Mowi ASA

Full Rating Report

LONG-TERM RATING

BBB+

OUTLOOK

Stable

SHORT-TERM RATING

N2

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RATING RATIONALE

Our 'BBB+' long-term issuer rating on Norway-based salmon farmer Mowi ASA is underpinned by the company's strong profitability and cash flow, as well as moderate financial leverage. It also reflects the company's strong market position as the world's largest salmon farmer and the only one with operations in all major global salmon farming regions. The rating also takes account of Mowi's fully vertically integrated operations, which help offset the impact of volatility in product and raw-material prices.

The rating is constrained by the seafood sector's historical earnings volatility, due to unstable prices resulting from variable supply. It is also constrained by biological challenges, with the industry particularly impacted by higher costs for sea lice treatment, which we expect will lead the sector to invest in new farming technology. These factors have also contributed to volatile EBITDA margins for Mowi in the past. In addition, the sector faces political risk due to its profitability and perceived environmental impact. This was exemplified by the Norwegian government's introduction of a 'resource rent' tax on aquaculture last year.

STABLE OUTLOOK

The outlook is stable, reflecting our view that low salmon supply growth will support global prices over the next three years. We expect an annual average salmon price of around NOK 94 per kg (Oslo) over this period, albeit with strong seasonality. In addition, we believe that Mowi will keep adverse biological factors under control and that recent cost inflation is slowing. Our forecasts take into account the effect of the resource rent tax on salmon farming in Norway. We believe that shareholders will bear the brunt of the impact, as we expect that the company will reduce dividend payments to offset the negative impact and reconsider its long-term investment plans.

POTENTIAL POSITIVE RATING DRIVERS

- Commitment to a moderate financial risk profile, for example NCR-adjusted funds from operations (FFO)/net debt above 60% and EBITDA/net interest above 20x; and
- More stable supply, leading to reduced price uncertainty and improved margin stability.

POTENTIAL NEGATIVE RATING DRIVERS

- Persistent increase in biological problems such as disease and sea lice.
- Higher financial leverage, leading to net NCR-adjusted FFO/net debt below 30% and EBITDA/net interest below 10x over a protracted period.
- Lower demand for Atlantic salmon.

Figure 1. Mowi key credit metrics, 2020–2026e

EURm	2020	2021	2022	2023	2024e	2025e	2026e
Revenues	3,760	4,202	4,941	5,506	5,891	6,186	6,495
NCR-adjusted EBITDA	701	967	1,400	1,366	1,508	1,612	1,694
NCR-adjusted EBITDA margin (%)	18.7	23.0	28.3	24.8	25.6	26.1	26.1
NCR-adjusted FFO	597	813	953	794	1,085	1,166	1,227
NCR-adjusted net debt	1,983	1,716	2,244	2,299	2,050	1,909	1,787
Total assets	5,846	6,260	7,531	8,239	8,400	8,601	8,841
NCR-adjusted net debt/EBITDA (x)	2.8	1.8	1.6	1.7	1.4	1.2	1.1
NCR-adjusted EBITDA/net interest (x)	11.2	16.5	27.7	12.1	12.6	14.2	15.5
NCR-adjusted FFO/net debt (%)	30.1	47.4	42.5	34.5	52.9	61.1	68.7
NCR-adjusted FOCF/net debt (%)	11.3	30.4	5.6	9.7	35.7	37.2	40.7

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

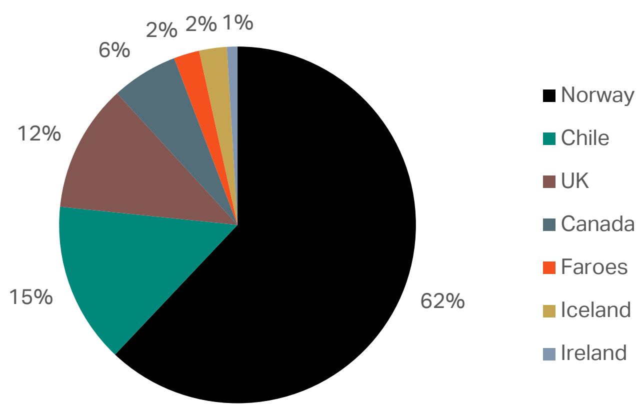
ISSUER PROFILE

Mowi is the world's largest salmon farmer with operations in all major farming regions and worldwide sales reach. The company established its first stocking of salmon in 1969, making it an industry pioneer. In 2006, three large independent salmon farmers (Pan Fish [Mowi], Marine Harvest and Fjord Seafood) merged to establish The Marine Harvest group, which changed its name back to Mowi in 2018.

Salmon farming is the main contributor to the company's bottom line. Mowi is the largest salmon farmer in Norway and the UK, and No. 2 in Canada. It is No. 4 in Chile, which remains the company's second-largest region of operation. The company has sales and marketing operations (including secondary processing) worldwide (see Figure 2). Mowi is also a major salmon feed producer, but this activity primarily serves the company's own farming operations in Europe.

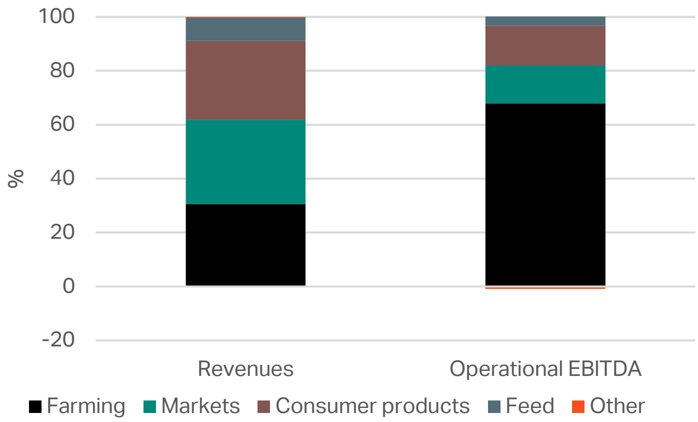
Mowi is listed on the Oslo Stock Exchange and its largest shareholder is John Fredriksen via Geveran Trading Co. Ltd. (14.3%). Other shareholders are mainly institutional.

Figure 2. Mowi distribution of harvesting by region, 2023



Source: company.

Figure 3. Mowi revenue and operational* EBITDA by segment**, 2023



Source: company *Excluding fair value biomass adjustments. **Excluding eliminations.

