

LONG-TERM RATING

**BBB+**

OUTLOOK

**Stable**

SHORT-TERM RATING

**N2**

PRIMARY ANALYST

Geir Kristiansen  
+4790784593  
geir.kristiansen@nordiccreditrating.com

SECONDARY CONTACTS

Gustav Nilsson  
+46735420446  
gustav.nilsson@nordiccreditrating.com

Sean Cotten  
+46735600337  
sean.cotten@nordiccreditrating.com

## Jotun A/S 'BBB+' long-term issuer rating affirmed; Outlook stable

Nordic Credit Rating (NCR) said today that it had affirmed its 'BBB+' long-term issuer rating on Norway-based [Jotun A/S](#). The outlook is stable. At the same time NCR affirmed the 'N2' short-term rating and the 'BBB+' issue ratings on Jotun's senior unsecured bonds.

### Rating rationale

The long-term rating reflects Jotun's low financial gearing 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, the company has proven ability to increase prices to reflect higher raw material costs, improving our view of the company's operating environment.

### Stable outlook

The stable outlook reflects our view that strong operating cash flows and moderate investment requirements will enable Jotun to maintain strong credit metrics in the years ahead. We anticipate that higher raw material prices will continue to be reflected in higher product prices over time. Jotun's global diversity and exposure to growth markets in Asia partly offset its exposure to cyclical fluctuations. We expect the company to maintain its conservative investment and prudent dividend policies.

We could raise the rating to reflect reduced EBITDA margin volatility through, for example, an increased proportion of revenues from decorative paint. We could also raise the rating to reflect an NCR-adjusted EBITDA margin sustainably above 20%.

We could lower the rating to reflect continuing increases in raw material prices combined with an economic downturn, lower profitability leading to an NCR-adjusted EBITDA margin below 10%, or NCR-adjusted net debt/EBITDA sustainably above 1.5x.

Rating list	To	From
Long-term issuer credit rating:	BBB+	BBB+
Outlook:	Stable	Stable
Short-term issuer credit rating:	N2	N2
Senior unsecured issue rating:	BBB+	BBB+

**Figure 1. Jotun rating scorecard**

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

**Figure 2. Capital structure ratings**

<b>Seniority</b>	<b>To</b>	<b>From</b>
Senior unsecured	BBB+	BBB+

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 11 Feb. 2022.
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 Rating Methodology published on 18 Feb. 2022</a> <a href="#">NCR's Rating Principles published on 24 May 2022</a> <a href="#">NCR's Group and Government Support Rating Methodology published on 18 Feb. 2022</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, Bond prospectuses, Company presentations, Data provided by external data providers, 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 © 2023 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)