

Møller Mobility Group AS

Rating Action Report

LONG-TERM RATING

BBB-

OUTLOOK

Negative

SHORT-TERM RATING

N3

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Møller Mobility Group AS outlook revised to negative; 'BBB-' long-term issuer rating affirmed

Nordic Credit Rating (NCR) said today that it had revised the outlook on its 'BBB-' long-term issuer rating on Norway-based car importer and retailer [Møller Mobility Group AS](#) to negative from stable. The long-term rating was affirmed, as were the 'N3' short-term rating and the 'BBB-' issue ratings on the company's senior unsecured bonds in accordance with NCR's revised corporate rating methodology. The ratings are no longer under criteria review.

Rating rationale

The outlook revision reflects our view that market conditions will likely deteriorate as inflation and rising interest rates reduce consumer purchasing power. It also reflects greater competition as car makers increasingly sell through agent-agreements and electric vehicles become more affordable. These factors are likely to result in lower profits and weaker credit metrics over our forecast period through 2025 in an absence of mitigation.

We have lowered our assessment of the company's market position to reflect our expectations that changes in the industry business model are likely to reduce the company's competitive advantage. We have also revised our view of operating efficiency due to a weaker car market and our expectations of lower profitability. The impact of reduced profitability on our projections led to a downward revision our financial risk assessment of Møller Mobility Group. Our projections include a weakening of leverage metrics and interest coverage over the next few years, offset to some degree by the company's high proportion of leasing liabilities including in our adjusted net debt metrics.

Negative outlook

The negative outlook reflects the potential for weaker market conditions as inflation and central bank interest rate rises erode consumers' purchasing power, resulting in a sharp decline in profitability. It further reflects an intensified competitive environment as car makers increasingly sell through agent agreements and more affordable electric vehicle brands enter the market. These factors are likely to result in lower profits and weaker credit metrics over our forecast period unless mitigating efforts are undertaken.

We could revise the outlook to stable to reflect improved market conditions, with profit margins stabilising and inventory turnover increasing. We could also revise the outlook to stable to reflect NCR-adjusted net debt/EBITDA below 2.5x and NCR-adjusted EBITDA/net interest above 8x over a protracted period.

We could lower the rating to reflect further declines in car sales that put pressure on profitability or supply chain issues that weaken profitability and brand reputation. We could also lower the rating to reflect NCR-adjusted net debt/EBITDA above 2.5x and NCR-adjusted EBITDA/net interest below 8x over a protracted period.

Rating list	To	From
Long-term issuer credit rating:	BBB-	BBB-
Outlook:	Negative	Stable
Short-term issuer credit rating:	N3	N3
Senior unsecured issue rating:	BBB-	BBB-

Figure 1. Møller Mobility rating scorecard

Subfactors	Impact	To	From
Operating environment	20.0%	bb	bb
Market position	10.0%	bbb-	bbb
Size and diversification	10.0%	bbb-	bbb-
Operating efficiency	10.0%	bb	bb+
Business risk assessment	50.0%	bb+	bb+
Ratio analysis		bbb	a
Risk appetite		bb+	bb
Financial risk assessment	50.0%	bbb-	bbb
Indicative credit assessment		bbb-	bbb-
Liquidity		Adequate	Adequate
ESG		Adequate	Adequate
Peer calibration		Neutral	Neutral
Stand-alone credit assessment		bbb-	bbb-
Support analysis		Neutral	Neutral
Issuer rating		BBB-	BBB-
Outlook		Negative	Stable
Short-term rating		N3	N3

Figure 2. Capital structure ratings

Seniority	To	From
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 03 Jun. 2021.
Office responsible for the credit rating:	Nordic Credit Rating AS (NCR), Oslo, Norway. NCR is a registered credit rating agency under Regulation (EC) No 1060/2009.
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Were ESG factors a key driver behind the change to the credit rating or rating outlook?	No.
Methodology used when determining the credit rating:	NCR's Corporate Rating Methodology published on 8 May 2023 NCR's Rating Principles published on 24 May 2022 NCR's Group and Government Support Rating Methodology published on 18 Feb. 2022 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 nordiccreditrating.com/governance/policies. The historical default rates of entities and securities rated by NCR will be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA).
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, External market reports, Meetings with management of the rated entity, Non-public information, Press reports/public information, Website of rated entity.
Potential conflicts of interest:	The rating is NCR's independent opinion of the rated entity's relative creditworthiness. The rating is solicited, i.e. it is prepared for a fee paid by the rated entity. At the time of analysis and publication neither NCR nor any of the analysts or persons involved in the rating process held any interest, ownership interest or securities in the rated entity. NCR does not have any direct or indirect shareholder with a holding of more than 5% of NCR's shares and votes. For further information, please refer to NCR's conflict of interest policy which is available on: https://nordiccreditrating.com/governance/policies
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: nordiccreditrating.com/governance/policies .
Ancillary services provided:	No ancillary services were provided.
Regulations:	This rating was issued and disclosed under Regulation (EC) No 1060/2009.
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