BUSINESS RISK ASSESSMENT

Business risk assessment 'bbb'

We view the company's size and geographically diverse farming operations as positive, although they mean it is not only present in the best-performing regions. In addition, its fully vertically integrated operations reduce volatility in earnings due to the lower impact from variability in product and raw-material prices. The market for salmon is characterised by increasing demand and limited, albeit volatile, supply growth. Historically, this has led to volatile but generally strong margins in the sector.

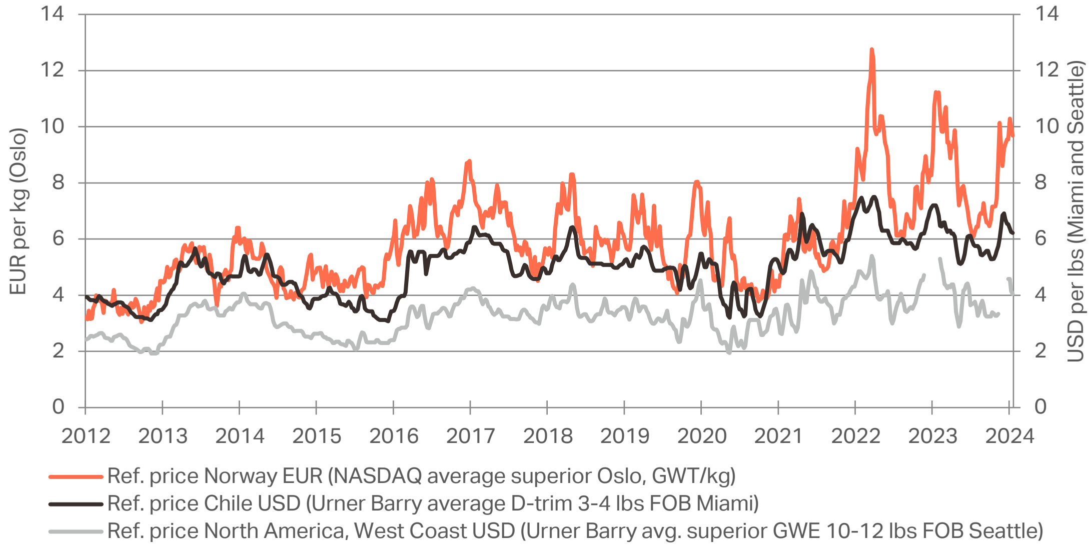
Historical price volatility, strong outlook

Operating environment 'bb'

Salmon prices are likely to remain strong, driven by low supply growth and increased demand. In our base-case scenario, salmon prices will average NOK 94 per kg through 2026. In our view, salmon farmers are well positioned to pass any increase in production costs on to end-consumers. However, the Norwegian government's 25% resource rent tax on aquaculture will, in our opinion, challenge salmon farmers' business models (see Relevant Research).

We see potential for higher prices due to long-term demand growth (9% over the past 10 years) outstripping supply, and due to higher production costs, which we expect to be passed on to customers. While the salmon market has historically been resilient to economic cyclicality, it could face downside risk in a weakening global economy.

Figure 4. Global salmon prices, 2012–Q1 2024



Source: Mowi. GWT–gutted weight. D-trim-fully trimmed fillet. FOB–free on board. GWE-gutted weight equivalent.

Mowi is the only global player in the salmon farming industry, with production in all major salmon farming regions (see Figure 2). The acquisition of a majority stake in Icelandic salmon farmer Arctic Fish Holding AS in 2022 has given the company a platform to expand in Iceland. This also indicates that Mowi has the option to offset the negative impact of Norway's resource rent tax on aquaculture by investing more in growth in other regions. Chilean salmon farming is likely to become more competitive than Norwegian farming as a result of the tax. Stronger regulations and supervision in Chile have had a favourable effect on the biological performance of its salmon farming industry. Canada and the UK, however, still have higher cost levels than Norway, mainly due to more challenging biological issues. Canada also presents significant political risk; a decision to outlaw open pens in British Columbia has been postponed until 2025 following a court ruling. Nonetheless, Mowi sees growth opportunities on Nova Scotia on Canada's Atlantic coast.

Mowi is also the only fully integrated salmon farmer, from feed to processing and sales. The company has a global branding strategy and generates higher margins than its peers on processed products. Over time, this can stabilise prices and reduce volatility in margins.

New farming technology is under development with the aim of reducing the impact of biological issues on costs and salmon supply. We believe it is still too early to tell which of these new methods, including closed pens, land-based farming and ocean farming, will succeed. Mowi and other major salmon farmers have concentrated their efforts on sea-based farming technologies. However, they are using recirculating aquaculture systems (RAS) technology to produce large smolt, which are more resilient to sea lice, and technology can also facilitate land-based fish farming. We believe that the major players will adopt and dominate any new technology that threatens to disrupt the market.

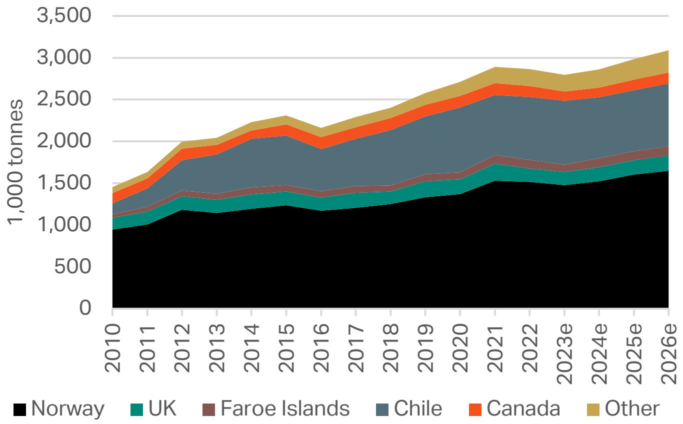
Global market leader

Market position 'bbb+'

In 2023, Mowi controlled 19% of the harvested-salmon market. The Canadian and UK salmon farming industries are consolidated, and Mowi accounts for more than 30% of harvesting in these countries. The Chilean and Norwegian farming industries are more fragmented and Mowi accounts for 10% and 22% shares of harvesting in these countries, respectively. We believe that the company will reach its target of expanding at least in line with the market over the next few years through better utilisation of licences, the acquisition of new licences and through growth in the UK and Canada.

