

NorgesGruppen ASA

Full Rating Report

LONG-TERM RATING

BBB+

OUTLOOK

Positive

SHORT-TERM RATING

N2

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RATING RATIONALE

Our 'BBB+' long-term issuer credit rating on NorgesGruppen ASA reflects the company's leading position in the Norwegian retail grocery sector and its high levels of horizontal and vertical integration. It also reflects the company's relatively strong margins, which are largely due to economies of scale and its advantageous negotiating position with suppliers. The rating also reflects the company's low sensitivity to economic recessions.

The rating is constrained by NorgesGruppen's financial leverage, which is primarily driven by long-term leases but remains moderate thanks to stable cash flows. We believe the company has minimal risk appetite and a strong liquidity position, factors which support our financial risk assessment. We also believe that the long-term owners will keep the company's risk appetite under control.

POSITIVE OUTLOOK

The outlook is positive, reflecting our expectations that NorgesGruppen's credit metrics will improve over the next few years due to better margins. We also believe the company could obtain a stronger market position due to its competitive price mechanisms and diverse presence across the Norwegian retail grocery sector. The outlook also reflects the fact that we do not anticipate changes in legislation that would significantly weaken the company's market position or margins.

POTENTIAL POSITIVE RATING DRIVERS

- Net debt/EBITDA sustainably below 2.5x, for example due to improved EBITDA margins.
- Improved market position.
- Increased diversity of distribution and revenues, with steady operating efficiency and profitability.

DRIVERS FOR A STABLE OUTLOOK

- New legislation that negatively impacts market position.
- Weakened market fundamentals, leading to EBITDA margins below 8%.
- Increased financial leverage due to higher working capital requirements or investments.

Figure 1. Key credit metrics, 2020–2026e

NOKm	2020	2021	2022	2023	2024e	2025e	2026e
Revenues	101,385	102,885	102,487	111,984	116,464	119,958	122,957
EBITDA	10,172	9,431	8,516	9,246	9,952	10,371	10,630
EBITDA margin (%)	10.0	9.2	8.3	8.3	8.5	8.6	8.6
FFO	7,926	7,343	6,680	7,145	7,700	7,996	8,203
Net debt	22,720	20,766	22,337	24,675	24,906	25,372	26,005
Total assets	62,950	64,535	67,961	74,492	75,774	77,160	78,488
Net debt/EBITDA (x)	2.2	2.2	2.6	2.7	2.5	2.4	2.4
EBITDA/net interest (x)	8.8	8.6	7.5	7.3	7.2	7.3	7.4
FFO/net debt (%)	34.9	35.4	29.9	29.0	30.9	31.5	31.5
FOCF/net debt (%)	19.6	20.3	12.4	9.8	13.7	12.9	12.2

Source: company and NCR. e=estimate. FFO=funds from operations. FOCF=free operating cash flow. All metrics adjusted in line with NCR methodology.

ISSUER PROFILE

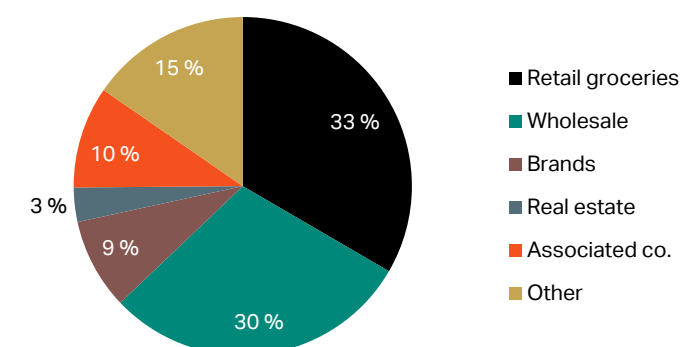
NorgesGruppen is a Norwegian grocery retail and wholesale group that traces its origins back to 1866, when wholesale company Joh. Johannson was established. The Johannson family still controls the company, with 74.4% of the shares and the votes. NorgesGruppen is the market leader in Norway, with a 43.6% share of the domestic retail grocery market in 2023. The company has a countrywide presence, and its five grocery store chains are independent businesses that compete with each other. NorgesGruppen also runs delicatessens, bakeries, coffee shops, a fast-food chain and non-food chains. Some 47% of the company's 2,107 stores are fully owned. It had a total of 45,195 employees at end-2023, 69% of which are employed at wholly owned stores. This accounts for 2% of national employment in the private sector, making NorgesGruppen the largest privately held company in Norway in terms of employees.

BUSINESS RISK ASSESSMENT

Our business risk assessment reflects NorgesGruppen's low historical exposure to cyclical fluctuations as a distributor of consumer staples. It is the leading Norwegian grocery wholesaler and retailer, and has wider operating margins than those of most of its peers. Cost inflation has pressured margins in the past two years, but we expect them to improve over our forecast period through 2026. The Norwegian retail grocery sector faces possible new legislation and remains under scrutiny by the Norwegian Competition Authority (NCA) due to market concentration.

