prices are easier to pass on to customers in the decorative paint market than in performance coatings, where

price adjustments are likely to lag. However, price sensitivity is moderate because of coating's low share of total project costs.

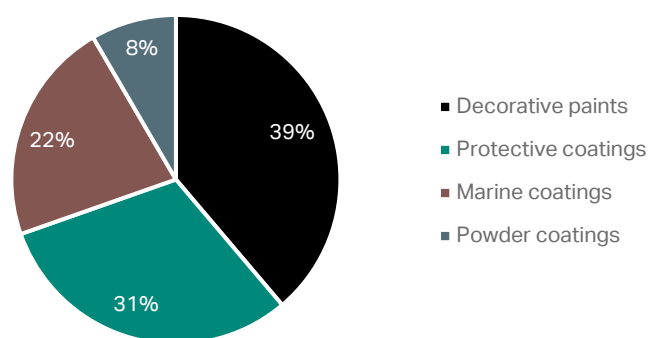
The paint and coating industry faced shortages of raw materials and price inflation in 2021, and these themes are likely to continue in 2022. Raw materials account for about 50% of all costs in the industry and other input costs, such as energy, are also increasing rapidly. The main raw materials are pigments (such as titanium dioxide and zinc oxide), solvents (such as mineral turpentine), and resins. In November 2021, solvent prices were 82% higher on average than a year earlier, while epoxy resin prices were up 124%. Pigment prices were also higher, with titanium dioxide prices up 9% from a year earlier. We see the volatility in raw material prices as credit negative for the industry.

Figure 3. Global paint and coatings market breakdown (USDbn), 2020



Source: Fortune Business Insight, DataM.

Figure 4. Jotun operating revenue by business segment, 2020



Source: company.

About 60% of Jotun's revenues come from performance coating, where the company has three business segments; Protective coatings, Marine coatings and Powder coatings (see Figure 4). The Protective coatings segment has seen relatively robust growth, boosted by large infrastructure projects in Asia and sustainable energy projects such as wind turbines. The Marine coatings segment is more cyclical and periodically faces weak market sentiment mainly due to low newbuilding activity (39% of segment revenues). We expect sentiment to improve as shipping markets strengthen amid an improved outlook for the shipbuilding industry. Jotun sees long-term growth prospects in green shipping and has developed coatings which reduce fuel consumption and lower harmful discharges from vessel hulls. The Powder coatings segment has seen flat operating conditions in recent years and we note that the long-term contracts that typify the segment make it challenging to pass on higher raw material prices.

#### Strong position in target regions and niches

Jotun has continuously expanded its market shares over the past 20 years, partly due to its strategy of early entry into regions and niches with high growth, and has achieved average annual revenue growth of 15% without significant acquisitions. Like its peers, Jotun offers a wide range of paint and coatings products in an industry where patent protection is generally seen as an inefficient means of deterring competitors. Innovations are therefore usually not long-lasting competitive advantages. However, the company defends its position through a strong focus on research and development, reducing the risk that alternative products could reduce its market shares and undermine its strong brand name.

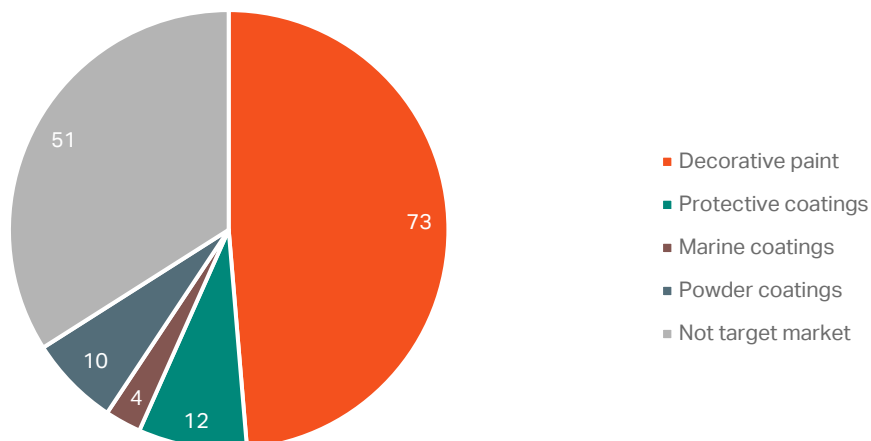
Barriers to entry are higher in performance coatings than in decorative paints, due to more stringent performance requirements and the need for long-term business relationships. Lower margins also offer protection against new market entrants.

