

NorgesGruppen ASA

Full Rating Report

LONG-TERM RATING

BBB+

OUTLOOK

Stable

SHORT-TERM RATING

N2

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RATING RATIONALE

Our 'BBB+' long-term issuer credit rating on NorgesGruppen ASA reflects the company's leading position in the Norwegian grocery market and its high levels of horizontal and vertical integration. It also reflects the company's relatively strong margins, which are largely due to economies of scale and its strong negotiating position with suppliers. The rating also reflects the company's low sensitivity to economic recessions.

The rating is constrained by NorgesGruppen's financial leverage, which is primarily driven by long-term leases but remains moderate thanks to stable cash flow. We believe the company has minimal risk appetite and a strong liquidity position, which supports our financial risk assessment. We also believe that the long-term owners will keep the company's risk appetite under control.

STABLE OUTLOOK

The stable outlook reflects our expectations of moderate financial gearing over the next three years, as well as NorgesGruppen's ability to maintain stable margins despite rising input and interest costs. We expect capital investment levels to increase somewhat over the next few years, including investments to reduce the company's environmental footprint, but have not factored in major acquisitions or development projects. We expect no changes in legislation that would significantly weaken the company's market position or margins. The stable outlook also reflects the potential of a low to moderate fine from the Norwegian Competition Authority (NCA) related to the 'price-hunter' case.

POTENTIAL POSITIVE RATING DRIVERS

- An NCR-adjusted EBITDA margin sustainably above 10%, leading to improved credit metrics.
- Increased diversification in distribution and revenues, with maintained operating efficiency and profitability.

POTENTIAL NEGATIVE RATING DRIVERS

- Major fines by the NCA, or the implementation of new legislation, negatively impacting market positioning.
- Lower profitability, leading to an NCR-adjusted EBITDA margin below 5%.
- NCR-adjusted net debt/EBITDA above 3x and NCR-adjusted EBITDA/net interest below 6x over a protracted period.

Figure 1. NorgesGruppen key credit metrics, 2018–2024e

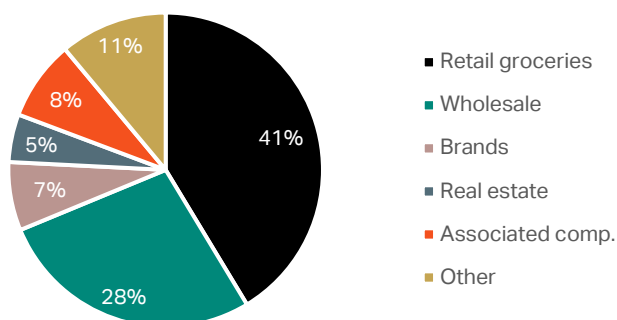
NOKm	2018	2019	2020	2021	2022e	2023e	2024e
Revenues	87,813	90,326	101,385	102,885	99,741	102,673	106,812
NCR-adj. EBITDA	6,861	7,774	10,172	9,431	7,929	8,088	8,985
NCR-adj. EBITDA margin (%)	7.8	8.6	10.0	9.2	7.9	7.9	8.4
NCR-adj. FFO	5,126	5,964	7,926	7,343	6,204	6,240	6,955
NCR-adj. net debt	22,404	25,158	22,720	20,766	21,589	22,272	22,510
NCR-adj. total assets	39,171	59,961	62,950	64,535	66,265	68,518	71,330
NCR-adj. debt/EBITDA (x)	3.3	3.2	2.2	2.2	2.7	2.8	2.5
NCR-adj. EBITDA/interest (x)	6.3	6.8	8.8	8.6	6.9	6.6	7.3
NCR-adj. FFO/debt (%)	22.9	23.7	34.9	35.4	28.7	28.0	30.9
NCR-adj. FOCF/debt (%)	8.0	1.7	19.6	20.3	7.2	8.3	11.4

Based on NCR estimates and company data. e–NCR estimate. FFO–funds from operations. FOCF–free cash flow from operations. All metrics adjusted in line with NCR methodology. N.B.–2018 is reported according to Norwegian GAAP.

ISSUER PROFILE

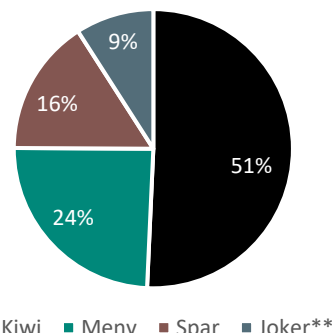
NorgesGruppen is a Norwegian grocery retail and wholesale group that traces its origins back to 1866, when wholesale company Joh. Johannson was established. The Johannson family still controls the company, with 74.4% of the shares and the votes. NorgesGruppen is the market leader in Norway, with a 44% share of the domestic retail grocery market in 2021. The company has a countrywide presence, and its five grocery store chains are independent businesses that compete with each other. Some 44% of the company's 2,140 stores are fully owned. NorgesGruppen also runs delicatessens, bakeries, coffee shops and a fast-food chain. It had a total of 44,618 employees at year-end 2021, 66% of which are employed at fully-owned stores.

Figure 2. NorgesGruppen EBIT by business area, 2021



Source: company.

Figure 3. NorgesGruppen revenues* from retail grocery chains, 2021



Source: company. *Including retailer-owned stores. **Including Nærbutikken.

BUSINESS RISK ASSESSMENT

Business risk assessment is 'a-'

Our business risk assessment reflects NorgesGruppen's low historical exposure to cyclical fluctuations as a distributor of consumer staples. It is the leading Norwegian grocery wholesaler and retailer, and has operating margins above those of most of its peers. We expect volatile conditions to cause a slight margin downturn in the aftermath of the COVID-19 pandemic and a normalisation of market conditions over the next few years. We note that the Norwegian retail grocery sector faces proposed new legislation and remains under particular scrutiny by the NCA.

High inflation impacting both costs and consumer demand

Operating environment scores 'a-'

The COVID-19 pandemic, Russia's invasion of Ukraine and the ensuing energy crisis have resulted in a relatively volatile operating environment for NorgesGruppen and its peers in an otherwise stable market. Unusually high grocery demand during the pandemic lockdowns has returned to normal, with revenues for the first half of 2022 declining by 2% on the previous year but remaining strong relative to pre-pandemic levels.