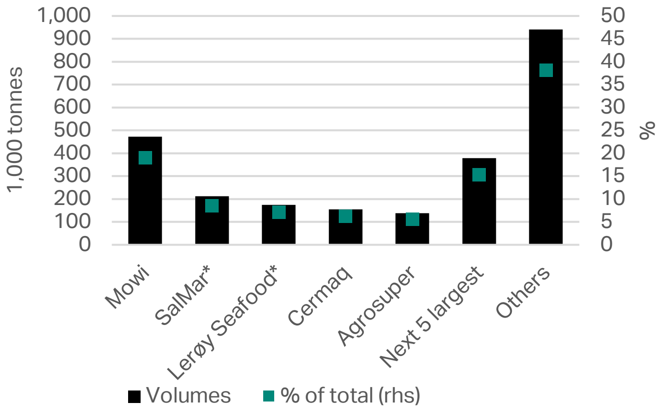
We believe that substitution risk is low over the next 5–10 years, even though variations in wild catch could negatively impact salmon prices in the US. When we refer to the salmon market, we mean the market for Atlantic salmon, which accounts for about 90% of total production of large salmonids (70% including wild catch). Salmon is a growing niche in the market for fish and other proteins. Fish accounts for 7% of all sources of protein for human consumption and salmon accounts for 1.5% of total fish consumption. Salmon has health benefits, particularly compared with other animal proteins, and also has a better environmental profile (see Environmental, Social and Governance Factors).

Figure 5. Regional distribution of salmon farming, 2010–2026e



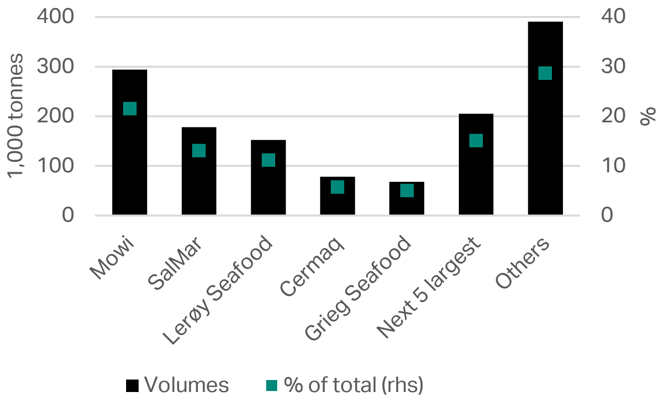
Based on data from Kontali Analyse, Mowi, and NCR estimates. e-estimate.

Figure 6. Largest salmon farmers globally, 2022



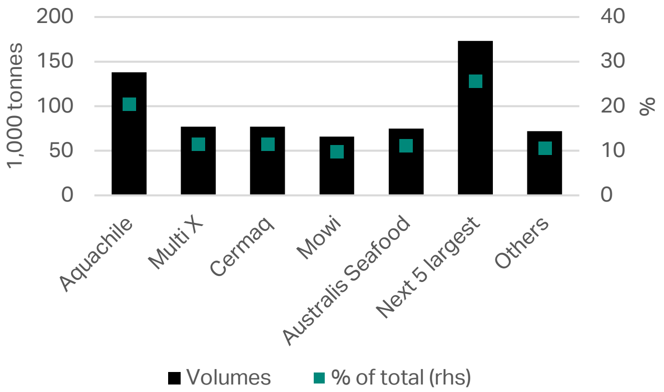
Source: Mowi (Salmon farming industry handbook 2023). *Includes 50% of Scottish Seafood.

Figure 7. Largest salmon farmers in Norway, 2022



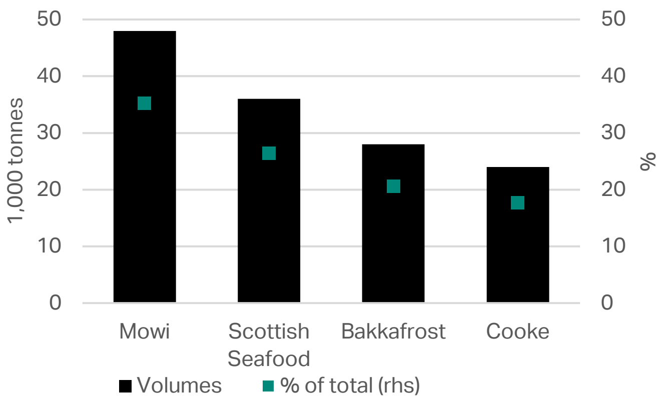
Source: Mowi (Salmon farming industry handbook 2023).

Figure 8. Largest salmon farmers in Chile, 2022



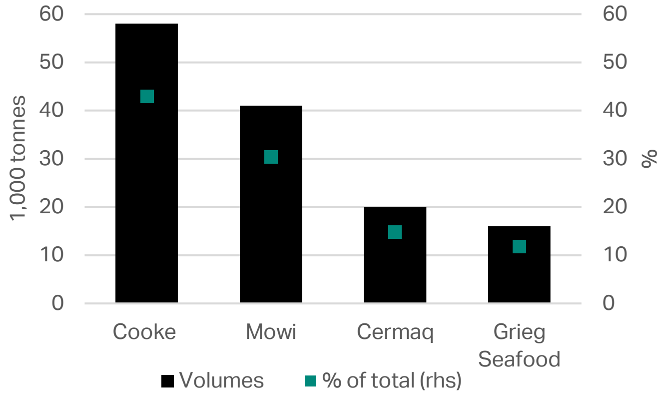
Source: Mowi (Salmon farming industry handbook 2023).

Figure 9. Largest salmon farmers in UK, 2022



Source: Mowi (Salmon farming industry handbook 2023).

Figure 10. Largest salmon farmers in Canada, 2022



Source: Mowi (Salmon farming industry handbook 2023).

We believe that biomass restrictions imposed by licences and the large investment needed to scale up production represent major barriers to entry to salmon farming. We expect increased investment to satisfy legal requirements and improve salmon welfare (addressing the problem of sea lice, in particular) to trigger further consolidation in the sector as farmers seek synergies to offset rising costs. The Norwegian government is restrictive in permitting increased production, which makes growth through acquisitions a more attractive option. We believe Mowi is well placed to participate in any consolidation of the industry.