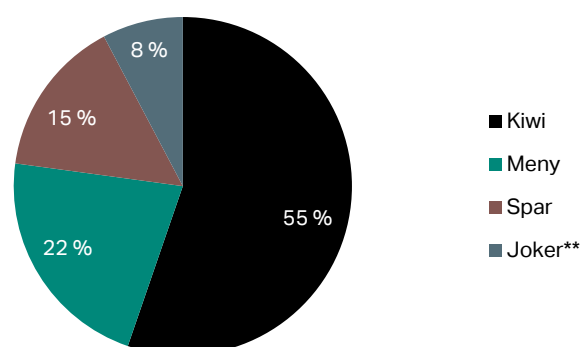
Business risk
assessment 'a-'

Figure 2. EBIT by business area, 2023



Source: company.

Figure 3. Revenues from retail grocery chains*, 2023



Source: company. *Including retailer-owned stores. **Including Nærbutikken.

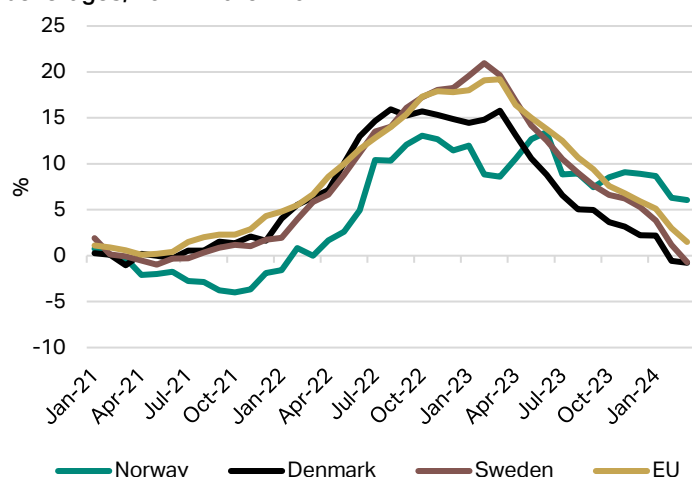
Flexible business model amid volatile economic conditions

Unpredictable economic conditions have resulted in a volatile operating environment in recent years in an otherwise stable market. However, volume growth and price rises led to a 9.3% revenue increase in 2023. NorgesGruppen has shown resilience to challenging market conditions in recent years and achieved strong economies of scale and stable margins.

High inflation, increased costs of goods, and higher input costs throughout the value chain have contributed to higher prices in the Norwegian food industry. Prices of food and non-alcoholic beverages rose by 9.8% in 2023, exceeding overall inflation of 5.6%. In the first half of 2023, price competition initiated by NorgesGruppen's Kiwi chain contributed to curbing the growth of food and non-alcoholic beverage prices. Such competition is helping to constrain the impact of inflation for consumers, together with domestic regulatory constraints such as strict restrictions on imports and price adjustments by suppliers. Price competition affected gross margin negatively in 2023 but this was offset by revenue growth due to an increased customer base. We expect the inflation rate to fall and believe increases in the price of food and non-alcoholic beverages will be subdued over the next years.

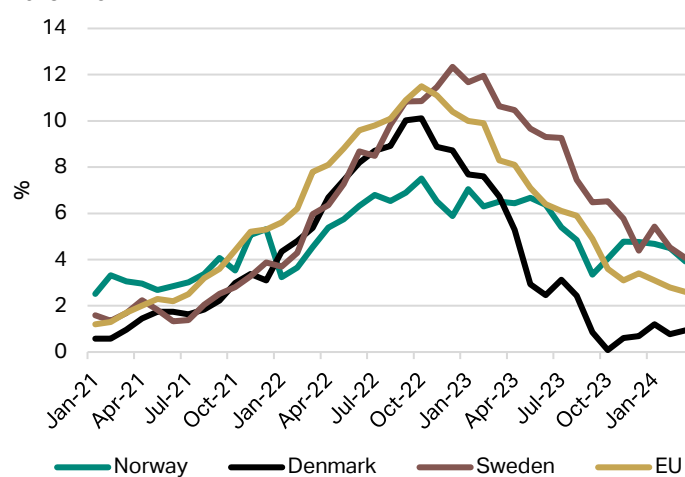
Operating environment
'a'

Figure 4. Consumer price indices for food and non-alcoholic beverages, 2021–March 2024



Source: OECD Data Explorer.

Figure 5. Consumer price indices, total consumption, 2021–March 2024



Source: OECD Data Explorer.