High inflation, increased costs of goods and higher input costs throughout the value chain have contributed to higher prices in the Norwegian food industry. The war in Ukraine, drought in Europe in summer 2022 and lower crop yield have also affected the overall supply of goods. From the second half of 2022, prices of food and non-alcoholic beverages increased by a dramatic 10.4% year-on-year in Norway, compared with 6.8% overall inflation. However, food price inflation in Norway was on average 11.4% below the European mean in the first half of 2022. In our view, regulatory conditions in Norway, including strict import and price adjustment restrictions on suppliers, are having a mitigating effect on inflation. This helped sustain strong demand for groceries in the first half of 2022, which could decrease in the second half of the year as food price inflation rises.

Figure 4. Consumer price indices for food and non-alcoholic beverages, 2021–August 2022

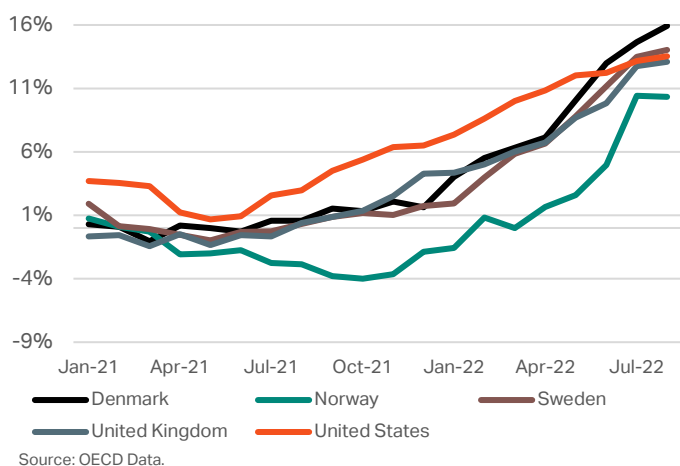
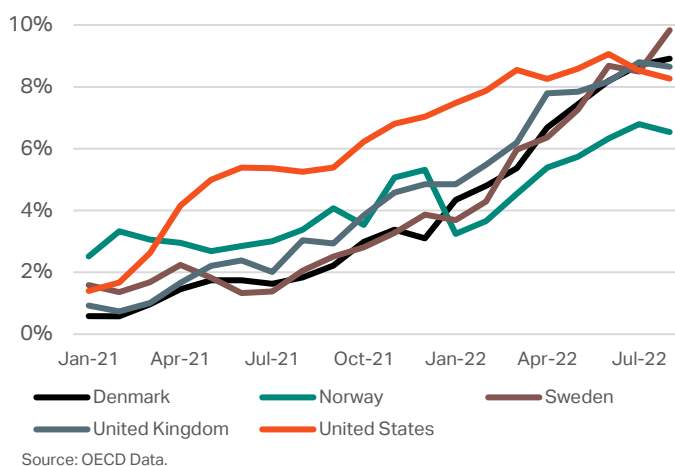


Figure 5. Consumer price indices, total consumption, 2021–August 2022



Norway is among the most expensive countries in Europe, with prices of food and non-alcoholic beverages 49% higher than in Europe on average in 2021. The high price levels are mainly due to protective tariffs, high domestic production costs and higher distribution costs than in most European countries. We expect customers' shopping patterns to change as prices rise and budgets shrink, resulting in substitution with more affordable goods, including own-brand products. We expect that this will have only a small impact on margins, but will affect profitability in absolute terms.

Norwegian grocery chains are under government scrutiny due to the high price levels and market concentration. The government is considering four measures to increase competition: 1) banning easements and exclusivity in leases; 2) investigating own-brand products and vertical integration; 3) considering possibilities for regulating suppliers' price differentiation between grocery chains; and 4) giving more power to the NCA. We believe that own-brand products and competition between suppliers are positive for consumers, and it is therefore less likely that the government will regulate these. The most likely measures at present appear to be option 1 and option 4. Stronger surveillance and measures by the NCA could impact NorgesGruppen's margins, and this is factored into our assessment.

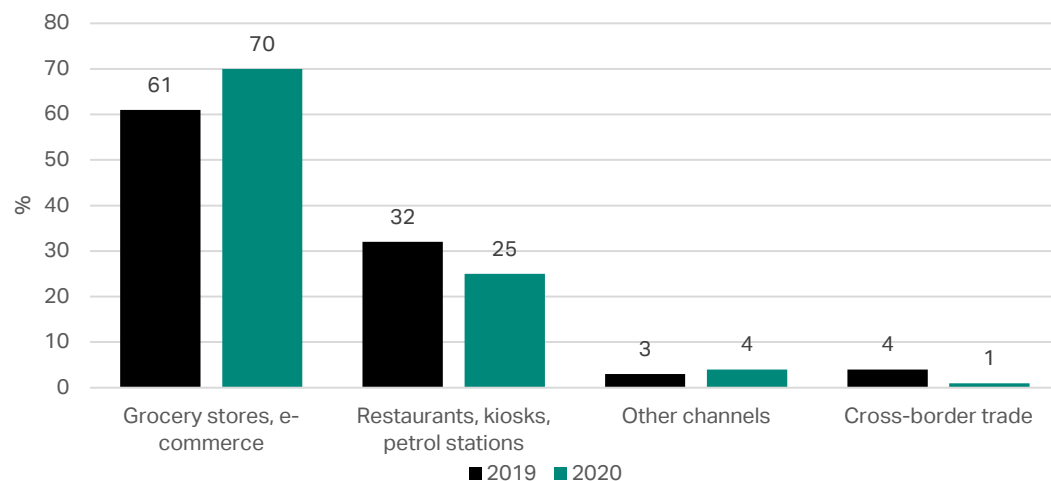
National market leader in groceries

The Norwegian grocery market is dominated by three large retail groups, of which NorgesGruppen is by far the largest. The company accounted for 31% of Norway's total food sales in 2021. NorgesGruppen has also had the strongest market share growth in the sector in recent years, despite a small decline in 2021 (see Figures 7–8). The gain in market share was largely due to strong purchasing power with suppliers, enabling the company to offer lower prices than its competitors. We expect NorgesGruppen's strong purchasing power and distribution network to enable the company to sustain its leading market position.

NorgesGruppen's e-commerce sales increased by 29% in 2021 to NOK 940m but suffered a fall of 25% in the first half of 2022, compared with the first half of 2021, due to the lifting of pandemic lockdowns. Although e-commerce accounts for a small share of the market, we believe the incumbent grocery chains will likely increase their share of e-commerce sales as this channel grows.

Market position scores
'a'

Figure 6. Norway grocery market sales by distribution channel, 2019 and 2020



International grocery chains have had little success in their efforts to enter the Norwegian market. We believe that this is due to the consolidated structure of the Norwegian grocery sector, tough domestic market regulations and high tariffs on imported food. Attempts by Germany-based Lidl and Sweden-based ICA to enter the market resulted in both being squeezed out in 2008 and 2015, respectively. UK retailer Iceland Foods Ltd. currently operates five stores in the Oslo region, but with a limited product offering.