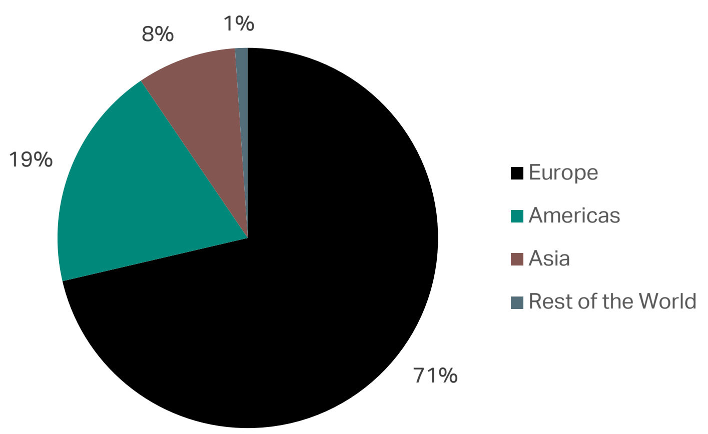
Size and diversification 'a'

Fully integrated into the Atlantic salmon market

As well as being the largest salmon farming company, Mowi is also a major European food producer. It is fully vertically integrated, which offers some protection against salmon price and feed price volatility. Moreover, its large sales organisation has created a highly diverse customer base, both in the retail and hospitality markets. Mowi has greater geographic diversity than its peers, particularly in its farming operations. This is especially important, since biological issues can affect entire regions.

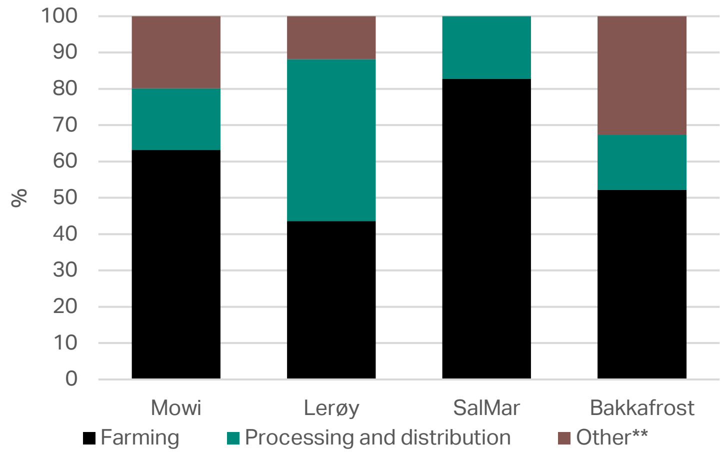
Mowi concentrates largely on farming, processing and selling Atlantic salmon. Although it manufactures a wide range of products based on this raw material, its product diversity is limited.

Figure 11. Mowi revenues by geographic market, 2023



Source: company.

Figure 12. Large European salmon farmers, breakdown of revenues*, 2023



Based on company data. *Eliminations subracted from processing and distribution revenues. **Other: Mowi: Feed, Lerøy: Wildcatch, Bakkafrost: Fish meal, oil & feed.

Operating efficiency 'bbb+'

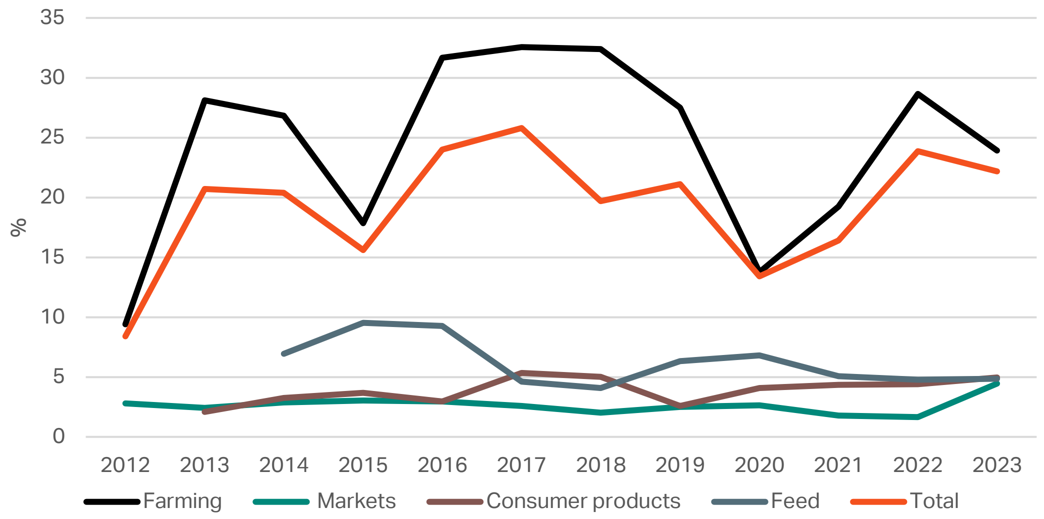
Lower cost increases than industry average in recent years

Mowi's EBITDA margins have shown a positive, albeit volatile, trend over the past 10 years, driven mainly by salmon farming margins. Comparison of operating margins among industry peers is skewed by differences in business mix and regional exposure, as well as currency effects. Mowi's diversity has had a negative effect on its margins in comparison with salmon farmers with a greater focus on harvesting and exposure to more productive salmon farming regions. In addition, its exposure to regions with greater biological challenges than Norway is also a risk factor. However, the company's relative position has improved in recent years. On average, Mowi has had the best or second-best performance in all farming regions over the past five years, when adjusted for currency effects (salmon farmers reporting in Norwegian krone have recorded transaction gains on sales denominated in euro and US dollars, while Mowi has made transaction losses on costs incurred in Norwegian krone). The company's Consumer Products division (processing, sales and marketing) has had a combined average EBITDA margin in excess of 3.3% over the past 10 years, which is higher than that of its closest peers over the same period.

Mowi has a strong focus on operating expenses, and underlying cost pressure in the salmon farming operations has historically been offset by cost-cutting initiatives. Although the company's costs per kg of fish harvested in Norway increased by an average 2.6% annually in the 2017-2022 period, the average cost level for the industry increased by 6% annually over the same period. We believe that Mowi's Norwegian farming operations had stronger margins in 2023 than the wider industry due to lower cost growth and better price achievement.