Norway is among the most expensive countries in Europe, with prices of food and non-alcoholic beverages over 40% higher than the EU average. High prices are mainly driven by protective tariffs, high domestic production costs and higher distribution costs than in most other European countries. Consumption patterns have changed due to price rises and shrinking household budgets, resulting in substitution with more affordable goods, including own-brand labels. In 2023, own-brand labels accounted for about 20% of all domestic groceries, which is low relative to the European average of 35% (2021). We expect this trend to have only a small impact on margins, but to have a positive effect on profitability in absolute terms.

Norwegian grocery chains are under government scrutiny due to high prices and market concentration. The government is continually considering measures to increase competition and banned the establishment of restrictive covenants in leases as of 1 Jan. 2024. It has also urged removal of agreements established before this date, a matter which NorgesGruppen has resolved. The NCA has investigated own-brand labels and vertical integration. Own-brand products and competition between suppliers are positive for consumers, and the government is unlikely to attempt to regulate these areas. More rigorous surveillance and new measures imposed by the NCA could negatively impact NorgesGruppen's margins, and we factor this into our assessment.

Since 2018, the NCA has been investigating the largest domestic grocery chains in connection with alleged anti-competitive practices (the so-called 'price hunter' case) and whether collusion might have led to higher grocery prices. At the beginning of the year, it concluded that the chains had not engaged in collusion for anti-competitive purposes, but continues to investigate the impact of other alleged anti-competitive practices.

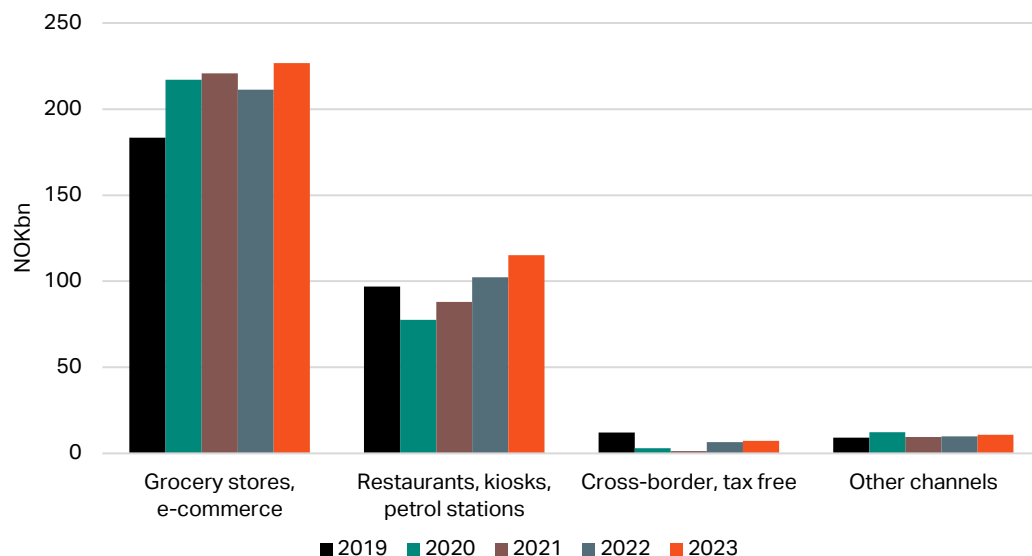
Leading market position

The Norwegian grocery market is dominated by three large retail groups, of which NorgesGruppen is by far the largest. The company accounted for 27% of Norway's total food sales in 2023. NorgesGruppen has also had the strongest market share growth in the sector in recent years (see Figures 7–8). The gain in market share is largely due to the company's ability to offer lower prices than its competitors. As a result of price competition initiatives and gain of market share in 2023, the company's Kiwi stores have overtaken Rema 1000 as the leading domestic low-cost grocery chain. We expect NorgesGruppen's aggressive price policy based on strong purchasing power and its extensive distribution network will enable the company to maintain its leading market position.

NorgesGruppen aims to strengthen its position in e-commerce and is opening an 13,000 sqm online store in Oslo. Although e-commerce accounts for a small proportion of the domestic grocery market, we believe the incumbent chains will likely increase their share of e-commerce sales.

