

Atea ASA

Rating Action Report

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

Atea ASA '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 IT infrastructure provider Atea ASA. The outlook is stable. At the same time, the short term issue rating was raised to 'N2' from 'N3', reflecting the company's improved liquidity position.

Rating rationale

Our 'BBB+' long-term issuer credit rating on Atea reflects the company's low financial leverage as a result of strong operating cash flow and modest investment requirements. The rating also reflects Atea's strong position as the largest provider of IT infrastructure in each of its markets in the Nordic and Baltic regions and the third-largest provider in Europe. We regard the company's focus on the public sector as an additional credit strength, due to the sector's relatively low cyclical nature. We have revised our view on the company's financial risk to reflect the lower debt levels due to the reduced inventory needs as supply chain concerns have been reduced. Despite a history of high dividend payouts, we believe the company maintains a low financial risk appetite and has reduced refinancing risk by extending the maturity of its primary bank loan to 2029.

The rating is constrained by Atea's moderate EBITDA margins, which stem primarily from a focus on reselling IT hardware and software, while the high-margin service business generates less than 20% of revenues. The rating is also constrained by the cyclical nature of IT investments, especially in the private sector. While last year's supply chain issues have now been resolved, we see a risk of new global supply chain disruptions, for example due to geopolitical issues.

Stable outlook

The outlook is stable, reflecting our expectation that the market for IT infrastructure will continue to grow at a healthy rate with stable margins in the years ahead. It also factors in our expectations of a normalised supply chain situation, reducing the need for large inventories and higher debt levels. Moreover, the outlook reflects our belief that the company will neither make major debt-financed acquisitions nor significantly increase leverage.

We could raise the rating to reflect revenue growth that continues to outpace market growth, a commitment to an NCR-adjusted net debt/EBITDA ratio below 1.5x, or to reflect increased operating efficiency that leads to EBITDA margins above 8%. We could lower the rating to reflect NCR-adjusted net debt/EBITDA above 2.0x for a protracted period, to reflect an adverse change in market dynamics, or to reflect supply chain issues that result in lower sales and declining EBITDA margins.

Rating list

	To	From
Long-term issuer credit rating:	BBB+	BBB+
Outlook:	Stable	Stable
Short-term issuer credit rating:	N2	N3

Figure 1. Atea rating scorecard

Subfactors	Impact	To	From
Operating environment	20.0%	bbb	bbb
Market position	10.0%	a-	a-
Size and diversification	10.0%	bbb-	bbb-
Operating efficiency	10.0%	bb+	bb+
Business risk assessment	50.0%	bbb	bbb
Ratio analysis		a+	a
Risk appetite		a-	bbb+
Financial risk assessment	50.0%	a	a-
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		Stable	Stable
Short-term rating		N2	N3

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating
Publication date:	The rating was first published on 28 Sep. 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, 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:	<p>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</p> <p>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).</p>
Materials used when determining the credit rating:	Annual- and quarterly reports of the rated entity, Bond prospectuses, Company presentations, 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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