Jotun A/S

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 Norway-based paint and coatings manufacturer Jotun A/S reflects the company'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 cyclicality 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.

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 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.

POTENTIAL POSITIVE RATING DRIVERS

- Reduced EBITDA margin volatility through, for example, an increased proportion of revenues from decorative paint.
- An NCR-adjusted EBITDA margin sustainably 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, 2018-2024e

NOKm	2018	2019	2020	2021	2022e	2023e	2024e
Revenues	17,660	19,652	21,070	22,809	27,827	29,775	31,859
NCR-adjusted EBITDA	2,152	3,118	4,076	4,208	4,346	5,070	5,841
NCR-adjusted EBITDA margin (%)	12.2	15.9	19.3	18.4	15.6	17.0	18.3
NCR-adjusted FFO	1,352	2,316	3,172	3,272	3,469	3,954	4,555
NCR-adjusted net debt	2,976	2,875	1,821	2,169	2,773	2,731	2,675
Total assets	16,714	19,136	20,574	23,432	25,286	26,904	28,718
NCR-adjusted net debt/EBITDA (x)	1.4	0.9	0.4	0.5	0.6	0.5	0.5
NCR-adjusted EBITDA/net interest (x)	6.8	15.4	26.5	28.6	18.8	16.4	19.3
NCR-adjusted FFO/net debt (%)	45.4	80.5	174.2	150.9	125.1	144.8	170.3
NCR-adjusted FOCF/net debt (%)	(3.8)	30.3	124.9	28.0	38.6	78.5	90.5

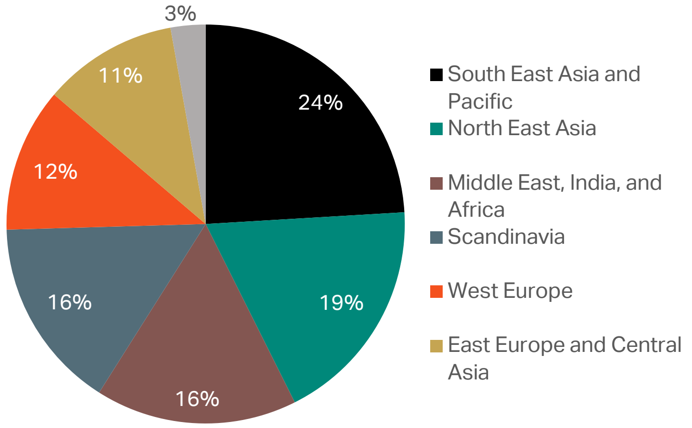
Based on NCR estimates and company data. e–estimate. FFO–funds from operations. FOCF–free operating cash flow. All metrics adjusted in line with NCR methodology.

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.

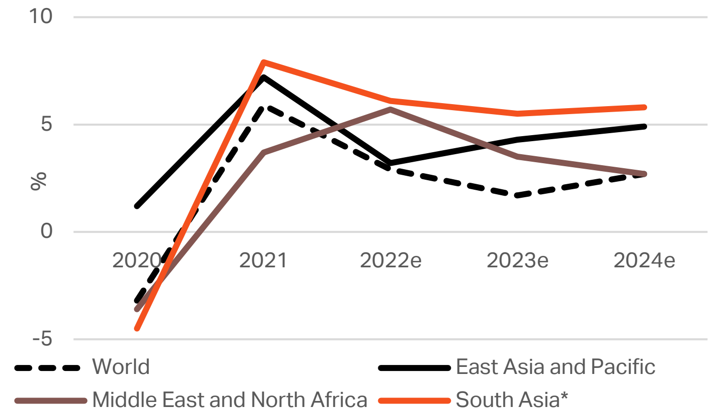
Jotun was established by Odd Gleditsch in 1926 and is still controlled by the Gleditsch family. However, Paint Holding AS, owned by Orkla ASA, is now the largest single shareholder. The company's international expansion began with a production facility in Libya in 1961. In 1972, Jotun merged with three 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, 2021



Source: company. *Revenues from contracts with customers.