Market position 'a'

Figure 6. Norway grocery market sales by distribution channel, 2019–2023

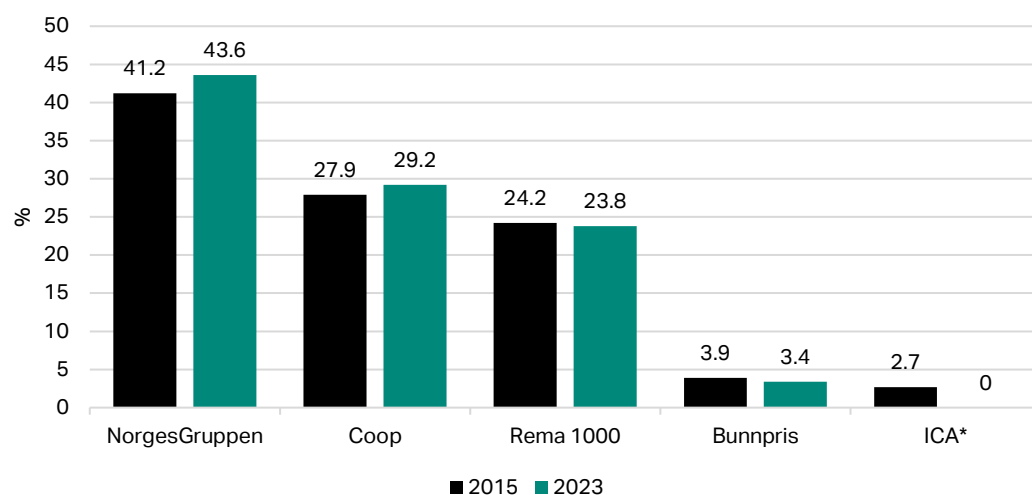


Source: Virke, Statistics Norway and Nielsen.

International grocery chains have had little success in entering the Norwegian market. We believe that this is due to the consolidated structure of the domestic grocery sector, tough market regulations, and high tariffs on imported food. Attempts by Germany-based Lidl and Sweden-based ICA to enter the market resulted in both being squeezed out in 2008 and 2015, respectively. More recent entries have targeted niche segments of the food market, such as UK retailer Iceland Foods Ltd., which specialises in frozen food and currently operates one store in the Oslo region. Other, non-food discount chains have gained market share in certain product lines typically found in traditional grocery stores, such as cosmetics and cleaning products.

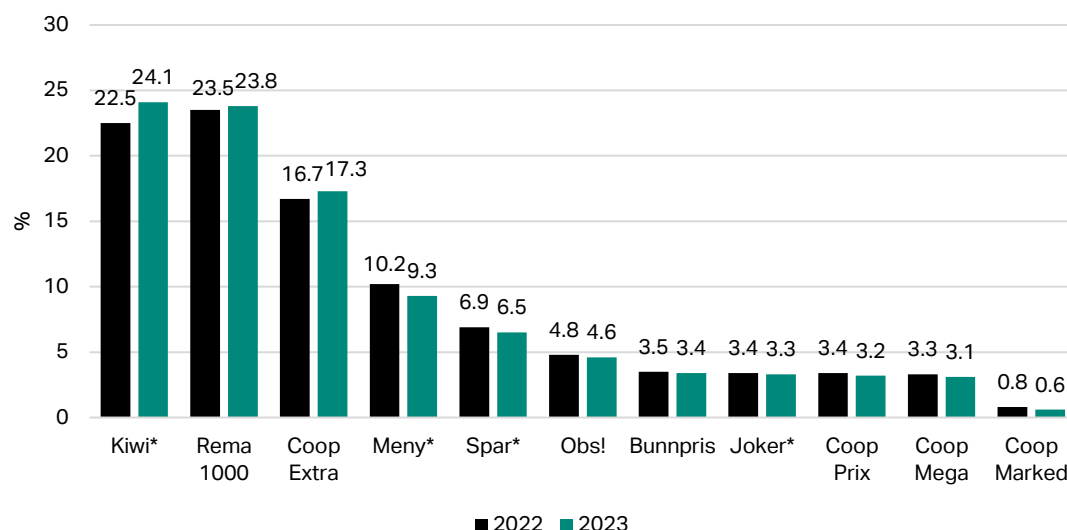
All of Norway's major retail groups operate customer loyalty schemes. NorgesGruppen's Trumf card scheme has 2.9m members. The three largest retail grocery groups each have a wholly owned wholesale provider. NorgesGruppen's wholesaler, Asko, also supplies independent retail grocery chain Bunnpris, retail convenience stores, hotels, restaurants and office operations. The establishment of Asko Oslofjord, a major logistics facility, and renewable investments are making NorgesGruppen more efficient and helping it reduce energy consumption.

Figure 7. Norwegian grocery chain market share, 2015 and 2023



Source: NielsenIQ. *Exited Norwegian markets in 2015.

Figure 8. Norwegian grocery chain brand market share, 2022–2023



Major regional player

NorgesGruppen is the seventh-largest corporation in Norway and the second-largest retail grocery group in the Nordic region. However, compared with its rated international peers, it is relatively small, with somewhat lower revenues than UK-based Marks & Spencer Group.