In the decorative paint market, Jotun is No. 10 globally with a 2% market share. However, the company is No.1 in Scandinavia, the Middle East, India and Africa, and No. 2 (after Nippon Paint) in South East Asia. The major US players have small market shares in Jotun's core regions and the main global competitor is AkzoNobel. We believe that Jotun's position as a regional market leader enables the company to maintain strong margins in this market.

Market position 'bbb-'

The market for performance coatings is largely controlled by global players. In marine coatings, Jotun is the market leader with a market share of about 24% globally, followed by Chugoku (CMP). The company has an 8% market share in protective paints, where AkzoNobel, Sherwin-Williams, PPG and Hempel have similar market positions and several local competitors also have a presence. In powder coatings, Jotun has a smaller 3% market share, but has a significant presence in key subsectors such as building components, pipelines and general industries. AkzoNobel is the largest player in this market, which is dominated by China.

Figure 5. Jotun global market segments (USDbn), 2020



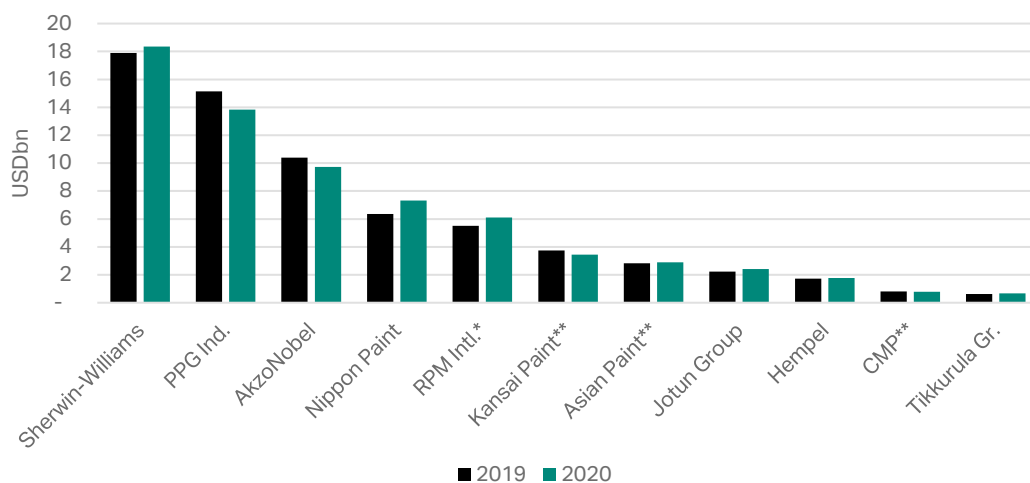
Source: Orkla ASA capital markets day presentation 23 Nov. 2021.

#### Top 10 player in global peer group

Jotun is a regional and global niche supplier with a 2% share of the global market and 3% of its USD 99bn target market for paints and coatings. The company is the world's eighth-largest paint and coatings maker and has strong positions in some regions and niche markets. However, the significantly greater scale of its major global competitors represents a vulnerability. Nevertheless, among the largest players, only Asian Paint, which focuses on the Indian market, has enjoyed stronger revenue growth than Jotun over the past 20 years.

While Jotun focuses on paint and coatings, it also caters to a wide range of industries and individual customers in various regions. We see this diversity as a rating strength. We see it as positive that Jotun has a geographic focus on growth regions such as South East Asia, North East Asia, and the Middle East, as well as a strong position in its Scandinavian home market.

Figure 6. Jotun peer group revenues, 2019-2020



Based on company data. \*as of May 2020-2021. \*\*as of March 2020-2021.

