

Austevoll Seafood ASA

Rating Action Report

LONG-TERM RATING

BBB-

OUTLOOK

Stable

SHORT-TERM RATING

N3

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Austevoll Seafood ASA assigned 'BBB-' long-term issuer rating; Outlook stable

Nordic Credit Rating (NCR) said today that it had assigned a 'BBB-' long-term issuer rating to Norway-based Austevoll Seafood ASA. The outlook is stable. At the same time, an 'N3' short-term issuer rating and 'BBB-' senior unsecured issue ratings were assigned.

Rating rationale

The long-term rating reflects Austevoll's strong linkage to Lerøy Seafood Group ASA through a 52.7% ownership stake. Lerøy has a strong market position in the profitable salmon farming industry and has diversified into wildcatch fishing. Austevoll's creditworthiness is supported by the breadth of the operations of its holdings in pelagic fishery companies which are fully integrated seafood producers with significant processing and distribution capabilities. The rating also reflects the company's moderate financial leverage and strong cash flow.

The rating is constrained by the seafood sector's historical earnings volatility due to unstable prices as a result of variable supply and the fact that salmon farmers are effectively price takers, particularly in recurring periods of oversupply. It is also constrained by environmental and disease-related challenges, with the industry particularly impacted by high costs for treating sea lice and winter wounds. We lower the issuer rating by one notch from our indicative credit assessment to reflect the fact that Austevoll, as a holding company, obtains its cash flows almost exclusively from group contributions and dividends from subsidiaries and a joint venture.

Stable outlook

The stable outlook reflects our view that growing demand for seafood and low salmon supply growth will support global prices over the next three years. We anticipate global salmon prices and demand for fishmeal and fish oil will remain strong over our forecast period through 2025. We also expect Austevoll's operating subsidiaries to continue to generate strong operating cash flows although we believe that Lerøy's capacity to pay dividends will be negatively impacted by a new 25% "resource rent" tax on sea-based salmon and trout farmers.

We could raise the ratings to reflect an increase in Lerøy's creditworthiness that would improve Austevoll's ability to repay its debt or lower leverage in joint ventures.

We could lower the ratings to reflect a decline in Lerøy or other subsidiaries' creditworthiness, or reduced dividends from subsidiaries. We could also lower the ratings to reflect increased financial leverage leading to NCR-adjusted net debt/EBITDA above 2x and EBITDA/net interest below 10x over a protracted period. In addition, any loss of control over Lerøy could also lead to a lower rating.

Rating list

Long-term issuer credit rating:
Outlook:
Short-term issuer credit rating:
Senior unsecured issue rating:

Rating

BBB-
Stable
N3
BBB-

Figure 1. Austevoll Seafood rating scorecard

Subfactors	Impact	Score
Operating environment	20.0%	bb
Market position	10.0%	bbb
Size and diversification	10.0%	a-
Operating efficiency	10.0%	bbb
Business risk assessment	50.0%	bbb-
Ratio analysis		a
Risk appetite		bbb
Financial risk assessment	50.0%	bbb+
Indicative credit assessment		bbb
Liquidity		Adequate
ESG		Adequate
Peer calibration		-1 notch
Stand-alone credit assessment		bbb-
Support analysis		Neutral
Issuer rating		BBB-
Outlook		Stable
Short-term rating		N3

Figure 2. Capital structure ratings

Seniority	Rating
Senior unsecured	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 01 Jun. 2023.
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, geir.kristiansen@nordiccreditrating.com
Rating committee chairperson responsible for approval of the credit rating:	Sean Cotten, +46735600337, sean.cotten@nordiccreditrating.com
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 Rating Principles published on 24 May 2022 NCR's Group and Government Support Rating Methodology published on 18 Feb. 2022 NCR's Corporate Rating Methodology published on 8 May 2023 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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