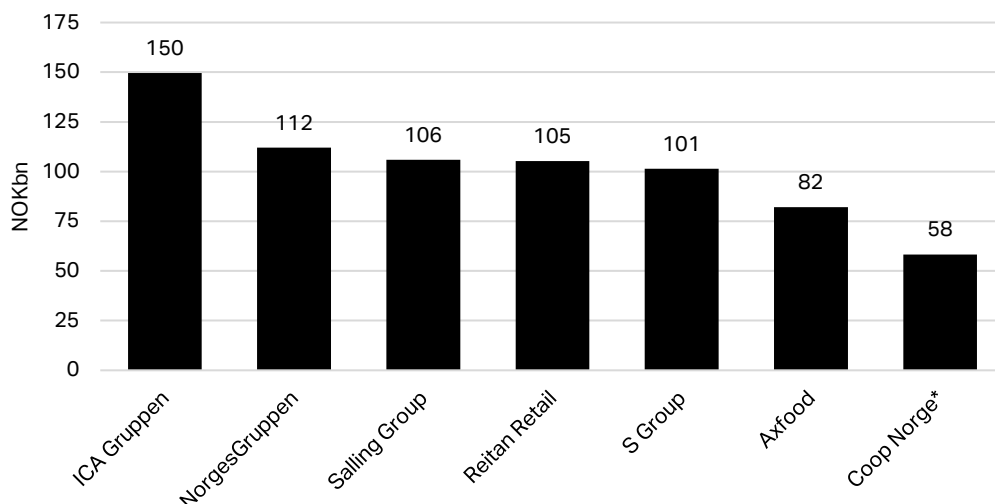
The group has a diverse presence across the Norwegian retail grocery sector, with a range of chain concepts and brands, as well as kiosks, restaurants, and bakeries. New investments in 2022 introduced Gigaboks and Dollarstore as chain concepts for large-scale retail and non-food discount retail, respectively. Moreover, its integrated wholesaler-retailer operation reduces margin volatility. However, most revenues come from retail and wholesale grocery.

While the Norwegian grocery market is characterised by a small number of retail chain groups, it also has a relatively small number of large suppliers. As the market leader, NorgesGruppen has a strong negotiating position with suppliers, and we believe that together with its efficient operations are why it has better margins than most of its regional and international peers.

NorgesGruppen has a limited international presence, mainly through associate companies in other Nordic countries. The company's most important associate companies are Danish retail grocery corporation Dagrofa, with DKK 19.4bn in revenues in 2023 (48.9% ownership share) and Norwegian fruit and vegetable wholesaler Bama, with NOK 23bn in revenues in 2023 (46% ownership share). Dagrofa is one of Denmark's largest grocery groups and reported its first pre-tax profit in 2021 since NorgesGruppen acquired its stake in 2012. Dagrofa's pre-tax profit was DKK 89.4m in 2023, a 19.2% increase from 2022.

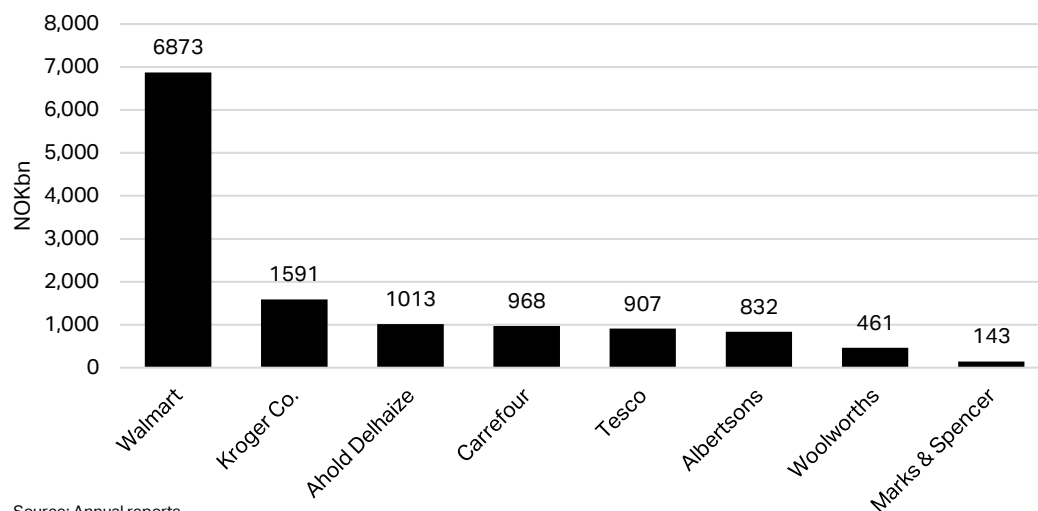
Size and diversification
'bbb+'

Figure 9. Nordic retail grocery group revenues, 2023



Source: Annual reports. *Based on 2022.

Figure 10. Rated international retail grocery group revenues, 2023



Source: Annual reports.