Figure 3. Real GDP growth main regions, 2020-2024e



Source: World Bank Group. *Includes India, unlike in figure 2.

BUSINESS RISK ASSESSMENT

Business risk assessment 'bb+'

Our business risk assessment reflects Jotun's market position and global diversity, which partly offset its exposure to cyclical fluctuations. We note, however, that the decorative paint market has been generally resistant to the volatile economic conditions of recent years and that Jotun has a strong position in specific regions and market segments. On, aggregate, we do not expect a recession in the regions where Jotun has its main operations. In addition, the company's strong operational efficiency and ability to transfer costs to customers constitutes a positive factor in our business risk assessment.

Raw material prices high, but product prices likely to follow

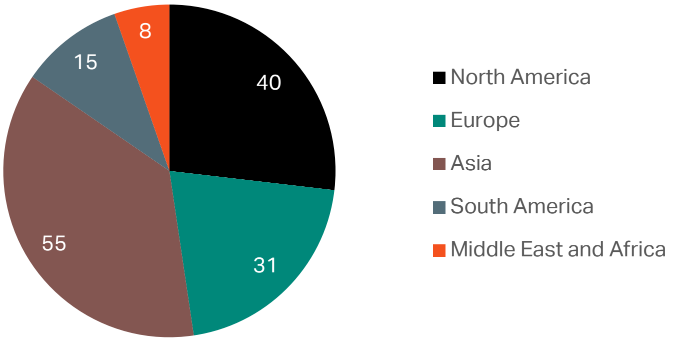
Operating environment 'bb+'

The global paint and coatings market was estimated to be worth about USD 150bn annually in 2020 and is expected to grow by 4-5% annually by the end of the decade in line with global economic expansion. 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 turbulent economic conditions of recent years. 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 the low share of coatings in total project costs.

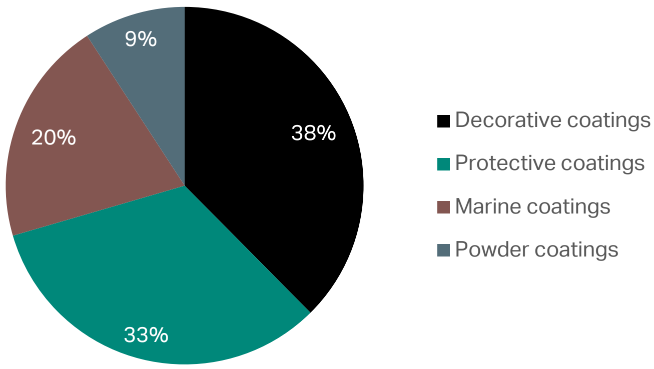
The paint and coating industry has recently been subject to shortages of raw materials, supply chain disruptions, and sharp price inflation. In November 2022, the 12-month growth in the producer price index for paint materials was 21%, according to the US Bureau of Labor Statistics. Raw materials prices have, however, come down from peak levels, but uncertainty about the effect of easing of restrictions in China and geopolitical instability generally is substantial. Raw materials account for about 60% of all costs. Other input costs, such as energy, have also increased rapidly. We see the volatility in raw material prices as credit negative for the industry. However, Jotun has been able to increase prices to reflect higher costs and the business model has proven robust through previous global crises and cyclical downturns.

Figure 4. Global paint and coatings market breakdown (USDbn), 2020



Source: Fortune Business Insight, DataM.

Figure 5. Jotun operating revenue* by business segment, 2021



Source: company. *Revenues from contracts with customers.

Strong position in target regions and niches

Market position 'bbb-'

Jotun has continuously expanded its market shares since the merger in 1972, partly due to its strategy of early entry into regions and niches with high growth potential, and has achieved average annual revenue growth of 12% 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.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.