All of Norway's major retail groups operate bonus and benefit card schemes aimed at retaining customers. NorgesGruppen's Trumf card scheme has 2.6m members (75% of customers). The three largest Norwegian retail grocery groups each have an in-house full-range supplier of groceries. NorgesGruppen's wholesaler, Asko, also supplies independent retail grocery chain Bunnpris, retail convenience stores, hotels, restaurants and office operations. The establishment of Asko Oslofjord and renewable investments are making Asko more efficient and helping it consume less energy.

Figure 7. Norwegian grocery chain market share, 2015 and 2021

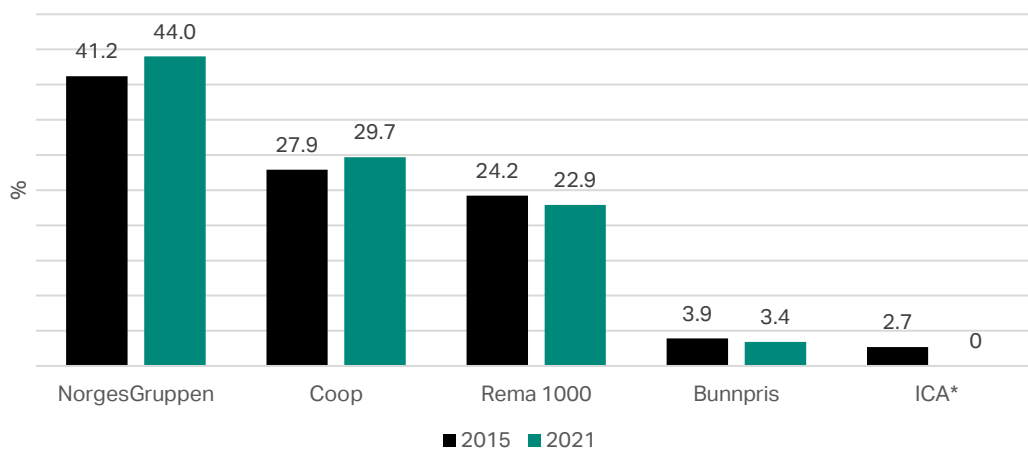
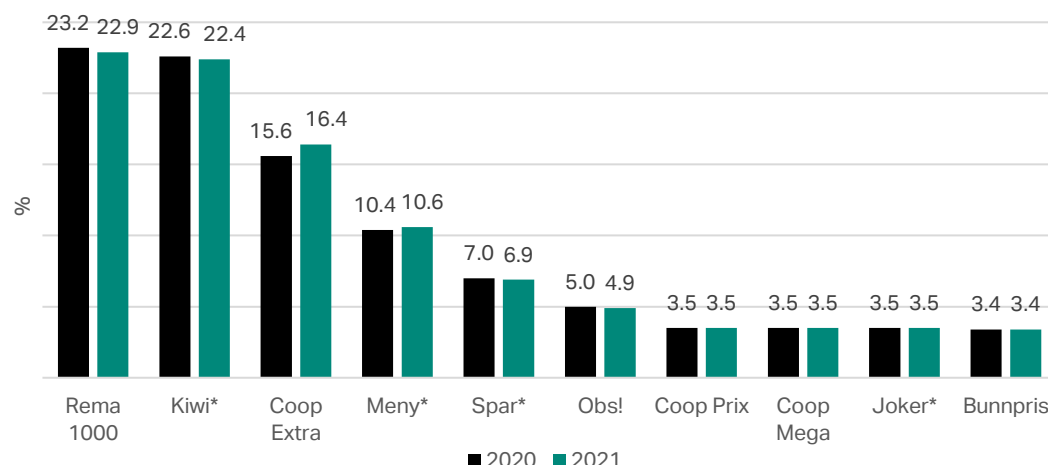


Figure 8. Norwegian grocery chain brand market share, 2020 and 2021



Source: NielsenIQ. *Norgesgruppen companies.

Large in a Nordic context

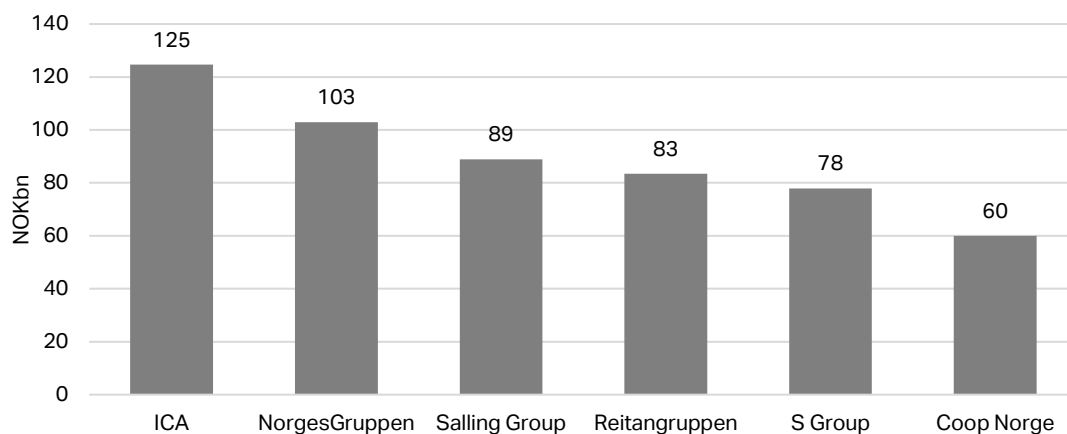
NorgesGruppen is the sixth-largest corporation in Norway and the second-largest retail grocery group in the Nordic region. However, compared with its rated international peers, it is relatively small, with somewhat lower revenues than UK-based Marks & Spencer Group.

The group has good diversification across the Norwegian retail grocery sector, with a range of chain concepts and brands. New investments in 2021 introduced Gigabox and Dollarstore as chain concepts for large-scale retail and non-food discount retail, respectively. Moreover, its integrated wholesaler-retailer operation reduces margin volatility to some extent. However, most revenues come from retail and wholesale groceries, and business diversity is limited.

While the Norwegian grocery market is characterised by a small number of retail chain groups, it also has a relatively small number of large suppliers. Nevertheless, NorgesGruppen's position as the market leader gives it a strong negotiating position with suppliers, and we believe that this position, and the company's efficient operations, are the main reason it has better margins than most regional and international peers.