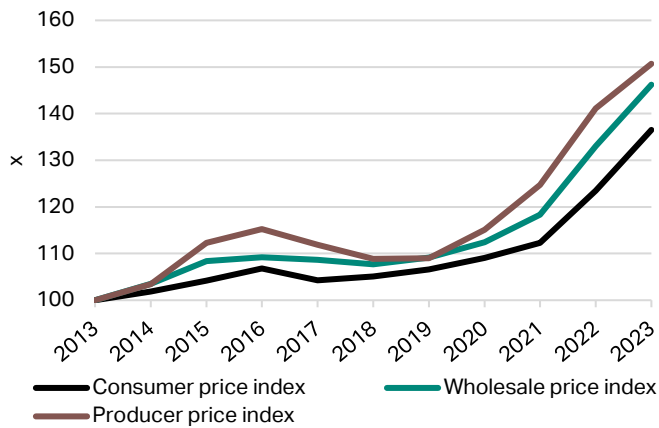
Margins above sector average

In 2023, NorgesGruppen's EBITDA margin was unchanged from 2022, when margins declined due to higher input prices and increased cross-border trade. The Kiwi chain's aggressive price policy appears to be improving the overall company's market position at the cost of lower margins in the short term. However, NorgesGruppen's strong negotiating position, economies of scale and focus on costs have stabilised margins, and we believe they will return over our forecast period to the 8.6% recorded in 2019. Investments in environmentally sustainable distribution, along with solar and wind projects, have been more profitable than the company initially predicted and reduce the impact of high energy prices on operations. Annual renewable energy production is currently equivalent to 16% of own energy consumption.

NorgesGruppen's primary costs are the cost of goods (78% of operating costs in 2023) and wages (12%). The price of food raw ingredients has increased by more than the consumer price index in recent years. However, gross margins have remained stable, indicating that the company has been able to pass higher input costs on to customers when needed. We believe margins have stabilised due to volume growth, including a 3.9% increase in the customer base, and a strong focus on managing costs, which in 2023 led to an overall cost reduction of NOK 1.2bn (including NOK 610m in energy costs).

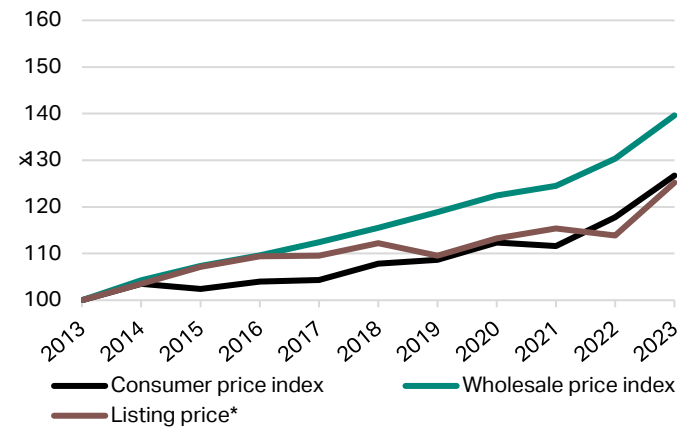
Operating efficiency 'a'

Figure 11. Norwegian price indices, meat products, 2013–2023



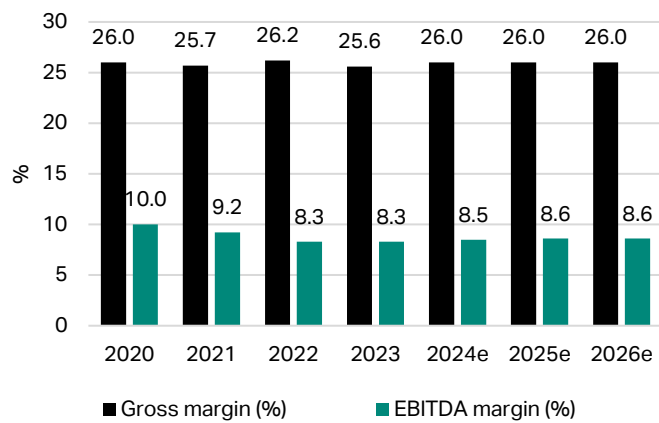
Source: Norwegian Institute of Bioeconomy Research.