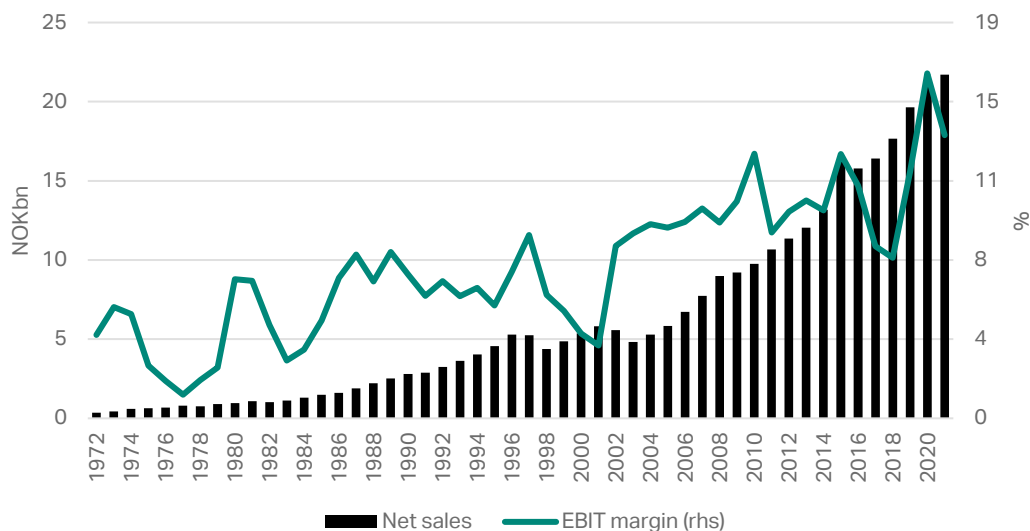
Size and diversification  
'bb+'

Operating efficiency  
'bbb-'

### Rising input costs put a temporary drag on strong operating efficiency

Jotun's EBIT margin has been on an upward trend since 1972. The company has increased its focus on cost controls since 2015 to reduce margin cyclicality. We believe that this has led to somewhat lower volatility in the EBITDA and EBIT margins than in the gross margin. Due to recent rises in raw material prices, margins have fallen since 2020, and we expect this to continue through 2022. The ongoing decline appears similar in magnitude to an earlier decline in 2015-2018, which was caused by a combination of higher raw material prices and weak demand in the marine segment.

Figure 7. Jotun historical sales and EBIT margins, 1972- 2021e



Jotun's in-house raw material index (see Figure 8) shows the sharp increase in input costs that took place in 2021. This will certainly reverse the gains of 2020 (see Figure 7). However, we do not expect the company to be harder hit than its wider peer group. We also note that paint and coatings generally represent only a small part of total project costs for most customers and therefore have low price sensitivity. We expect higher input costs to be reflected in higher product prices in the course of 2022.

We note that among the 10 largest industry peers, only Asian Paint had a higher EBITDA margin than Jotun in 2020. In 2019, Jotun had the fourth highest EBITDA margin in its peer group. Moreover, its smaller peers had significantly lower EBITDA margins, and we believe that this shows that the company is a top-flight player in terms of sector-wide operating efficiency. In our view, the company's widespread production model located primarily in low-cost countries contributes to this efficiency.

Figure 8. Jotun raw material index, 2008-Aug. 2021

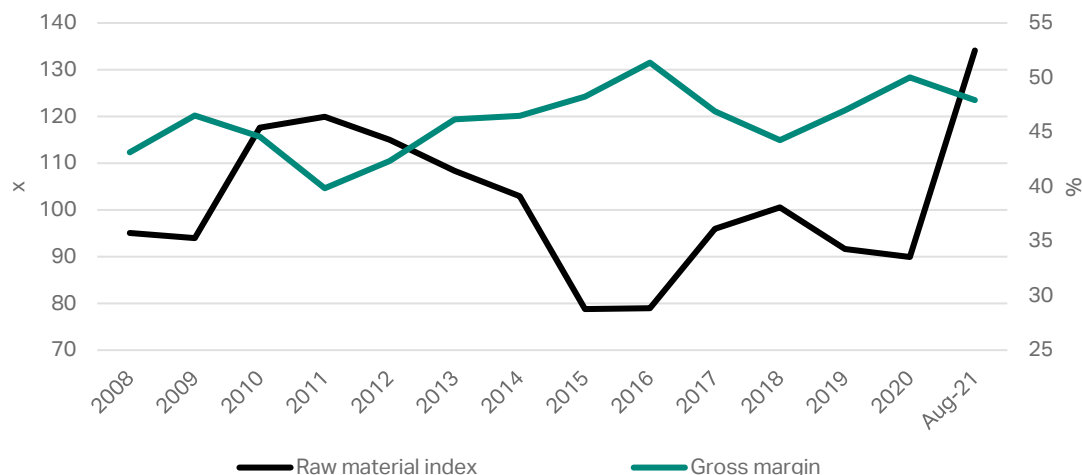
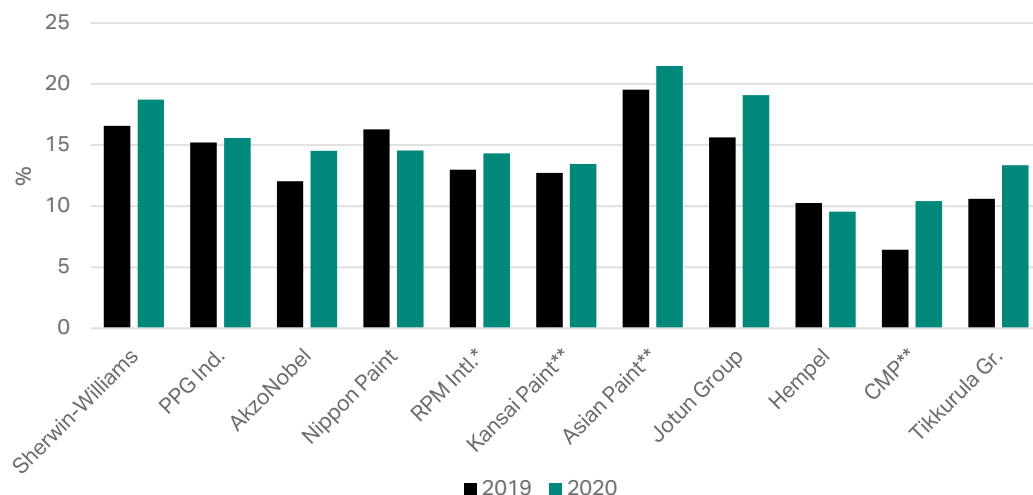