The company has a limited international presence, mainly through associate companies in other Nordic countries. NorgesGruppen's most important associate companies are Danish retail grocery corporation Dagrofa, with DKK 17.5bn in revenues in 2021 (48.9% ownership share) and Norwegian fruit and vegetable wholesaler Bama, with NOK 20.3bn in revenues (45.5% ownership share). Dagrofa is one of Denmark's largest grocery groups and reported its first positive pre-tax profit of DKK 58m in 2021 since NorgesGruppen acquired a stake in 2012.

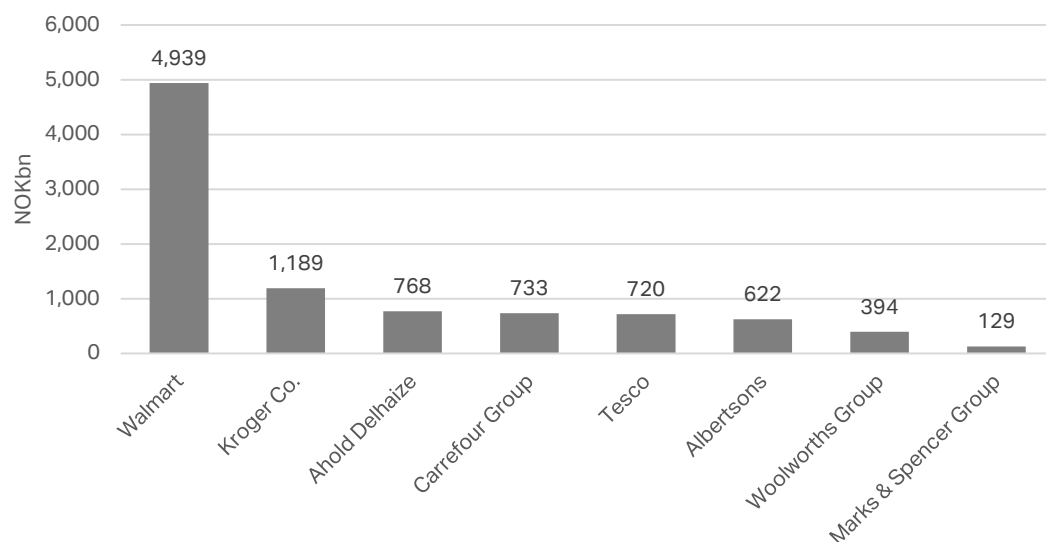
Figure 9. Nordic retail grocery group revenues, 2021



Source: Annual reports.

Size and diversification scores 'bbb+'

Figure 10. Rated international retail grocery group revenues, 2021



Source: Annual reports.

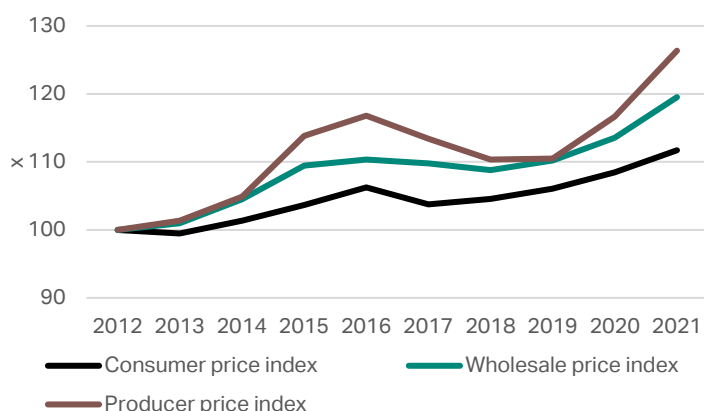
Margins above international peers'

We expect that increased cross-border trade and competition, as well as higher input prices, will contribute to a decline in margins in 2022. However, NorgesGruppen's strong negotiating position and focus on costs will, we believe, enable the company to stabilise margins at close to historical levels in the longer term. Investments in environmentally sustainable distribution, along with solar and wind projects, have been more profitable than the company had predicted and reduce the impact of high energy prices on the company's operations. Annual renewable energy production is currently 92.2 GWh, or 11% of own energy consumption.

NorgesGruppen's primary costs are the cost of goods (78% of operating costs in 2021) and wages (12%). Food raw ingredients prices have increased by more than the consumer price index in recent years. The company's gross margins have, however, been stable, indicating that it has been able to pass higher input costs on to customers when needed. We believe that volume growth played an important role in the company's ability to increase EBITDA margins throughout the pandemic, confirming the economies of scale in the business model. This was despite higher costs related to challenges of product supply, changes in shopping patterns and efforts to contain the spread of COVID-19. However, the company is actively using price reduction initiatives to maintain the market share it gained during the pandemic, which puts some pressure on future margins.

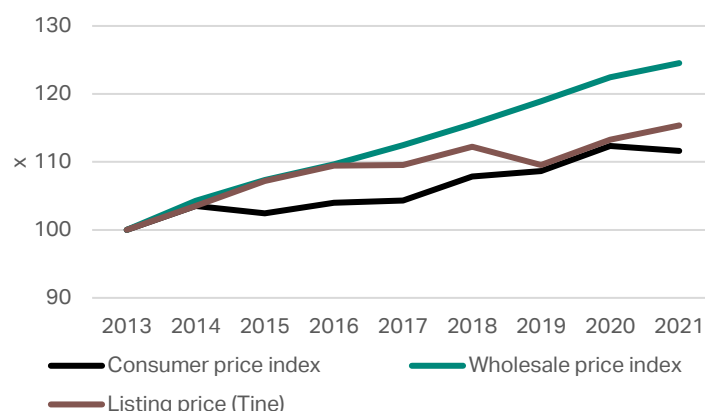
Operating efficiency scores 'a-'

Figure 11. Norwegian price indices, meat products, 2012–2021



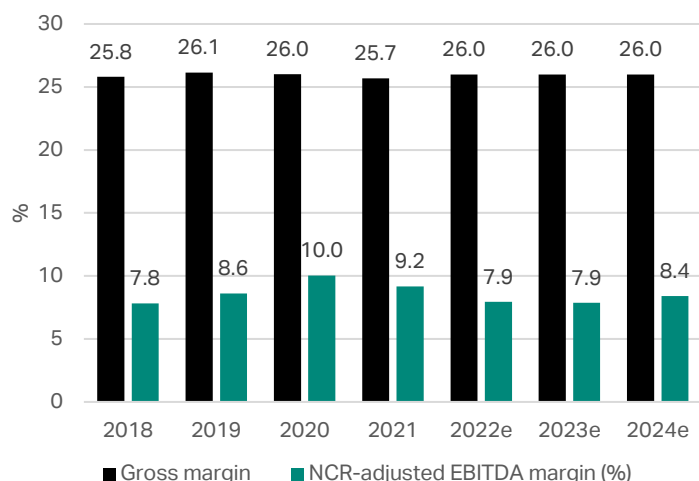
Source: Norwegian Institute of Bioeconomy Research.