Figure 12. Norwegian price indices, dairy products, 2013–2023



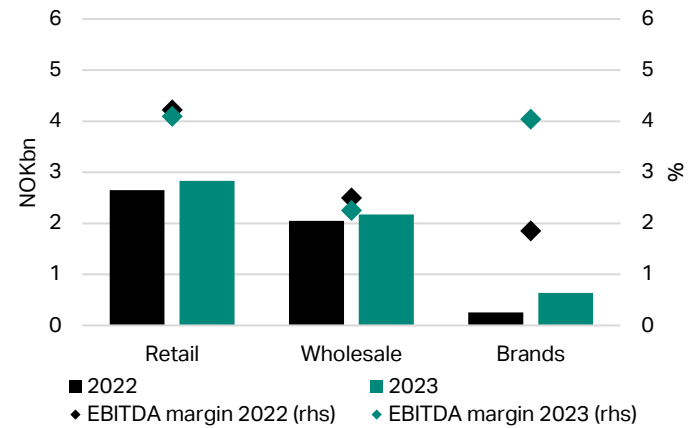
Source: Norwegian Institute of Bioeconomy Research. *From dairy cooperative Tine.

Figure 13. NorgesGruppen gross margins, 2020–2026e



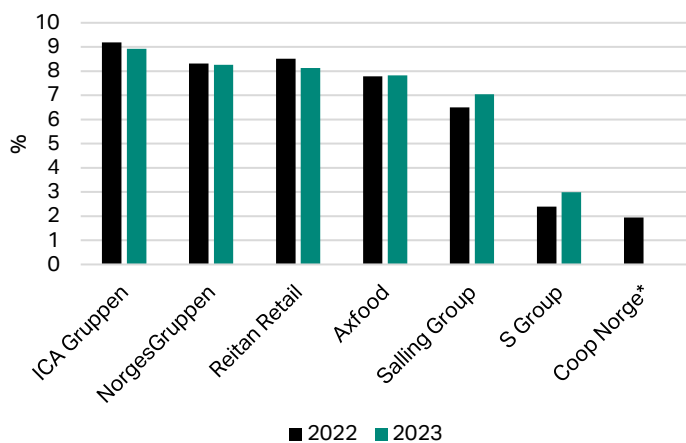
Source: company, e-estimate.

Figure 14. EBITDA and margins by main business areas, 2022–2023



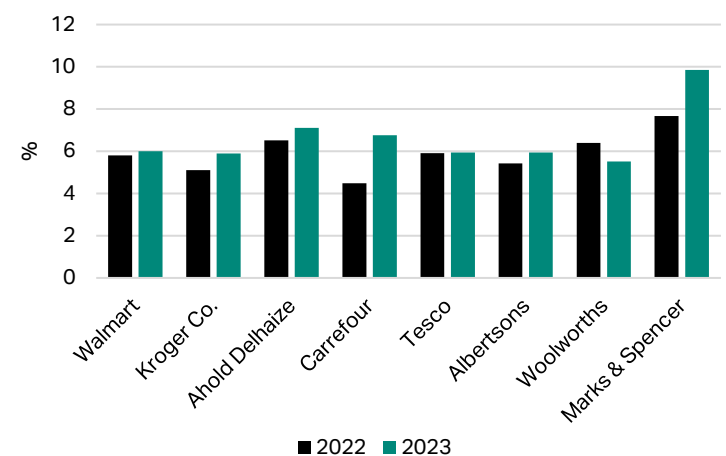
Source: company.

Figure 15. Major Nordic retail grocery groups' EBITDA margins, 2022–2023



Source: company. *Data for 2023 not available.

Figure 16. Rated international retail grocery groups' EBITDA margins, 2022–2023



Source: company.

FINANCIAL RISK ASSESSMENT

Financial risk
assessment 'bbb'

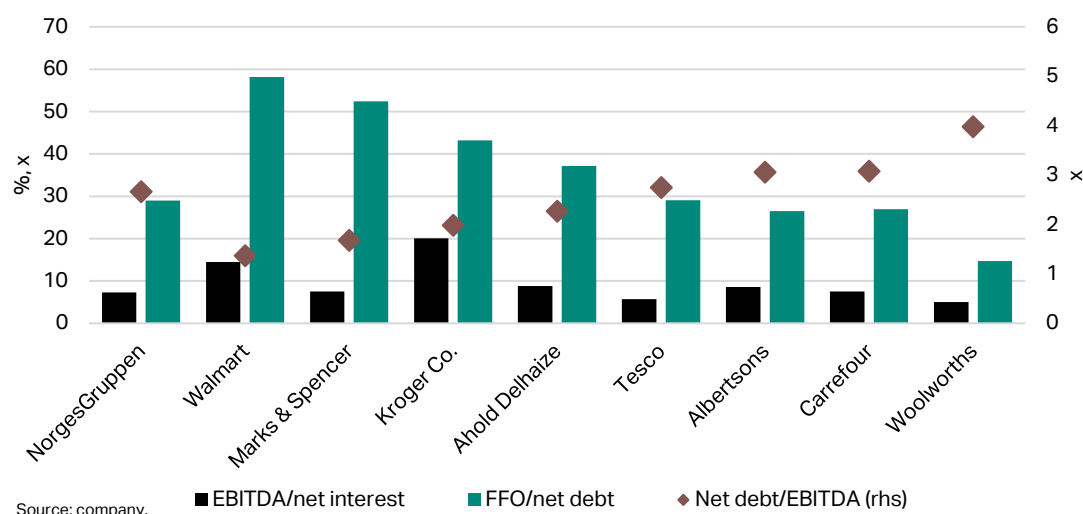
Our financial risk assessment reflects our view that NorgesGruppen will maintain moderate gearing and stable credit metrics over the next few years. This is based on our expectations of relatively stable capital investment and margins over our forecast period. We believe that NorgesGruppen's risk appetite is moderate, in view of the company's family-controlled status and the long terms of much of its lease liabilities.