The market for performance coatings is largely controlled by global players. In marine coatings, Jotun is the market leader (about a quarter of the market), followed by Chugoku (CMP). The company is among the largest players in protective paints, where AkzoNobel, Sherwin-Williams, PPG and Hempel have similar market positions and several local competitors also have a presence. Jotun is small globally in powder coatings, 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.

Top 10 player in a global peer group

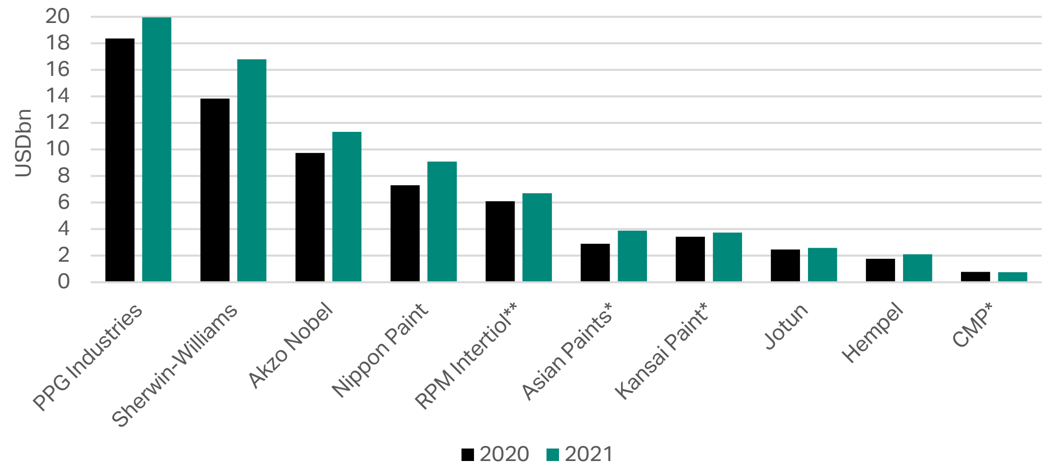
Size and diversification 'bb+'

Jotun is a regional and global niche supplier with a 2% share of a target market for paints and coatings worth about USD 100bn. 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.

Jotun's primary business activities include development, production, marketing and sales of paints and coatings systems and related products for treatment, protection, and decoration of surfaces. 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, 2020-2021



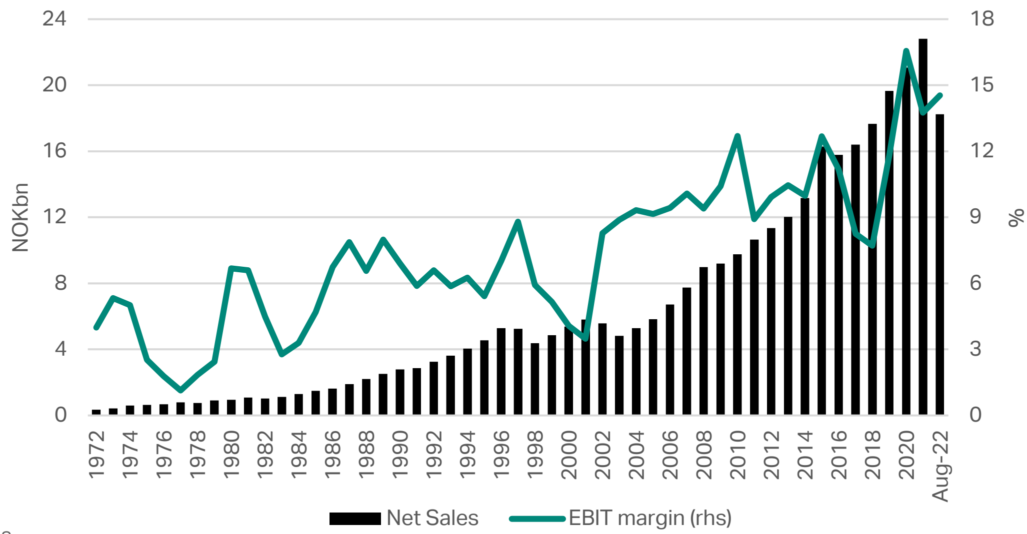
Based on company data. *as of March 2021-2022. **as of May 2021-2022.