Figure 12. Norwegian price indices, dairy products, 2013–2021



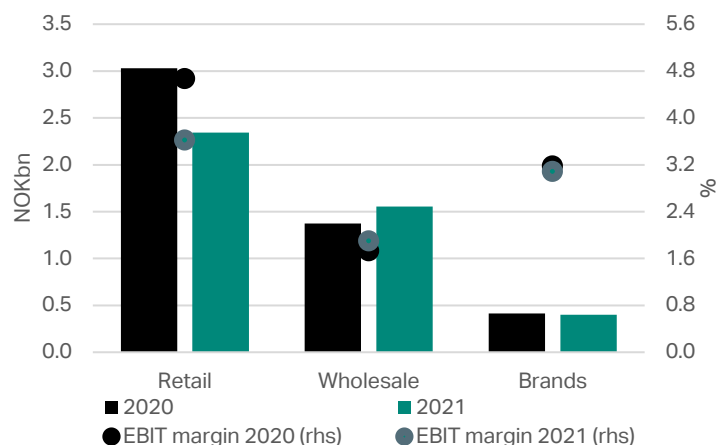
Source: Norwegian Institute of Bioeconomy Research.

Figure 13. NorgesGruppen margins, 2018–2024e



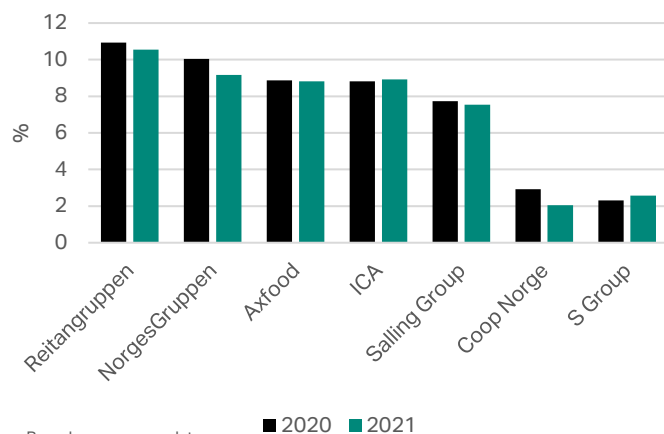
Based on company data. e–NCR estimate.

Figure 14. NorgesGruppen EBIT and margins by main business areas, 2020–2021



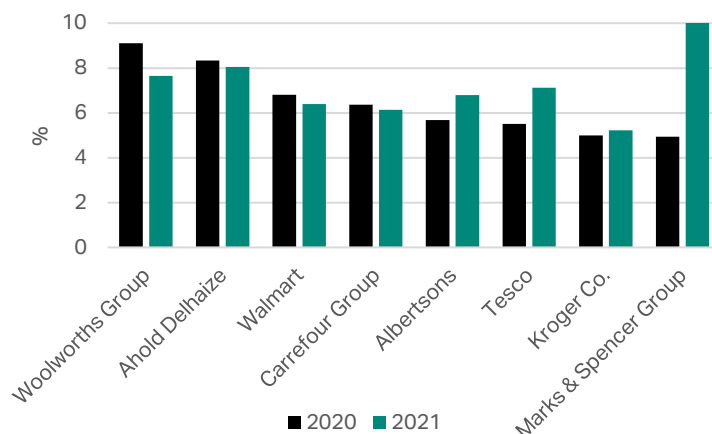
Based on company data

Figure 15. Major Nordic retail grocery groups: NCR-adjusted EBITDA margin, 2020–2021



Based on company data

Figure 16. Rated international retail grocery groups: NCR-adjusted EBITDA margin, 2020–2021



Based on company data.

FINANCIAL RISK ASSESSMENT

Financial risk assessment is 'bbb-'

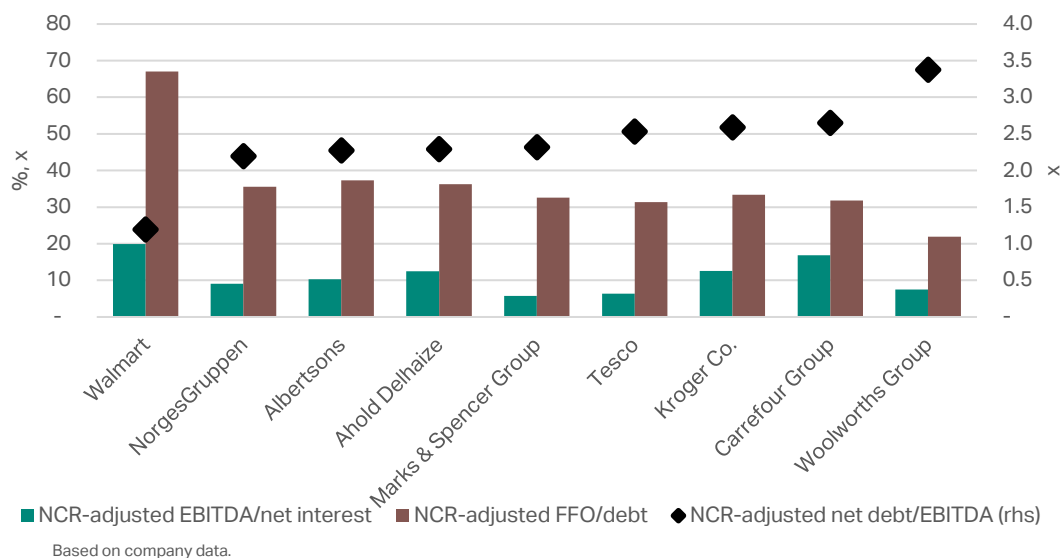
Our financial risk assessment reflects our view that NorgesGruppen will maintain relatively moderate gearing and stable credit metrics over the next few years. This is based on our expectations of a relatively stable level of capital investment, despite us including some margin erosion over the course of our forecast horizon. We believe that NorgesGruppen's risk appetite is moderate, in view of the company's family-controlled status and the long terms for much of its lease liabilities.