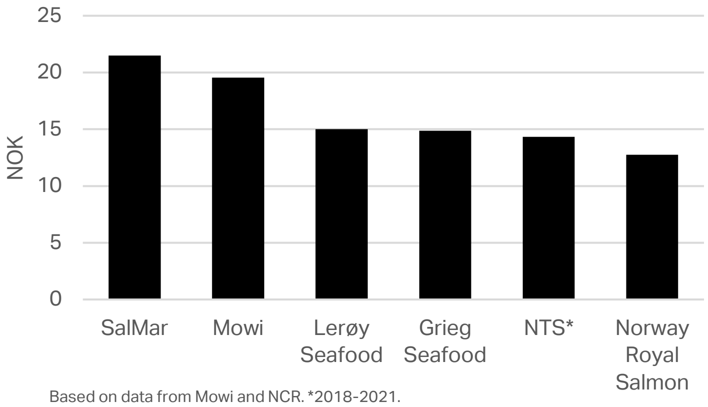
Cost inflation in the salmon farming industry is lower than that of other animal protein producers due to higher feed conversion ratios and lower energy consumption. Feed raw material costs have been a cost driver, but feed prices appear to have peaked for now. The ongoing El-Niño climate event in the Pacific has had a negative impact on biological costs in Canada in 2023 and currently represents a risk factor for the company's performance in Chile. We also take into account higher costs due to biological issues in Norway, particularly gill disease, despite reduced incidence of sea lice. Over the longer term, we believe that the company's "Mowi 4.0/Smart Farming" initiative could improve cost efficiency using artificial intelligence, automation and robots in the farming and processing operations.

Figure 13. Mowi EBITDA margins, 2012–2023



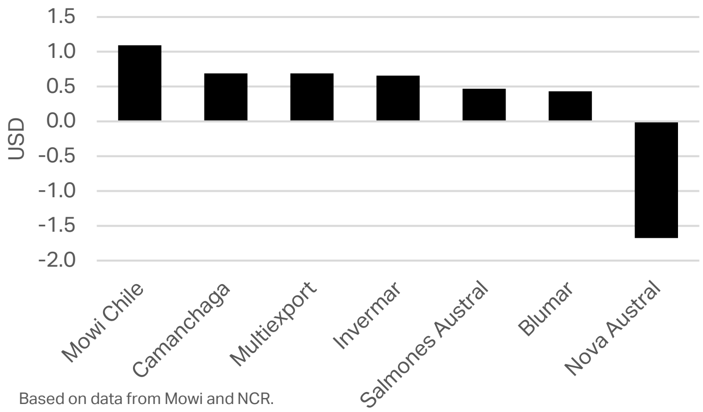
Source: Company

Figure 14. Norway average EBIT per kg for salmon farmers, 2018–2022



Based on data from Mowi and NCR. *2018-2021.

Figure 15. Chile average EBIT per kg* for salmon farmers, 2018–2022



Based on data from Mowi and NCR.

FINANCIAL RISK ASSESSMENT

Financial risk assessment 'bbb+'

Our financial risk assessment reflects Mowi's strong balance sheet and cash generation. However, we view the company's risk appetite as somewhat greater than warranted by its current financial ratios. Mowi has a history of volatile credit metrics, largely due to price fluctuations but also due to the volatile cost base of its farming operations.

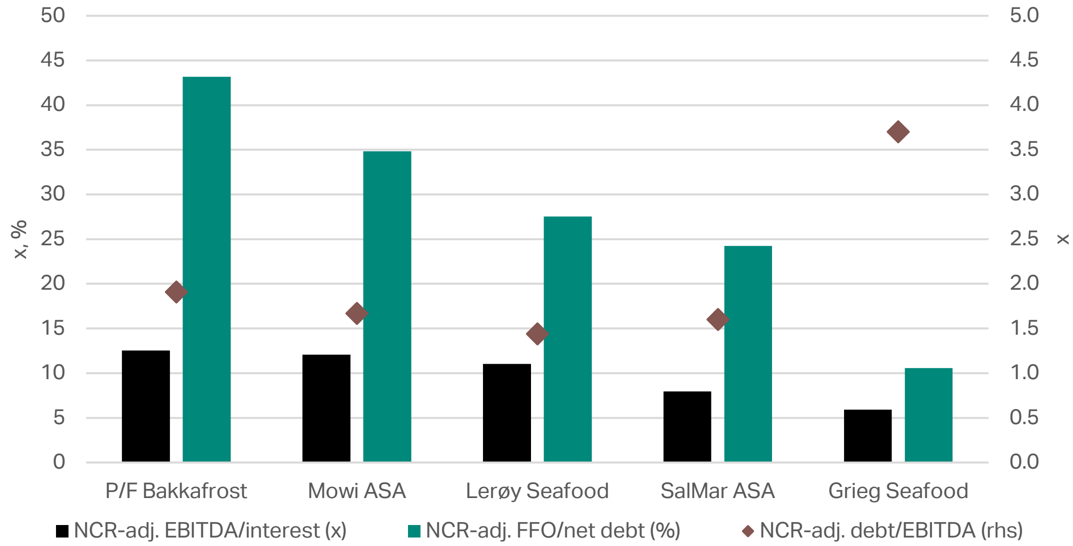
Ratio analysis 'a'

Strong and improving credit metrics

Mowi has moderate financial leverage, in line with other major operators in the industry. This is despite significant investment in freshwater and seawater facilities, as well as processing factories, in recent years. We assume that the resource rent tax will lead to reduced capital investments over the next few years. Since the tax applies only to profit from sea phase operations, Mowi has calculated an effective resource rent tax rate of 10% across the value chain in Norway. Given the company's strong cash flows and our expectations of a 50% dividend pay-out ratio, we expect credit metrics will improve moderately through 2026. Moderate leverage means that likely continued increases in interest rates will have only a moderate impact on the company.

Because the resource rent tax is based on EBITDA levels, we attribute more weight to credit metrics based on FFO, which will be negatively affected by the increased tax level.

Figure 16. Mowi peer group adjusted credit metrics, 2023



Based on company data.

Our base case assumes:

- revenue growth of 7% in 2024, and 5% 2025 and 2026;
- NCR-adjusted EBITDA margins of 25.6% in 2024, and 26.1% in 2025 and 2026;
- an effective resource rent tax of 10% on Norwegian operations;
- capital spending of about EUR 1bn through 2026; and
- distributions of 50% of net profit in dividends (see Risk Appetite section).