Rising input costs put a temporary drag on strong operating efficiency

Operating efficiency 'bbb-'

Jotun's EBIT margins have been rising 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. Paint and coatings generally represent only a small part of total project costs for most customers and therefore have low price sensitivity. This enables Jotun to pass higher costs on to customers, albeit with a 6-9 month lag. Rises in raw material prices led to lower margins in 2021, but recovered in 2022 due to price increases.

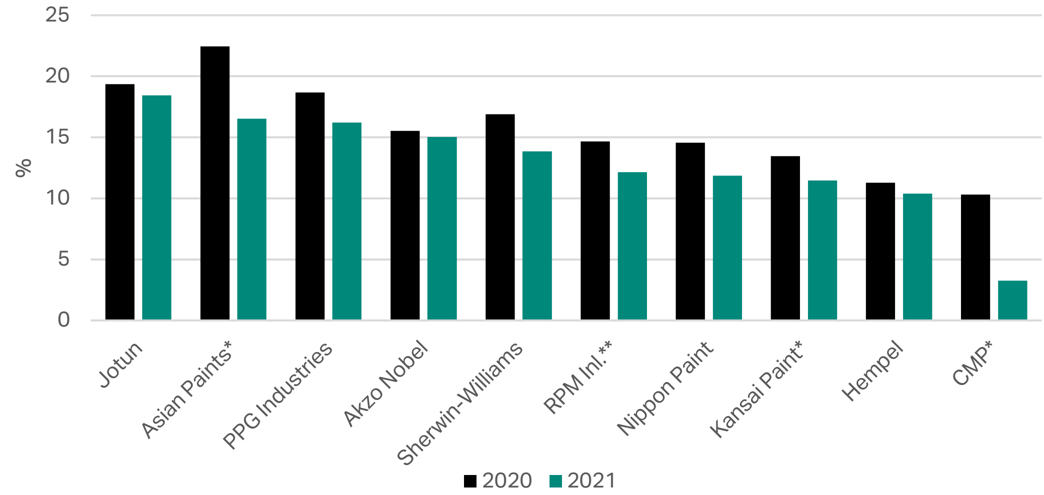
Figure 7. Jotun historical sales and EBIT margins, 1972- Aug. 2022



Source: company.

We note that among the 10 largest industry players, Jotun had the highest EBITDA margin in 2021 and the second highest in 2020. 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 peer group EBITDA margins, 2020-2021



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

FINANCIAL RISK ASSESSMENT

Financial risk assessment 'a+'

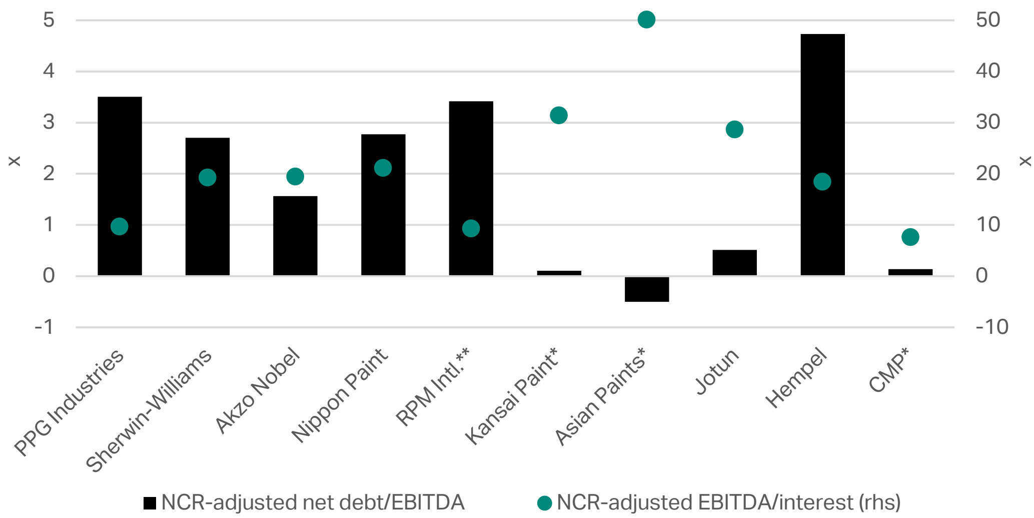
Our financial risk assessment reflects Jotun's strong balance sheet and profitability, both in absolute terms and relative to its peers. The assessment takes into account the current strength of the company's financial ratios and the recent volatility in its credit metrics as a result of cyclical margins. 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 9. Jotun peer group adjusted credit metrics, 2021