Strong credit metrics compared with rated peers

Ratio analysis scores 'bbb-'

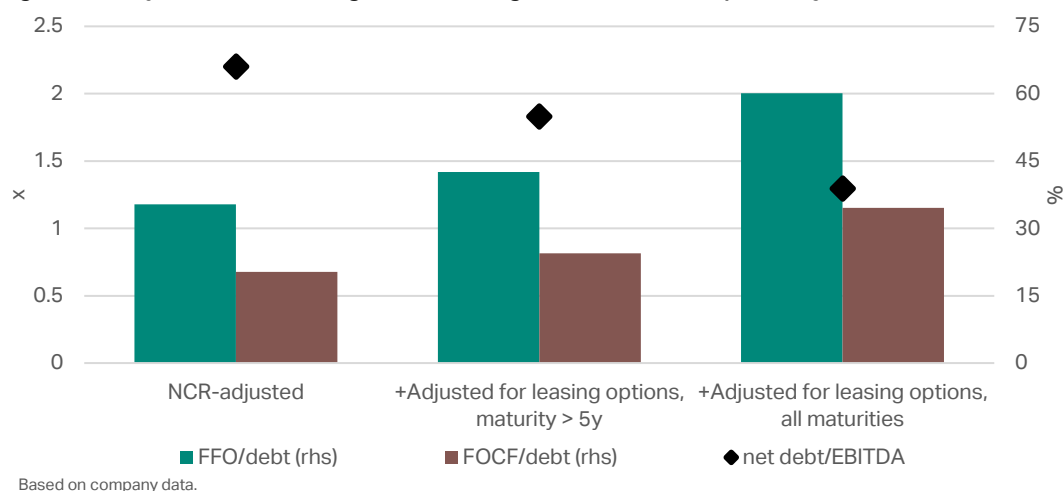
NorgesGruppen's credit metrics are in line with those of its international peer group, and we expect its credit metrics to remain relatively stable over the next few years.

Figure 17. NorgesGruppen international rated peer group's adjusted credit metrics, 2021



We base our adjusted EBITDA on the company's IFRS 16 accounting and adjust for one-off items such as a NOK 220m extraordinary bonus payment in 2020. We also add dividends from associate companies. Net interest-bearing debt is adjusted for unfunded pension benefit obligations, but we do not adjust for options to extend leases, given that these options are most likely to be exercised. The majority of options concern leases maturing beyond five years, with a portion extending beyond 10 years. We believe these options provide a degree of flexibility and note that adjusting for these options improves key metrics significantly.

Figure 18. Key metrics, including and excluding additional lease option adjustments, 2021



The NCA is currently investigating the largest domestic grocery chains' transparency about prices in relation to competitors (the 'price-hunter' case) and whether collusion might have led to higher grocery prices. In 2020, the authority announced possible fines totalling NOK 8.8bn for NorgesGruppen. The consensus among analysts, however, points to significantly lower fines, if any. We note that the potential fine is currently equal to about one year's EBITDA for NorgesGruppen. We do not include this in our forecast, but note that such a fine would impact our metrics relative to its size.

Our base-case forecast of NorgesGruppen's future performance assumes:

- revenue growth of negative 3% in 2022, and positive 3.0% in 2023 and 2024;
- an unadjusted EBITDA margin (based on IFRS 16) of 8.0% in 2022 and 2023, and 8.5% in 2024;
- annual capital spending of NOK 4.2bn in 2022, NOK 4.3bn in 2023, and NOK 4.2bn in 2024;
- an increase in lease interest costs of 1% in 2022, 5% in 2023, and unchanged in 2024;
- a moderate increase in working capital relative to sales; and
- distribution of about 30% of net profit in dividends.

On the basis of these assumptions, we estimate the following metrics for 2022–2024:

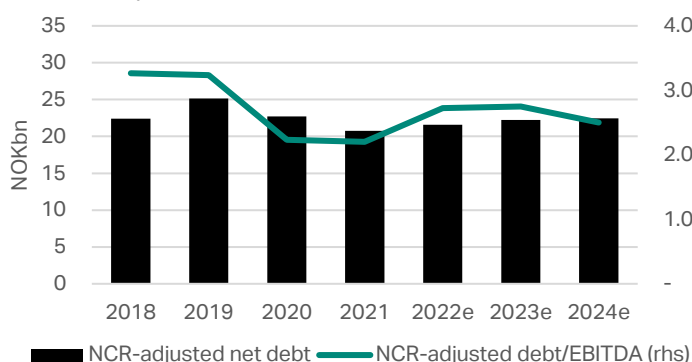
- NCR-adjusted net debt/EBITDA of 2.5–2.8x;
- NCR-adjusted EBITDA/net interest of 6.6–7.3x; and
- NCR-adjusted funds from operations/net debt of 28.0%–30.9%.

Figure 19. NCR's adjustments to NorgesGruppen's credit metrics, 2018–2024e

NOKm	2018	2019	2020	2021	2022e	2023e	2024e
EBITDA	5,292	8,019	10,010	9,659	7,979	8,214	9,079
Dividends from associates	256	291	226	238	349	299	319
Profit share in associates	-300	-472	-284	-465	-399	-425	-413
Adjustment for leases (GAAP)	1,814	0.0	0.0	0.0	0.0	0.0	0.0
Other EBITDA adjustments	-200.0	-64.0	220.0	0.0	0.0	0.0	0.0
NCR-adj. EBITDA	6,861	7,774	10,172	9,431	7,929	8,088	8,985
Cash and cash equivalents	1,778	1,631	2,524	4,069	3,019	2,768	2,982
NCR-adj. cash and equivalents	1,778	1,631	2,524	4,069	3,019	2,768	2,982
Gross interest-bearing debt	6,315	7,066	4,574	4,256	3,617	3,617	3,617
Lease liabilities	17,307	19,122	20,002	19,873	20,249	20,644	21,059
Unfunded pension obligations	560	601	669	706	742	779	816
NCR-adj. cash and equivalents	-1,778	-1,631	-2,524	-4,069	-3,019	-2,768	-2,982
NCR-adj. net debt	22,404	25,158	22,720	20,766	21,589	22,272	22,510
Net financial items	-89	-44	-27	29	-5	-37	-37
Interest on lease liabilities	-1,003	-1,108	-1,135	-1,126	-1,136	-1,193	-1,193
NCR-adj. net interest	-1,092	-1,151	-1,162	-1,096	-1,142	-1,230	-1,230
Adjusted EBITDA	6,861	7,774	10,172	9,431	7,929	8,088	8,985
Adjusted Interest	-1,092	-1,151	-1,162	-1,096	-1,142	-1,230	-1,230
Current taxes	-644	-658	-1,084	-992	-583	-617	-800
NCR-adjusted FFO	5,126	5,964	7,926	7,343	6,204	6,240	6,955
Changes in working capital	-176	-297	867	977	-489	-114	-157
Capital expenditures	-3,154	-4,210	-3,284	-2,953	-4,166	-4,288	-4,236
Adj. working capital (leases)	0	-1,039	-1,054	-1,143	0	0	0
NCR-adjusted FOCF	1,795	418	4,455	4,224	1,549	1,838	2,562