Figure 9. Jotun peer group EBITDA margins, 2019-2020



Based on company data. \*as of May 2020-2021. \*\*as of March 2020-2021.

## FINANCIAL RISK ASSESSMENT

Financial risk  
assessment 'a+'

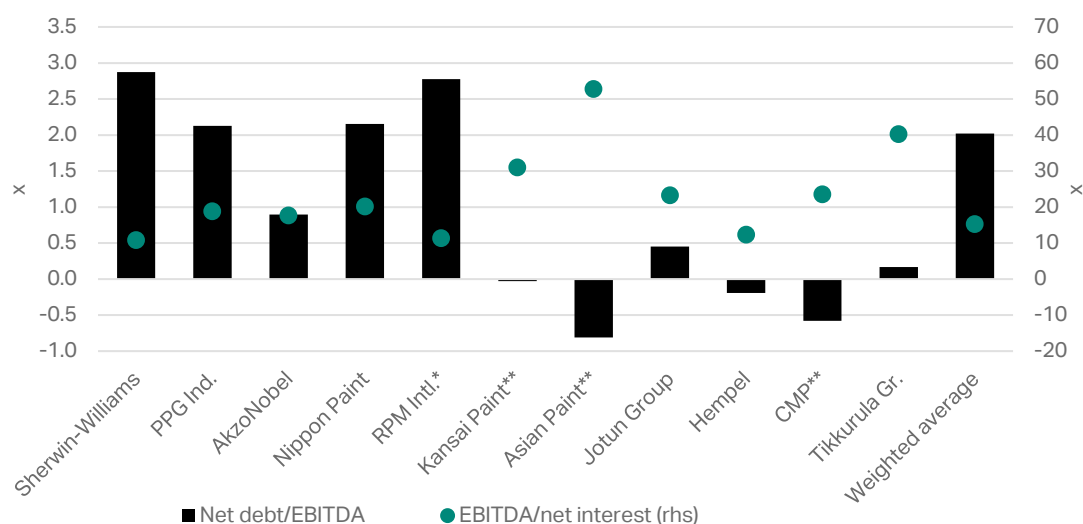
Our financial risk assessment reflects Jotun's strong balance sheet and profitability, both in absolute terms and relative to its peers. The assessment takes into account the current strength of the company's financial ratios and the recent volatility in its credit metrics as a result of cyclical margins. We do not expect Jotun to make any significant changes to its conservative investment policy.

Ratio analysis 'aa-'

### Strong credit metrics sustainable despite cost challenges

Jotun's credit metrics are stronger than its peer group average and notably stronger than those of its five largest peers. As the entire sector faces the same challenges, we believe that Jotun will maintain its relative position. We also believe that strong operating cash flows and moderate investment requirements will enable the company to maintain the strong absolute level of its credit metrics in the years ahead.