Based on company data. *as of March 2021-2022. **as of May 2021-2022.

Our base-case forecast of Jotun's performance in the period 2022-2024 assumes:

- a 22% increase in revenues in 2022, largely driven by price increases, and a 7% increase in each of the subsequent years;
- an average adjusted EBITDA margin of 17.0%, compared with 17.9% for the previous three years;
- total capital investments of about NOK 5bn; and
- distribution of 50% of net profit in dividends.

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

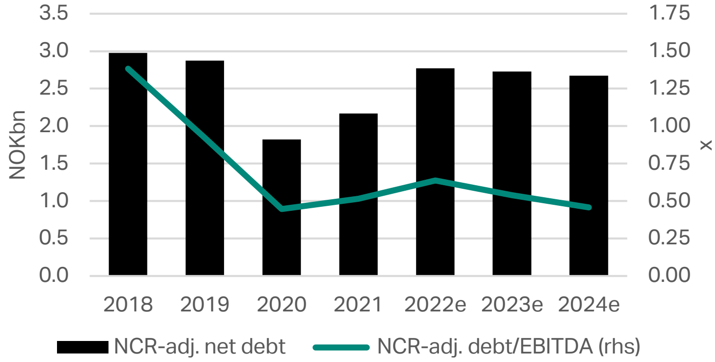
- NCR-adjusted net debt/EBITDA of 0.5–0.6x;
- NCR-adjusted EBITDA/net interest of 16.4–19.3x; and
- NCR-adjusted FFO/net debt of 125–170%.

Figure 10. NCR's adjustments to Jotun's credit metrics, 2018-2024e

NOKm	2018	2019	2020	2021	2022e	2023e	2024e
EBITDA	1,921	3,130	4,313	4,014	4,591	5,270	6,053
Share of profit in assoc. companies/JVs	-384	-497	-746	-496	-605	-647	-693
Capitalised development expenses	-86	-72	-50	-37	-37	-37	-37
Fixed lease payments (GAAP)	143						
Other EBITDA adjustments	558	556	559	727	397	484	518
NCR-adj. EBITDA	2,152	3,118	4,076	4,208	4,346	5,070	5,841
Net interest	-142	-173	-128	-121	-205	-284	-277
Financial costs from leasing	-30	-30	-26	-26	-26	-26	-26
Interest adjustment for leasing (GAAP)	-143						
NCR-adj. net interest	-315	-203	-154	-147	-231	-310	-303
NCR-adj. EBITDA	2,152	3,118	4,076	4,208	4,346	5,070	5,841
NCR-adj. net interest	-315	-203	-154	-147	-231	-310	-303
Current taxes	-485	-599	-750	-789	-646	-806	-984
NCR-adj. FFO	1,352	2,316	3,172	3,272	3,469	3,954	4,555
NCR-adj. FFO	1,352	2,316	3,172	3,272	3,469	3,954	4,555
Changes in working capital	-462	-52	459	-1,339	-987	-29	-534
Capital exp. in tangible assets	-911	-1,176	-1,296	-1,260	-1,278	-1,650	-1,500
Capital exp. in intangible assets	-178	-288	-111	-103	-170	-168	-138
Capitalised development expenses	86	72	50	37	37	37	37
NCR-adj. FOCF	-113	871	2,274	607	1,071	2,144	2,420
Cash and cash equivalents	1,012	1,903	2,956	3,388	2,869	3,366	3,831
NCR-adj. cash and equivalents	1,012	1,903	2,956	3,388	2,869	3,366	3,831
Gross debt	3,158	4,112	4,091	4,739	4,841	5,296	5,705
Long-term leasing liabilities	474	334	327	399	382	382	382
Short-term financial leases	158	111	116	123	123	123	123
Retirement benefit obligations	198	221	243	296	296	296	296
NCR-adj. cash and equivalents	-1,012	-1,903	-2,956	-3,388	-2,869	-3,366	-3,831
NCR-adj. net debt	2,976	2,875	1,821	2,169	2,773	2,731	2,675

