Nordic Credit Rating

CORPORATE

Norway
22 May 2024

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 'BBB-' long-term issuer rating affirmed; Outlook negative

Nordic Credit Rating (NCR) said today that it had affirmed its 'BBB-' long-term issuer rating on Norway-based car importer and retailer Møller Mobility Group AS. The outlook is negative. The 'N3' short-term issuer rating and 'BBB-' senior unsecured issue rating were also affirmed.

Rating rationale

The affirmation of the long-term rating reflects our view that competitive conditions remain tough and profitability weak. It further reflects the company's elevated financial leverage and our uncertainty about its long-term direction, despite signs of a recovery in order intake.

The long-term rating continues to reflect the company's strong position in its core markets. It also reflects the company's long-standing relationship with car manufacturer Volkswagen AG, which provides scale and diversity through a range of brands, and a joint venture finance subsidiary, Volkswagen Møller Car Finance. The rating is underpinned by the company's moderately low financial leverage.

The rating is constrained by the operating environment. The car industry is cyclical and currently undergoing rapid change through the development of low-emission vehicles, which could alter the industry structure. Reduced consumer appetite for big-ticket purchases -- requiring price adjustments -- are likely to reduce Møller Mobility's profitability. At this point, we believe that declining EBITDA margins are likely to be offset by higher sales volumes, effectively stabilising the company's financial risk profile. We see the company's large off-balance-sheet repurchase portfolio with a maturity profile of less than two years as negative as it could have a rapid negative effect on liquidity if inventory turnover decreases and prices decline.

Negative outlook

The negative outlook reflects uncertainty about the long-term direction of financial leverage. It also reflects a more challenging competitive environment and pricing pressure due to eroded consumer purchasing power and reduced appetite for big-ticket purchases, which negatively impact sales and margins. We believe that markets are likely to start to recover in the second half of 2024 and that the company has taken measures to adapt its cost base to more challenging conditions. We are cautious about the long-term impact on the competitive landscape due to an increasing number of car makers selling through an agent-based model.

We could revise the outlook to stable to reflect improved market conditions, with profit margins stabilising and inventory turnover increasing, or 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 NCR-adjusted net debt/EBITDA above 2.5x and NCR-adjusted EBITDA/net interest below 8x over a protracted period or weakened inventory turnover and continuing weak car sales that pressure profitability.

Rating list	To	From
Long-term issuer credit rating:	BBB-	BBB-
Outlook:	Negative	Negative
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	bbb
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	Negative
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 14 Feb. 2024 NCR's Group and Government Support Rating Methodology published on 14 Feb. 2024 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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