Figure 10. Jotun peer group adjusted credit metrics, 2020



Based on company data. \*as of May 2020-2021. \*\*as of March 2020-2021.

Our base-case forecast of Jotun's performance in the period through 2023 assumes:

- an annual average 6.3% increase in revenue;
- an average adjusted EBITDA margin of 15.8%, compared with 15.4% for the past three years;
- total capital investments of about NOK 4.6bn;
- distribution of 50% of net profit in dividends.

On the basis of these assumptions, we estimate the following metrics for the same period:

- NCR-adjusted net debt/EBITDA of 0.5–0.6x;
- NCR-adjusted EBITDA/net interest of 21.4–25.2x; and
- NCR-adjusted FFO/net debt of 133–162%.

**Figure 11. NCR's adjustments to Jotun's reported credit metrics, 2018–2023e**

NOKm	2018	2019	2020	2021e	2022e	2023e
EBITDA	1,921	3,130	4,313	3,841	3,750	4,379
Non-EBITDA revenues (sales gains real estate)		-41	-50			
Share of profit in associates and JVs	-384	-497	-746	-768	-830	-896
Dividends from associates and JVs	558	556	559	597	615	664
Fixed lease payments (GAAP)	143					
Capitalised development expenses	-86	-77	-50	-68	-70	-72
<b>NCR-adjusted EBITDA</b>	<b>2,152</b>	<b>3,071</b>	<b>4,026</b>	<b>3,602</b>	<b>3,465</b>	<b>4,075</b>
Gross debt	3,158	4,112	4,091	4,091	4,091	4,091
Long-term leasing liabilities	474	334	327	427	427	427
Short-term financial leases	158	111	116	116	116	116
Retirement benefit obligations	198	221	243	272	301	330
<b>NCR-adjusted gross debt</b>	<b>3,988</b>	<b>4,778</b>	<b>4,777</b>	<b>4,906</b>	<b>4,935</b>	<b>4,964</b>
Cash and cash equivalents	1,012	1,903	2,956	2,986	2,945	3,039
<b>NCR-adjusted cash and equivalents</b>	<b>1,012</b>	<b>1,903</b>	<b>2,956</b>	<b>2,986</b>	<b>2,945</b>	<b>3,039</b>
<b>NCR-adjusted net debt</b>	<b>2,976</b>	<b>2,875</b>	<b>1,821</b>	<b>1,920</b>	<b>1,990</b>	<b>1,925</b>
Net financial items	-194	-229	-202	-335	-154	-154
Dividends (net financial item)	-3	-3	-3	-3	-3	-3
Other financial income	-15	-18	-5	-5	-5	-5
Interest adjustment for leasing (GAAP)	-143					
Other financial costs	40	47	56	181		
<b>NCR-adjusted net interest</b>	<b>-315</b>	<b>-203</b>	<b>-154</b>	<b>-162</b>	<b>-162</b>	<b>-162</b>
Adjusted EBITDA	2,152	3,071	4,026	3,602	3,465	4,075
Adjusted Interest	-315	-203	-154	-162	-162	-162
Current taxes	-485	-599	-750	-654	-655	-794
<b>NCR-adjusted FFO</b>	<b>1,352</b>	<b>2,269</b>	<b>3,122</b>	<b>2,787</b>	<b>2,648</b>	<b>3,119</b>
<b>NCR-adjusted FFO</b>	<b>1,352</b>	<b>2,269</b>	<b>3,122</b>	<b>2,787</b>	<b>2,648</b>	<b>3,119</b>
Changes in working capital	-463	-52	459	-1,022	-149	-380
Capital expenditures in tangible assets	-878	-1,163	-1,278	-1,300	-1,300	-1,404
Capital expenditures in intangible assets	-178	-288	-111	-192	-200	-200
Capitalised development expenses	86	77	50	68	70	72
<b>NCR-adjusted FOCF</b>	<b>-81</b>	<b>843</b>	<b>2,242</b>	<b>340</b>	<b>1,069</b>	<b>1,207</b>

Based on company data. JVs-joint ventures. GAAP–Norwegian Generally Accepted Accounting Principles.