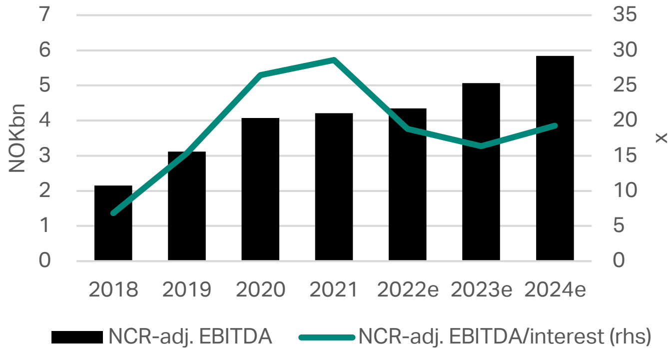
Based on company data. JVs-joint ventures. GAAP–Norwegian Generally Accepted Accounting Principles.

Figure 11. Jotun NCR-adjusted net debt and net debt/EBITDA, 2018–2024e



Based on company data. e–estimate.

Figure 12. Jotun NCR-adjusted EBITDA and EBITDA to net interest, 2018–2024e



Based on company data. e–estimate.

Conservative finance policy

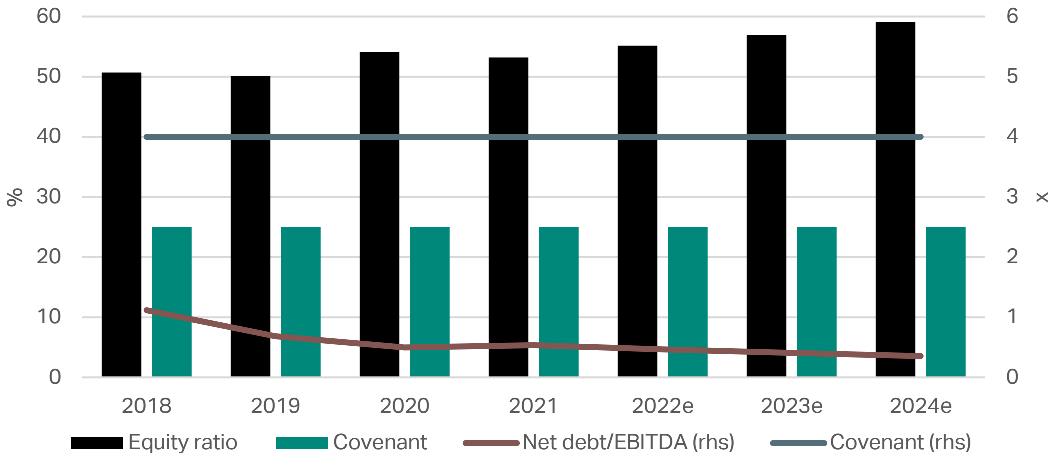
Risk appetite 'a'

We view Jotun's risk appetite as low, although cyclical EBITDA margins have resulted in some historical volatility in the company's credit metrics, which leads us to assess the company's risk appetite as 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.