Accordingly, we estimate the following credit metrics through 2026:

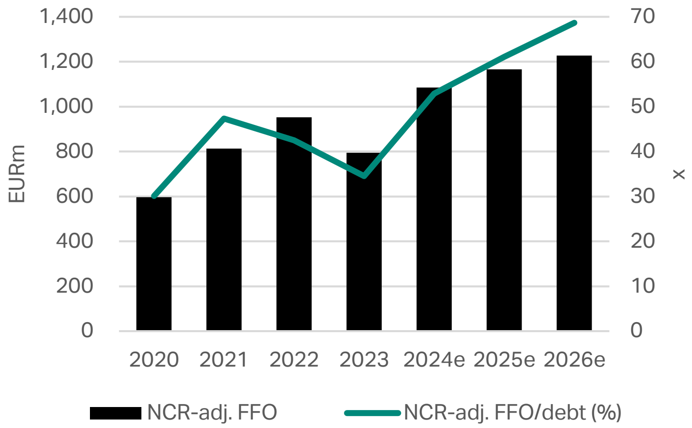
- NCR-adjusted net debt/EBITDA of 1.1–1.4x;
- NCR-adjusted EBITDA/net interest of 12.6–15.5x; and
- NCR-adjusted FFO/net debt of 53–69%.

Figure 17. NCR's adjustments to Mowi's credit metrics, 2020–2026e

EURm	2020	2021	2022	2023	2024e	2025e	2026e
EBITDA	683	934	1,386	1,371	1,473	1,577	1,656
Restructuring costs	15	23	14	5			
Share of profit from JVs	-22	-98	-59	-28			
Dividends from JVs	26	108	59	19	35	35	38
NCR-adj. EBITDA	701	967	1,400	1,366	1,508	1,612	1,694
Net interest	-49	-43	-38	-99	-105	-98	-94
Financial costs from leasing	-14	-16	-13	-14	-15	-15	-15
NCR-adj. net interest	-62	-59	-51	-113	-120	-113	-109
NCR-adj. EBITDA	701	967	1,400	1,366	1,508	1,612	1,694
NCR-adj. net interest	-62	-59	-51	-113	-120	-113	-109
Current tax	-42	-95	-396	-459	-303	-333	-358
NCR-adj. FFO	597	813	953	794	1,085	1,166	1,227
Changes in working capital	-57	-26	-491	-174	-54	-141	-170
Capital spending	-316	-245	-335	-396	-300	-315	-330
NCR-adj. FOCF	224	521	126	224	731	710	727
Cash and cash equivalents	100	95	171	288	519	660	783
Restricted cash	-7	-7	-8	-14	-14	-14	-14
NCR-adj. cash and equivalents	93	88	163	274	505	646	768
Gross interest-bearing debt	1,566	1,359	1,937	2,093	2,093	2,093	2,093
Long-term leasing liabilities	380	336	289	299	281	281	281
Short-term leasing liabilities	153	183	174	175	175	175	175
Retirement benefit obligations	8	8	7	6	6	6	6
Extraordinary lease extensions	-31	-81					
NCR-adj. cash and equivalents	-93	-88	-163	-274	-505	-646	-768
NCR-adj. net debt	1,983	1,716	2,244	2,299	2,050	1,909	1,787

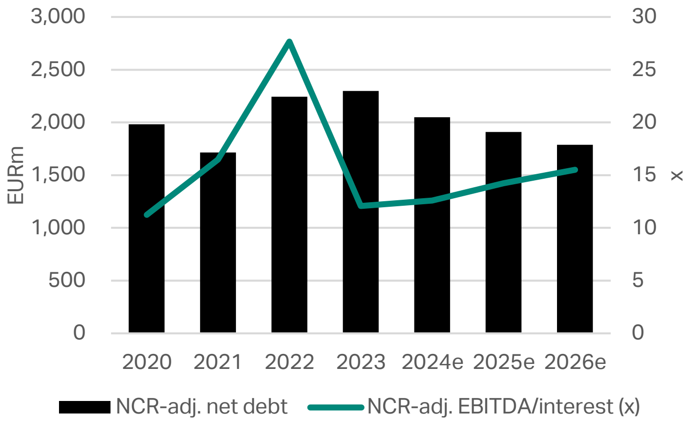
Based on NCR estimates and company data. JVs-joint ventures and associated companies.

Figure 18. Mowi NCR-adjusted FFO and FFO to net debt, 2020–2026e



Based on company data

Figure 19. Mowi NCR-adjusted EBITDA and EBITDA to net interest, 2020–2026e



Based on company data

Price and cost volatility impacts credit metrics

Risk appetite 'bbb'

We view Mowi's risk appetite as somewhat greater than warranted by its current financial ratios. The company has a history of volatile credit metrics, largely due to salmon price fluctuations but also due to the volatile cost base of its farming operations, owing to variable biological performance.

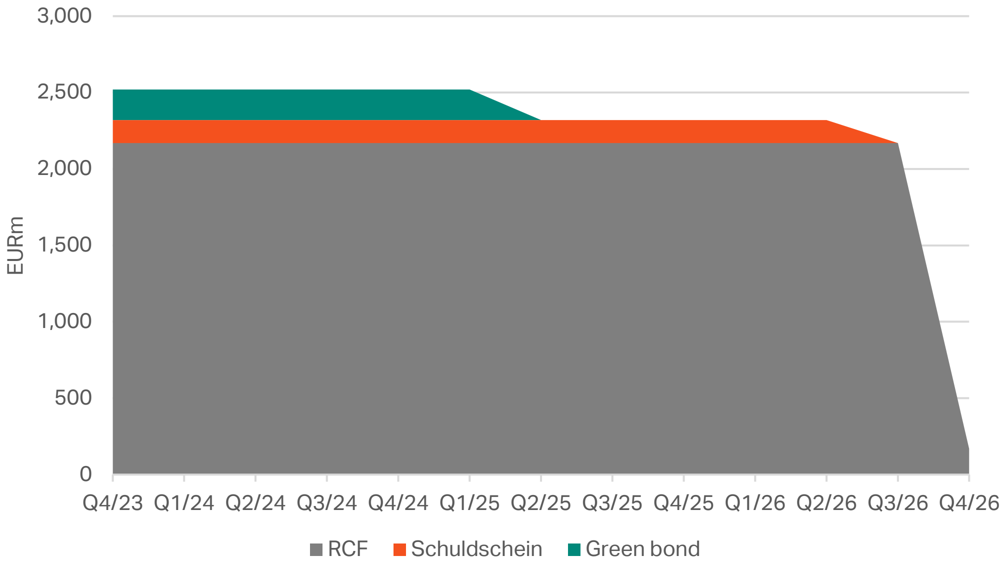
Mowi targets net interest-bearing debt of EUR 1.7bn (excluding leases). Although this is a long-term target, it is calibrated to the company's current activity level. On the basis of Mowi's own calculations, the company had net interest-bearing debt of EUR 1.8bn at 31 Dec. 2023, limiting the likelihood of significantly higher leverage.