Figure 12. Jotun NCR-adjusted net debt and net debt/EBITDA, 2018–2023e

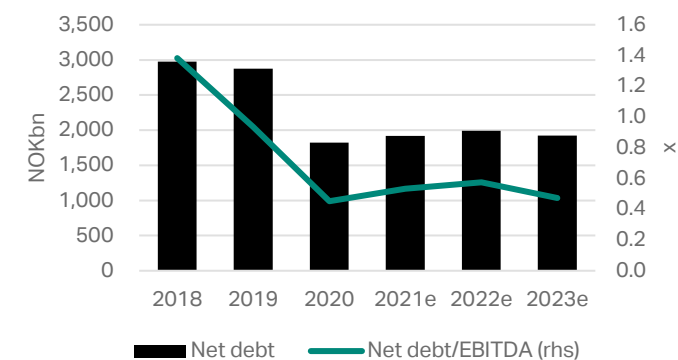
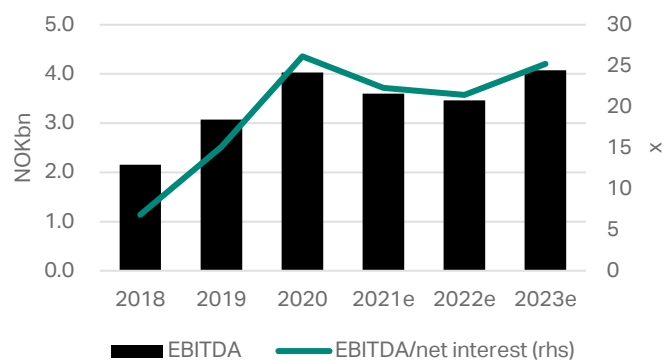


Figure 13. Jotun NCR-adjusted EBITDA and EBITDA to net interest, 2018–2023e



### Low risk appetite

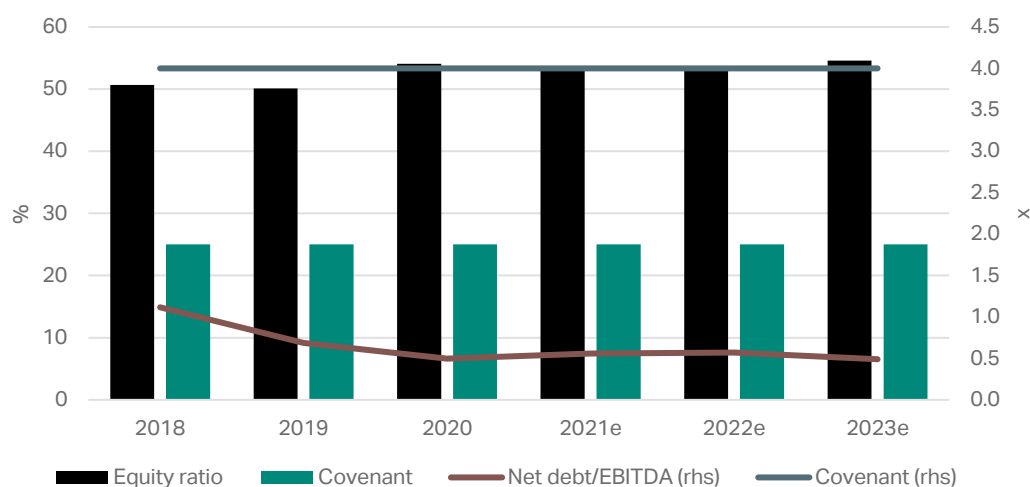
Risk appetite 'a'

We view Jotun's risk appetite as low, though cyclical EBITDA margins have resulted in some historical volatility in the company's credit metrics, which leads to a risk appetite assessment that is lower than warranted by its current financial ratios. In our view, Jotun has a relatively short debt maturity profile which is mitigated by a strong liquidity reserve, a long history of profitability, and the fact that the company has never required equity injections. In addition, the company has a strategy of pursuing organic growth and no history of significant acquisitions.

Annual dividend payments are decided on the basis of capital investment plans for the year ahead. Dividend payout ratios have averaged 52% over the past 10 years, varying from 25% (2020) to 79% (2011). We note that continuing uncertainty due to the COVID-19 pandemic and rising raw material prices could lead to lower payout ratios than our assumption of 50% over the forecast period.