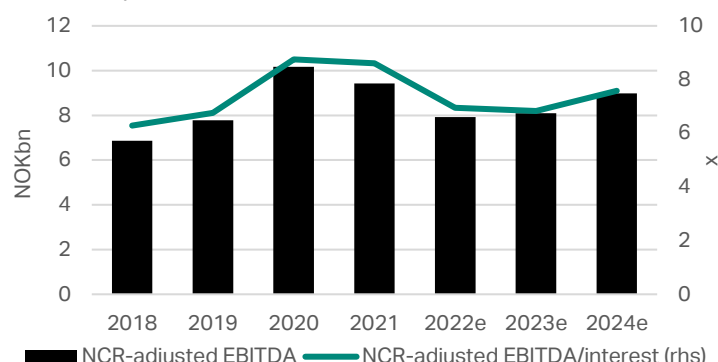
Based on company and NCR data. e–NCR estimates. GAAP–Norwegian Generally Accepted Accounting Principles.

Figure 20. NorgesGruppen NCR-adjusted net debt and net debt/EBITDA, 2018–2024e



Based on company data and NCR. e–NCR estimates.

Figure 21. NorgesGruppen NCR-adjusted EBITDA and EBITDA to net interest, 2018–2024e



Based on company data and NCR. e–NCR estimates.

Risk appetite scores
'bbb'

Stable profitability and capital spending

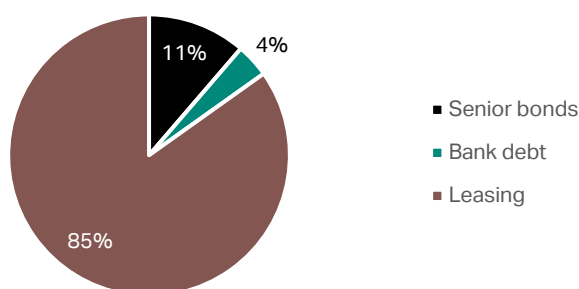
We believe that NorgesGruppen's risk appetite is somewhat more moderate than reflected by the financial ratios we expect over our forecast horizon. We consider it positive that the lease options provide flexibility to exit unprofitable contracts. We also believe that the family ownership structure contributes to the company's stable risk appetite. The grocery business is relatively resilient to economic cycles and the company has traditionally reported strong free operating cash flow.

NorgesGruppen targets a minimum dividend pay-out ratio of 25%, providing the company's future capital needs are covered. In the past five years, the pay-out ratio has been between 26% and 31%. The board is currently authorised to increase the company's share capital by issuing up to 2 million additional shares (a 5% increase) and to buy back up to 10% of outstanding shares. NorgesGruppen retains the right of first refusal when the company's shares are sold.

The company has demonstrated a prudent acquisition strategy and has mostly focused on small bolt-on acquisitions in recent years. Investments on the fringe of its core business areas have mostly been carried out through associate companies. NorgesGruppen invests in real-estate development projects as a minority partner to obtain access to attractive locations for grocery stores, and this could lead to fluctuations in cash flow as well as periods of volatility in gearing.

NorgesGruppen's funding consists of senior bonds, bank debt, and leasing. The main covenants and historical metrics are shown in Figure 23. These are based on pre-2019 accounting standards (Norwegian Generally Accepted Accounting Principles).

Figure 22. NorgesGruppen funding structure, 31. Dec. 2021



Source: company.

Figure 23. NorgesGruppen debt covenants and reported credit metrics*

	Covenant	2018	2019	2020	2021
EBITDA/Net interest (x)	≥3	56	122	271	n.a.**
NIBD/EBITDA (x)	≤3.5	0.8	0.8	0.3	0.0
Equity ratio (%)	≥24	53	55	59	65

Source: company. *Not based on IFRS16. NIBD—net interest-bearing debt. **negative net interest.

NorgesGruppen has limited currency risk. Its foreign exchange exposure is mainly to the Danish krone and euro. It uses hedging instruments to reduce the impact of changes in currency rates. Funding is mainly at floating interest rates and we do not assess its operations to be interest-rate sensitive. The average time to maturity of the company's bond debt is about 2.5 years. NorgesGruppen faces credit risk in connection with lending and guarantees provided to associate companies, wholesale customers and franchisees totalling about NOK 2.1bn. Customer credit, mainly to wholesale customers, was down by 1% in 2021 at NOK 1.1bn, while write-downs increased to NOK 5.1m from NOK 1.8m.

ADJUSTMENT FACTORS

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

Liquidity

We assess NorgesGruppen's liquidity position as adequate, thanks to the company's strong cash position and unutilised credit facilities, which significantly outweigh its committed financial obligations over the next 12 months.

We estimate the following primary liquidity sources for the 12 months ending June 2023, totalling NOK 12.1bn:

- NOK 1.9bn in cash holdings (as of 30 Jun. 2022);
- NOK 5.1bn, reflecting 75% of funds from operations over the period; and
- NOK 5.1bn in committed available credit facilities.

This compares with the following estimated uses of liquidity over the period, totalling NOK 3.2bn:

Adjustment factors
neutral

Liquidity assessed as
adequate

- NOK 2.7bn in amortisation of senior bonds, bank debt and lease instalments; and
- NOK 0.5bn in committed capital spending.

Environmental, social and governance factors

ESG factors assessed as adequate

The main environmental, social and governance (ESG) issues that could affect our credit rating on NorgesGruppen are factors that could contribute to loss of revenue, increased operational costs, increased capital spending, loss of value of assets, decreased access to funding or loss of operating rights. In this context, we believe that the main credit risks relate to fair competition, CO₂ emissions, electricity usage and food waste. Fair competition is an ongoing area of discussion with Norway's competition authority, which we also discuss elsewhere in this report (see also Figure 24).

NorgesGruppen adopted a new reporting standard in 2021 to measure sustainability results. The company is making efforts to reduce operating emissions (Scope 1 and 2), as well as emissions related to food waste and other waste (Scope 3). Its stated target is to be carbon-neutral by 2030 and NorgesGruppen is increasing investments to reduce emissions. Wholesaler Asko's distribution of groceries is a major source of direct emissions, and NorgesGruppen is making efforts to reduce transport emissions. NorgesGruppen's investment in renewable energy has been more profitable than the company expected due to higher energy prices and is considered an important way to fully offset CO₂ emissions.