Mowi has historically generated strong cash flow and we believe that its owners are focused on dividends. Historically, this has meant dividend pay-outs close to or higher than net profit. Since 2020, the company's dividend policy has stated that the ordinary dividend should be at least 50% of earnings, while excess capital is to be paid out as an extraordinary dividend. We believe that Norway's resource rent tax on aquaculture makes extraordinary dividends less likely over our forecast period. Mowi has the option of using share buybacks to supplement dividends. However, it is our understanding that share buybacks are mainly undertaken in connection with employee incentive programmes.

Mowi's most recent significant acquisitions have been Icelandic salmon farmer Arctic Fish in 2022 (NOK 1.9bn), Polish seafood processing company Morpol in 2013 (NOK 1.9bn), and Canadian salmon farmer Northern Harvest in 2017 (CAD 315m). We expect Mowi to participate in further consolidation of the sector, which could weigh on the company's financial leverage.

Mowi has strong relationships with major Nordic and European banks. The company is primarily financed by a EUR 2.0bn sustainability-linked revolving credit facility, maturing in September 2026. EUR 298m was undrawn at 31 Dec. 2023. The revolving facility's principal financial covenant stipulates an equity ratio of at least 35% (excluding leases). Mowi is also financed by euro-denominated unsecured loans on the schuldschein loan (EUR 150m) and bond markets (EUR 200m). Last year, Arctic Fish obtained a EUR 120m term loan and a EUR 50m revolving credit facility, of which EUR 42.5m is undrawn.

Figure 20. Mowi committed available financing lines and maturities



Source: company. RCF–revolving credit facility.

Mowi normally has net positive cash flow exposure to euro, pounds, US dollars and yen and net negative cash flow exposure to Norwegian krone, Canadian dollars and Chilean pesos. To hedge cash flows against exchange rate fluctuations, the company has a policy for long-term hedging of key net exposures. It currently hedges up to 30% of its underlying exposure to euro/Norwegian krone and US dollars/Canadian dollars with a horizon of two years. Due to hedging and the company's geographically diverse operations, we do not see currency risk as a significant risk factor in the short term. Neither do we see interest rate risk or credit risk as significant, although higher interest rates and/or a global recession could have some impact on interest costs and credit losses.

The European Commission has accused Mowi and five other Norwegian salmon farmers of exchanging sensitive information to reduce market uncertainty about spot sales. The companies deny any wrongdoing. An investigation is ongoing, and we expect no conclusion before 2025. An appeal could take a further five years. A penalty of up to 10% of revenues is possible, but is likely to be significantly lower on the basis of comparable cases. We have not factored any negative outcome into our financial analysis due to the uncertainty and long time-frame, and believe that the risk is sufficiently accounted for in our assessment of risk appetite.

ADJUSTMENT FACTORS

Adjustment factors neutral

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

Liquidity

Liquidity adequate

Our 12-month liquidity analysis is based on a stressed scenario in which the company cannot access the capital markets or extend bank loans, and therefore has to rely on internal or committed external funding sources to cover its liquidity needs. We typically expect a company with an investment grade rating ('BBB-' or above) to cover its liquidity needs, with limited need for external funding over the coming 12 months.

We assess Mowi's liquidity position as strong. The company has a strong cash position and unutilised credit facilities that outweigh its committed financial obligations by 3.0x over the next 12 months.

We estimate the following primary liquidity sources for the 12 months to 31 Dec. 2024, totalling EUR 1,439m:

- EUR 289m in cash (excluding EUR 14m in restricted cash);
- EUR 340m in undrawn committed available credit facilities (with more than 12 months to maturity); and
- EUR 810m, reflecting 75% of FFO over the period.

This compares with the following estimated uses of liquidity, totalling EUR 484m:

- EUR 239m in amortisation of secured debt and lease instalments;
- EUR 160m in committed capital spending; and
- EUR 85m in dividend payments in the first quarter 2024.

Environmental, social and governance factors

ESG factors adequate

We believe Mowi's environmental, social and governance (ESG) efforts are supportive of the company's overall competitive position. The main ESG issues that could affect our credit rating on Mowi are factors that could contribute to loss of revenue, increased operational costs, increased capital spending, loss of value of assets, decreased access to funding, or loss of operating rights. In this context, the main ESG risks are fish health and emissions and their potential impact on the social perception of fish farming and fish as a sustainable source of protein.

Fisheries and fish farming are not yet incorporated into the EU Taxonomy because improvements in these industries are not seen as vital in achieving the EU's emissions targets. The carbon footprint of farmed salmon is significantly smaller than that of beef, at 7.9 kg carbon equivalent per kilo of edible product compared with 39 kg. In our view, ongoing efforts to include the industry in the EU Taxonomy are likely to succeed, given its potential for classification as a mitigant of climate change.

The farming and wild catch industries generate environmentally damaging emissions, especially through food sourcing and energy use, and interfere with natural ecosystems. Farming also creates fish health problems. Mowi operates close to other farming operators in some of its regions, raising the risk of sea lice and disease and increasing the difficulty of treatment due to different approaches and standards among companies. In our view, the company could be negatively affected by factors outside its control. RAS technology for large smolt production could be used in land-based salmon farming if it reduces emissions and harm to ecosystems. In addition, RAS could improve fish welfare.

Some 85% of Mowi's committed financing is designated green or sustainable and the company is targeting 100% by 2026. The Coller FAIRR Protein Producer Index has rated Mowi as the most sustainable animal protein producer amongst the largest 60 animal protein producers in the world for five consecutive years.