Under company policy, long-term debt and credit facilities must have a minimum average time to maturity of two years. Jotun currently has outstanding bonds amounting to NOK 2.65bn, all with floating coupon rates. The average time to maturity is currently 2.2 years, with the first upcoming maturity on 22 Mar. 2022 (NOK 640m). We believe Jotun has sufficient liquidity to repay the pending bond in the event of unfavourable market conditions, as we expect the company to remain committed to its target of maintaining a strategic financing reserve equivalent to 5% of operating revenue. Jotun had NOK 2.2bn in bank debt as of 31 Aug. 2021 (last reported). In addition, the company had NOK 1.8bn in long-term unsecured credit lines, which were unused as of end-2021. Jotun has significant covenant headroom, with an equity ratio significantly above bank covenants of more than 25% and net debt/EBITDA of less than 4.0x.

Figure 14. Jotun unadjusted equity ratio and net debt/EBITDA vs covenants, 2018–2023e





Jotun generally does not hedge currency risk, which in any case is limited by the company's widespread production model. A loan denominated in US dollars and a rolling currency swap arrangement serve as a hedge of net investments in foreign operations. Raw material prices are generally not hedged.

There is no significant concentration of credit risk in respect of single counterparties. Significant counterparties include shipyards, ship owners, real estate developers, and some large retail chains in Scandinavia. We do not see counterparty risk as critical.

#### ADJUSTMENT FACTORS

Adjustment factors are assessed as neutral and have no effect on our standalone credit assessment.

#### Liquidity

We assess Jotun's liquidity position as adequate. The company has a strong cash position and unutilised credit facilities that cover its committed financial obligations until end-2022. We include dividends in our calculations below, as we expect shareholders to require some payment over the year.

We estimate the following primary liquidity sources for 2022, totalling NOK 6.9bn:

- NOK 3.0bn. in cash holdings (estimated at end-2021);
- NOK 1.8bn in committed available credit facilities; and
- NOK 2.1bn, reflecting 75% of FFO over the period.

This compares with the following uses of liquidity over the period, totalling NOK 1.7bn:

- NOK 0.9bn for the repayment of bonds and lease instalments; and
- NOK 0.8bn in committed capital spending.

#### Environmental, social and governance factors

We believe Jotun's environmental, social and governance (ESG) efforts are supportive of the company's overall competitive position. The main ESG issues that could affect the rating are factors that could contribute to loss of revenue, increased operating costs, increased capital spending, a decline in the value of assets, decreased access to funding or loss of operating rights. In this context, we believe that Jotun's main ESG-related credit risks are CO<sub>2</sub> emissions, harmful waste, corruption and employee issues.

Jotun has been reporting its carbon emissions by region since 2009. However, the company has not yet measured its Scope 3 (indirect) emissions. As 50% of Jotun's environmental footprint stems from raw materials, we believe that this would be a natural next step for the company. The paint and coating industry has not yet been incorporated into the EU Taxonomy. Nevertheless, Jotun will have to provide relevant data to customers which are incorporated.

Jotun operates in regions which are prone to corruption issues. We note that the company actively fosters a corporate culture that opposes corruption. We also believe that Jotun has less exposure to potential corruption issues than other suppliers as paint and coatings generally represent only a small part of the costs of a given project. Trade sanctions are also an issue in several of the regions where the company operates. Compliance with trade sanctions is the responsibility of the company's local organisational structures in the regions where they apply.

Adjustment factors  
neutral

Liquidity adequate

ESG factors adequate

**Figure 15. Jotun ESG considerations**

Issue	Risks	Mitigating efforts	2020 outcomes
CO <sub>2</sub>	New regulations and increased taxation could reduce operating efficiency. Regulatory requirements could increase capital spending.	Jotun has implemented systems and policies to lower energy consumption.	Electricity consumption down from 138 kWh per tonne produced in 2015 to 130 kWh in 2020. CO <sub>2</sub> emissions per tonne produced down from about 90 kg in 2015 to 66 kg.
Waste management	Investment requirements, fines, reputational risk.	Jotun has implemented systems and policies to report and reduce waste.	Hazardous waste down from 11.5 kg per tonne produced in 2015 to 10.5 kg. Total waste down from 19.2 kg to 17.7 kg.  No discharges into water or soil causing any significant pollution in 2020.
Corruption	Headline risk, risk of loss of business and bribery fines.	Jotun provides tailored training, with a particular emphasis on dilemma training and enables whistle blowing procedures.	Not measured.
Employee safety and relations	Reduced operating efficiency due to loss of key personnel or sick leave.  Headline risk.	Implementation of diverse and inclusive human resources policies in 2020 (Asia, Africa), but no specific global diversity targets.	19% of employees are female (2020), up by 1pp since 2015, mostly due to increased opportunities for women in the Middle East, India and Africa.  Ratio of time lost due to industrial injuries down from 3.6% in 2015 to 1.8% in 2020.