NorgesGruppen has worked systematically for many years to reduce food waste and aims to halve it by 2025. The company is continually working to reduce waste in all product groups and eliminate waste meat entirely by 2025 to help cut greenhouse gases.

Figure 24. NorgesGruppen ESG considerations

Issue	Risk	Mitigating efforts	Result
Fair competition	Introduction of new competition legislation. Fines, changes in business model.	Open discussions with the NCA. No longer discloses price list to competitors.	Legislative proposals are at the consultation stage. Most cases closed by the NCA without action. 'Price-hunter' case still open.
CO ₂	New regulations and increased taxation could reduce operating efficiency. Regulatory requirements could increase capital spending.	Increased use of electric vehicles in distribution. Efforts to achieve carbon-neutral operations by 2030.	Green bond issues with Dark Green shading from Cicero. Greenhouse gas emissions down by 6.2% in 2021 vs 2019. Increased share of recycled plastic by 18% in 2021.
Electricity	Increased cost of operations caused by high energy prices.	Target of energy generation equivalent to consumption. Major investments in renewable energy projects within solar and wind. Installation of LED lighting.	Limited the negative effect of high energy prices. Half of all grocery stores have reduced energy use or increased own generation, resulting in 30–50% less power usage. Produced 92.2 GWh or 11% of own energy usage in 2021.
Food waste	New regulations could reduce operating efficiency and increase capital spending. Increased consumer focus on waste.	Targeting 50% reduction of food waste between 2015 and 2025. Cooperation with suppliers. Discounts on food close to expiry date. Use of food waste for biogas and animal feed.	Food waste down by 34% from 2015 to April 2022.

Source: company.

OWNERSHIP ANALYSIS

Ownership assessed as neutral

NorgesGruppen is controlled by the influential Johannson family, which holds 74.4% of the shares. Johan Johannson is currently chairman. The family also has real-estate and other investments through investment vehicle Joh Johannson Invest AS. We believe that the family takes a long-term view of its

ownership in NorgesGruppen and that it fully backs the company's current strategy, while keeping a firm rein on risk appetite.

Figure 25. NorgesGruppen ownership structure, 31 Dec. 2021

Owner	Share of votes and capital (%)
Joh. Johansson Handel AS	74.40
Brødrende Lorenzen AS	9.00
PETT Kjede og Servicekontor AS	5.07
Butikkdrift AS	1.81
Drageset AS	1.13
Kråtun AS	1.05
Terje Navjord Holding AS	1.01
Other	6.54
Total	100.00

Source: company.

ISSUE RATINGS

NorgesGruppen is largely funded through senior unsecured debt, bank debt and leasing. The company's holdings of bank debt represent about 25% of its external funding, excluding leasing. NorgesGruppen's long-term senior unsecured bonds are rated at the same level as the issuer rating, reflecting the company's relatively flat debtor hierarchy.

Figure 26. NorgesGruppen key financial data

NOKm	2018	2019	2020	2021	LTM to Jun. 2022
INCOME STATEMENT					
Total revenue	87,813	90,326	101,385	102,885	101,890
Gross profit	22,664	23,619	26,375	26,421	25,655
EBITDA	5,292	8,019	10,010	9,659	8,863
EBIT	3,140	4,265	5,765	5,666	4,905
Net financial items	-83	-1,225	-1,182	-1,072	-1,091
Pre-tax profit	3,057	3,040	4,583	4,594	3,814
Net profit	2,410	2,427	3,526	3,653	3,045
BALANCE SHEET					
Property, plant and equipment	16,249	17,954	18,924	19,484	19,539
Goodwill	4,704	5,176	4,912	5,046	5,990
Intangible assets other than goodwill	169	162	95	96	96
Interests in associates	3,436	3,593	4,020	4,168	4,168
Other non-current assets	2,201	20,072	20,772	20,045	20,478
Non-current assets	26,759	46,956	48,724	48,839	50,272
Cash and cash equivalents	1,778	1,631	2,524	4,069	1,854
Other current assets	10,634	11,373	11,702	11,627	14,208
Total current assets	12,412	13,004	14,226	15,696	16,062
Total assets	39,171	59,961	62,950	64,535	66,334
Total equity	19,843	21,610	23,735	26,363	26,319
Long-term borrowings	4,333	5,129	3,737	3,628	3,543
Long-term lease liabilities		16,669	17,933	17,867	18,784
Retirement benefit obligations	560	601	669	706	706
Deferred tax liabilities	921	714	923	649	649
Other long-term liabilities	44	8	50	0	0
Non-current liabilities	5,859	23,121	23,312	22,850	23,682
Current liabilities	13,470	15,230	15,903	15,322	16,333
Total equity and liabilities	39,171	59,961	62,950	64,535	66,334
CASH FLOW STATEMENT					
Pre-tax profit	3,057	3,040	4,583	4,594	3,814
Adjustment for non-cash items	1,112	1,535	2,123	1,212	1,295
Cash flow before changes in working capital	4,169	4,576	6,706	5,806	5,109
Changes in working capital	-176	-297	867	977	-437
Operating cash flow	3,992	4,278	7,573	6,783	4,672
Cash flow from investing activities	-3,383	-3,469	-3,206	-2,887	-3,212
Cash flow from financing activities	78	-957	-3,473	-2,351	-2,474
Cash and cash equivalents at start of year	1,090	1,778	1,631	2,524	2,799
Cash flow for the year	688	-147	893	1,544	-945
Cash and cash equivalents at year-end	1,778	1,631	2,524	4,069	1,854

Based on NCR estimates and company data. e–NCR estimate. All metrics are adjusted in line with NCR methodology. N.B.–2018 is reported according to Norwegian GAAP.

Figure 27. NorgesGruppen rating scorecard

Subfactors	Impact	Score
Operating environment	20.0%	a-
Market position	10.0%	a
Size and diversification	10.0%	bbb+
Operating efficiency	10.0%	a-
Business risk assessment	50.0%	a-
Ratio analysis		bbb-
Risk appetite		bbb
Financial risk assessment	50.0%	bbb-
Indicative credit assessment		bbb+
Liquidity		Adequate
ESG		Adequate
Peer comparisons		Neutral
Stand-alone credit assessment		bbb+
Support analysis		Neutral
Issuer rating		BBB+
Outlook		Stable
Short-term rating		N2

Figure 28. Capital structure ratings

Seniority	Rating
Senior unsecured	BBB+

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