Figure 21. Mowi ESG considerations

Issue	Risks	Mitigating efforts	2023 outcomes
Fish health	Loss of revenue through early harvesting, fish mortality or escapes. Increased costs due to lice treatment. Reduced revenue potential due to lower volume growth. Diseases could affect consumer perception of salmon as a healthy source of protein.	Targets survival rate above 99.5% by 2025. Targeting 0% of sites above national sea lice limit. Targets 100% vaccination against treatable disease Targets minimum 50% of stock with real time welfare monitoring by end-2025.	Average monthly salmon survival rate of 99.2% (unchanged from 2022). 2% (5%) of sites above national sea lice limit. Sea lice treatment losses decreased by 11% in 2023. Antimicrobial substance per tonne of biomass produced is 82g (76g).
Local pollution	Negative impact on environment could result in shutdowns of farming regions, restrictions on open cages, higher costs and required investment.	A wide range of efforts to prevent escapes. Targets10% reduction in freshwater use at processing plants located in areas with medium water scarcity risk between 2018 and 2026. Farming operations are certified to standards including criteria to minimise environmental impact and preserve biodiversity.	4 (11) escape incidents, 3,497 (50,138) escaped salmon. 94% (95%) of waste volumes are recycled (not sent to landfill). 94% (92%) of marine sites with minimum seabed impact.
Green-house gas emissions	Any increase in related regulation and taxation could reduce operating efficiency and access to funding. Regulatory requirements could significantly increase capital spending.	Targeted 35% reduction of Scope 1, 2, and 3 emissions from 2019 to 2030, and 75% by 2050. Climate targets are aligned with the 1.5° C target.	5% reduction in Scope 1 and 2 emissions and 9% increase including Scope 3 emissions in 2023. Share of renewable electricity increased from 25% to 28% in 2021-2022, most sea sites in Europe connected to land power.
Sustainable feed	Use of both unsustainable plant-based ingredients and marine products could attract regulatory scrutiny and negatively affect consumer perceptions.	A sustainable feed policy is in place, with prioritisation of using only raw materials that are sustainably certified.	100% of marine raw materials are certified by the Marine Stewardship Council or the MarinTrust, or are part of fisheries improvement projects aimed at achieving certification. 99% of harvested volumes are certified sustainable.

Source: company.

OWNERSHIP ANALYSIS

Ownership neutral

Mowi's largest shareholder, Geveran Trading Co. Ltd., is controlled by shipping magnate John Fredriksen. His daughter, Kathrine Fredriksen, is a Mowi board member. Most of the other shareholders are institutional investors. The company's shares are listed on the Oslo Stock Exchange. The company has only one class of share, with each carrying a single vote. We expect Mowi to maintain good access to the equity market in normal circumstances.

Figure 22. Mowi ownership structure, 31 Dec. 2023

OWNER	SHARE OF VOTES AND CAPITAL
Geveran Trading	14.4%
Folketrygdfondet	8.7%
BlackRock	5.0%
The Vanguard Group	3.3%
DNB Asset Management	3.2%
Other	65.5%
Total	**100.0%**

Source: company.

ISSUE RATINGS

Mowi is primarily financed by secured bank debt. As of 31 Dec. 2023, the company's gross secured debt to EBITDA was 1.5x, and we expect it to fall below that level over our forecast period. We typically rate unsecured debt instruments in line with the issuer rating if gross secured debt to EBITDA is below 2.0x. Accordingly, we rate the company's long-term senior unsecured obligations 'BBB+', at the same level as the issuer rating, reflecting the flat debtor hierarchy.

SHORT-TERM RATING

The 'N2' short-term rating reflects Mowi's liquidity profile relative to the 'BBB+' long-term issuer rating. The company's committed funding sources to uses stood at 3.0x according to our liquidity analysis, which we regard as indicative of a strong liquidity profile for the long-term issuer rating.

METHODOLOGIES USED

(i) Corporate Rating Methodology, 8 May 2023.
(ii) Rating Principles, 14 Feb. 2024.
(iii) Group and Government Support Rating Methodology, 14 Feb. 2024.

RELEVANT RESEARCH

(i) Norwegian farmed salmon prices likely to remain strong 8 Mar. 2024.
(ii) Norway salmon farms face sharp tax hike, 29 Mar. 2023.

Figure 23. Mowi key financial data, 2020–2023

EURm	2020	2021	2022	2023
INCOME STATEMENT				
Total revenue	3,760	4,202	4,941	5,506
Cost of goods sold	-1,970	-2,192	-2,347	-2,792
Sales, general & admin. expenses	-1,107	-1,077	-1,207	-1,343
EBITDA	683	934	1,386	1,371
Depreciation and amortisation	-338	-373	-387	-404
Other non-financial items	-162	42	54	14
Net financial items	-63	-9	-53	-82
Pre-tax profit	121	593	1,001	899
Total taxes	-1	-105	-216	-220
Net profit	119	488	785	679
BALANCE SHEET				
Property, plant and equipment	1,395	1,504	1,711	1,884
Intangible assets and goodwill	1,210	1,268	1,595	1,615
Interest in associates and joint ventures	167	204	212	212
Other non-current assets	565	567	525	549
Non-current assets	3,337	3,542	4,043	4,260
Cash and cash equivalents	100	95	171	288
Other current assets	2,409	2,622	3,318	3,691
Total current assets	2,509	2,717	3,489	3,979
Total assets	**5,846**	**6,260**	**7,531**	**8,239**
Total equity	2,764	3,131	3,687	3,755
Long-term borrowings	1,566	1,359	1,726	2,093
Other long-term liabilities	797	796	630	1,126
Non-current liabilities	2,362	2,155	2,356	3,219
Short-term borrowings			212	
Other short-term liabilities	720	973	1,277	1,265
Current liabilities	720	973	1,489	1,265
Total equity and liabilities	5,846	6,260	7,531	8,239
CASH FLOW STATEMENT				
Pre-tax profit	121	593	1,001	899
Adjustment for items not in cash flow	439	266	135	267
Changes in working capital	-57	-26	-491	-174
Operating cash flow	503	833	645	992
Cash flow from investment activities	-283	-134	-469	-414
Cash flow from financing activities	-238	-707	-100	-458
Cash and cash equivalents at start of year	117	100	95	171
Cash flow for year	-17	-5	76	118
Cash at end of year	100	95	171	288

Source: company.

Figure 24. Mowi 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		Neutral
Stand-alone credit assessment		**bbb+**
Support analysis		Neutral
Issuer rating		**BBB+**
Outlook		Stable
Short-term rating		**N2**

Figure 25. Capital structure ratings

Seniority	Rating
Senior unsecured	BBB+

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