Jotun seeks to pay stable and predictable dividends, and aims to distribute a payment corresponding to 30-50% of group net profit after tax and minorities. Dividend proposals must take into account the group's solidity and financial flexibility. Over time, the company targets group equity of at least 50%.

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 2.0bn, all with floating coupon rates. The average time to maturity is currently 2.2 years, with the first upcoming maturity on 15 Mar. 2023 (NOK 600m). We believe Jotun has sufficient liquidity to repay the pending bond in the event of unfavourable market conditions, although 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 2.7bn in bank debt as of 31 Aug. 2022 (last reported). In addition, the company had NOK 1.8bn in undrawn long-term unsecured credit lines. We expect that the company lowered bank debt during the last four months of 2022 due to seasonal reduction of working capital. Jotun has significant covenant headroom (see Figure 13).

Figure 13. Jotun unadjusted equity ratio and net debt/EBITDA vs covenants, 2018-2024e



Based on company data. e-estimate.

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 neutral

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

Liquidity

Liquidity adequate

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-2023.

We estimate the following primary liquidity sources for 2023, totalling NOK 7.7bn:

- NOK 2.9bn. in cash holdings (estimated at end-2022);
- NOK 1.8bn in committed available credit facilities; and
- NOK 3.0bn, reflecting 75% of FFO over the period.

This compares with the following uses of liquidity over the period, totalling NOK 2.4bn:

- NOK 0.9bn for the repayment of bonds and lease instalments; and
- NOK 1.5bn in committed capital spending.

Environmental, social and governance factors

ESG factors adequate

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 might 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_2 emissions, harmful waste, reusage and recycling problems, potential corruption, and employee issues.

Jotun has been reporting its carbon emissions by region since 2009. In 2021, electricity consumption accounted for 81% of Scope 1 and Scope 2 emissions. The company is working to increase the use of energy from renewable resources. In 2021, Jotun developed a new sustainability strategy with a greater focus on the use, reuse, and recycling of materials. The company has also introduced a system of standardised environmental data gathering from multiple sources to measure its environmental impact across the value chain. While the company has not yet measured its Scope 3 (indirect) emissions, we believe these measures will have a positive impact on the assessment of Scope 3 emissions.

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. As 50% of Jotun's environmental footprint stems from raw materials, we believe that Scope 3 emission reporting is a natural next step for the company.

Jotun operates in regions which are prone to corruption. We note that the company actively fosters a corporate culture that opposes corruption. We also believe that Jotun has limited exposure to corruption as paint and coatings generally represent only a small part of the costs of a given project. Trade sanctions are 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.

Figure 14. Jotun ESG considerations

Issue	Risks	Mitigating efforts	Result
CO_2	New regulations and increased taxation could reduce operating efficiency. Regulatory requirements could increase capital spending.	Systems and policies to lower energy consumption.	Electricity consumption per tonne produced is down by 5% from 2015 but up by 0.8% to 131 kWh from 2020. CO_2 emissions per tonne produced are down by 23% from 2015 but up by 5% to 69 kg from 2020.
Waste management	Investment requirements, fines, reputational risk.	Systems and policies to report and reduce waste. Ambition to increase renewable electricity to 70% by 2030.	Hazardous waste increased from 11.5 kg per tonne produced in 2015 to 12.4 kg. Total waste up from 19.2 kg to 19.5 kg. No discharges into water or soil causing any significant pollution in 2021.
Reusage and recycling	Reduced operating efficiency, investment requirements, reputational risk.	In 2021, initiatives to reuse and recycle chemicals, paints, coatings and other materials were introduced.	Completion of a wastewater treatment facility in Sandefjord in 2021.
Corruption	Headline risk, risk of loss of business and bribery fines.	Anti-corruption training, with an emphasis on dilemma training and whistle blowing procedures.	Not measured, but the company maintain a zero-tolerance corruption policy.
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 all employees are female, up by 1pp since 2015. Time lost due to industrial injuries down from 3.6 days per million working hours in 2015 to 1.4 in 2021.