Source: company.

## OWNERSHIP ANALYSIS

Ownership assessed as neutral

Jotun's largest shareholder, Paint Holding AS, is owned by Orkla. However, 54% of the shares and 59% of the voting rights are controlled by the Gleditsch family, with Odd Gleditsch d.y. acting as board chairman. In our view, the ownership structure is stable. We note that Orkla has capacity to provide support in an event of stress. We also note that Jotun has never required equity injections and that the last increase in share capital took place at the time of the 1972 merger.

Jotun has two share classes; 114,000 A shares (10 votes each) and 228,000 B shares (one vote each).

Figure 16. Jotun ownership structure, 31 Dec. 2020

Owner	Share of capital	Share of votes
Paint Holding AS	42.6%	38.4%
Odd Gleditsch AS	14.4%	11.2%
Mattisberget AS	8.8%	21.6%
Leo Invest AS	2.9%	2.7%
Abrafam Holding AS	2.1%	2.7%
Other	29.2%	23.4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Source: company.

## ISSUE RATINGS

Jotun is largely funded through senior unsecured bonds and bank debt. The company's bank debt represented about 45% of its external funding (excluding leasing) as of end-2020. Jotun's long-term senior unsecured bonds are rated 'BBB+', at the same level as the issuer rating, reflecting the company's relatively flat debtor hierarchy.

Figure 17. Jotun key financial data, 2018–August 2021

NOKm	2018	2019	2020	12 mths to Aug. 2021
<b>INCOME STATEMENT</b>				
Total revenue	17,660	19,652	21,070	22,129
Gross profit	7,746	9,211	10,427	11,225
EBITDA	1,921	3,130	4,313	4,438
EBIT	1,391	2,320	3,489	3,583
Net financial items	-194	-229	-202	-232
Pre-tax profit	1,115	2,079	3,158	3,351
<b>Net profit</b>	<b>674</b>	<b>1,549</b>	<b>2,378</b>	<b>2,502</b>
<b>BALANCE SHEET</b>				
Property, plant and equipment	4,656	5,897	6,384	7,326
Intangible assets other than goodwill	810	1,072	1,099	1,118
Interests in associates	996	886	826	1,247
Other non-current assets	1,281	1,282	1,453	86
Non-current assets	7,743	9,137	9,762	9,778
Cash and cash equivalents	1,012	1,903	2,956	2,924
Other current assets	7,959	8,096	7,856	10,167
Total current assets	8,971	9,999	10,812	13,091
<b>Total assets</b>	<b>16,714</b>	<b>19,136</b>	<b>20,574</b>	<b>22,868</b>
Total equity	8,469	9,584	11,128	12,151
Long-term borrowings	1,779	3,027	2,679	3,383
Long-term leasing liabilities	474	334	327	346
Retirement benefit obligations	198	221	243	279
Deferred tax liabilities	37	38	62	63
Other long-term liabilities	77	320	364	336
Non-current liabilities	2,565	3,940	3,675	4,407
Current liabilities	5,680	5,612	5,771	6,311
<b>Total equity and liabilities</b>	<b>16,714</b>	<b>19,136</b>	<b>20,574</b>	<b>22,868</b>
<b>CASH FLOW STATEMENT</b>				
Pre-tax profit	1,115	2,079	3,158	3,351
Adjustment for items not in cash flow	366	-135	-904	-591
Cash flow before changes in working capital	1,481	1,944	2,254	2,760
Changes in working capital	-463	-52	459	-675
Operating cash flow	1,018	1,892	2,713	2,085
Cash flow from investing activities	-1,056	-895	-830	-786
Cash flow from financing activities	20	-127	-758	-961
Cash and cash equivalents at start of year	1,027	1,012	1,903	2,745
<b>Cash flow for year</b>	<b>-15</b>	<b>891</b>	<b>1,053</b>	<b>179</b>
Cash and cash equivalents at end of year	1,012	1,903	2,956	2,924

Source: company.

Figure 18. Jotun A/S rating scorecard

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

Figure 19. Capital structure ratings

Seniority	Rating
Senior unsecured	BBB+

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