Source: company.

OWNERSHIP ANALYSIS

Ownership neutral

Jotun is a private company with two share classes; 114,000 A shares (10 votes each) and 228,000 B shares (one vote each). The board chairman and CEO positions are split.

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.

Figure 15. Jotun ownership structure, 31 Dec. 2021

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%
Total	**100.0%**	**100.0%**

Source: company.

ISSUE RATINGS

We rate Jotun's long-term senior unsecured bonds 'BBB+', in line with the issuer rating, reflecting the company's relatively flat debtor hierarchy. Jotun is largely funded through senior unsecured bonds and secured bank debt. The company's bank debt represented about 57% of its external funding (excluding leasing) on 31 Aug. 2022 compared with 45% at end-2021. This ratio is volatile due to the company's relatively low debt and is affected by variable raw material and product prices. Given the company's low leverage, our issue ratings reflect our expectations that the company will maintain the proportion of bank funding around 50% depending on its working capital needs.

Figure 16. Jotun key financial data, 2018-August 2022

NOKm	2018	2019	2020	2021	LTM to Aug. 2022
INCOME STATEMENT					
Total revenue	17,660	19,652	21,070	22,809	26,077
Gross profit	7,746	9,211	10,427	10,329	11,232
EBITDA	1,921	3,130	4,313	4,014	4,226
EBIT	1,391	2,320	3,489	3,138	3,296
Net financial items	-194	-229	-202	-248	-500
Pre-tax profit	1,115	2,079	3,158	2,890	2,796
Net profit	**674**	**1,549**	**2,378**	**2,111**	**1,978**
BALANCE SHEET					
Property, plant and equipment	4,656	5,897	6,384	6,944	7,907
Intangible assets other than goodwill	523	712	741	765	1,209
Interests in associates	996	886	826	845	n.a.
Other non-current assets	1,568	1,642	1,811	1,704	1,593
Non-current assets	7,743	9,137	9,762	10,257	10,709
Cash and cash equivalents	1,012	1,903	2,956	3,388	2,442
Other current assets	7,959	8,096	7,856	9,787	12,646
Total current assets	8,971	9,999	10,812	13,175	15,088
Total assets	**16,714**	**19,136**	**20,574**	**23,432**	**25,797**
Total equity	8,469	9,584	11,128	12,468	13,863
Long-term borrowings	1,779	3,027	2,679	2,596	3,051
Long-term leasing liabilities	474	334	327	399	n.a.
Retirement benefit obligations	198	221	243	296	n.a.
Deferred tax liabilities	37	38	62	73	n.a.
Other long-term liabilities	77	320	364	203	714
Non-current liabilities	2,565	3,940	3,675	3,567	3,765
Current liabilities	5,680	5,612	5,771	7,397	8,169
Total equity and liabilities	**16,714**	**19,136**	**20,574**	**23,432**	**25,797**
CASH FLOW STATEMENT					
Pre-tax profit	1,115	2,079	3,158	2,890	2,796
Adjustment for items not in cash flow	365	421	-345	418	199
Cash flow before changes in working capital	1,480	2,500	2,813	3,308	2,995
Changes in working capital	-462	-52	459	-1,339	-1,654
Operating cash flow	1,018	2,448	3,272	1,969	1,341
Cash flow from investment activities	-1,043	-1,431	-1,367	-1,280	-934
Cash flow from finance activities	7	-147	-780	-220	-889
Cash and cash equivalents at start of year	1,027	1,012	1,903	2,956	2,924
Cash flow for year	**-16**	**891**	**1,053**	**432**	**-482**
Cash at end of year	1,012	1,903	2,956	3,388	2,442

LTM–last 12 months. n.a–not available in public interim report.

Figure 17. Jotun 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+
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 18. Capital structure ratings

Seniority	Rating
Senior unsecured	BBB+

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