Solid credit metrics compare favourably with those of rated peers

Ratio analysis 'bbb'

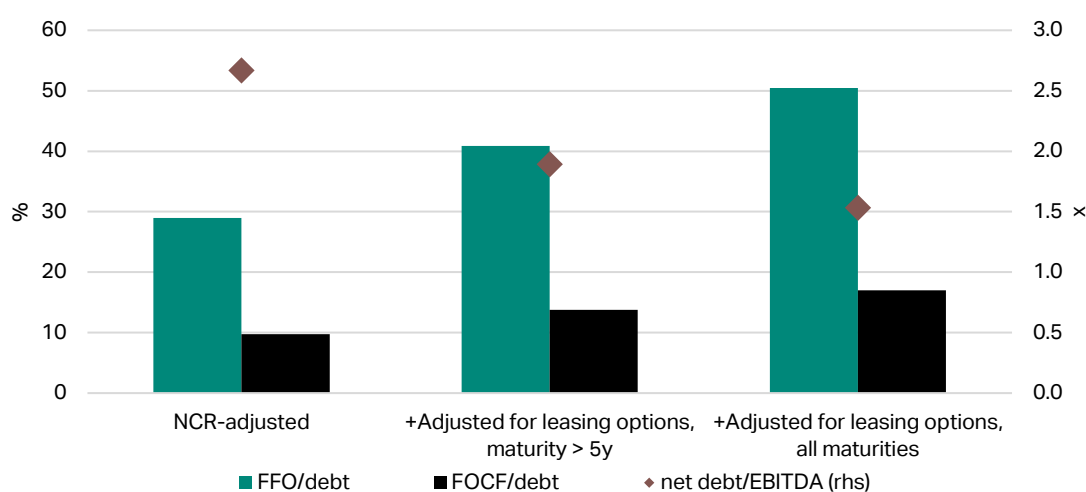
NorgesGruppen's credit metrics are in line with those of its international peer group, and we expect them to remain relatively stable over the next few years.

Figure 17. International rated peer group adjusted credit metrics, 2023



We base our adjusted EBITDA calculation on the company's IFRS 16 accounting and adjust for one-off items such as a NOK 220m extraordinary bonus payment in 2020. We also add dividends from associate companies. Net interest-bearing debt is adjusted for unfunded pension benefit obligations, but we do not adjust for options to extend leases of store premises, given that these options will most likely be exercised. Most options concern leases maturing beyond five years, with some extending beyond 10 years. We believe these options provide a degree of flexibility and note that adjusting for them improves key metrics significantly.

Figure 18. Key metrics, including and excluding additional lease option adjustments, 2023



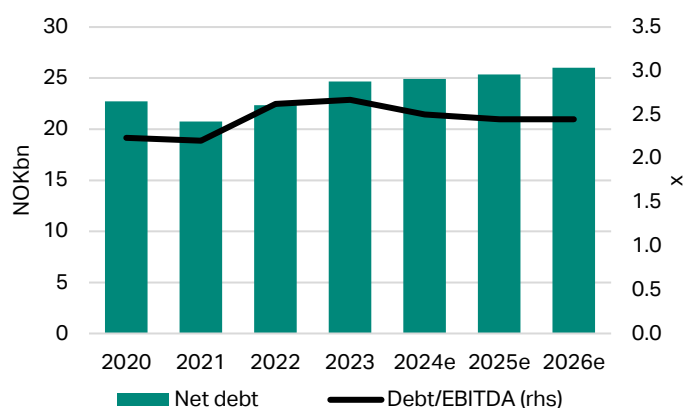
If found to have engaged in anti-competitive practices related to the 'price-hunter' case, NorgesGruppen faces a possible fine up to NOK 2.3bn, down from NOK 8.8bn in 2020. We expect the company to appeal against any fine and believe (in line with analytical consensus) that, if imposed, the final amount will be significantly lower. We do not include the possibility of fines in our forecast, but note that any financial penalty could negatively impact the company's metrics.

Figure 19. Key base-case forecast assumptions and credit metrics, 2024–2026e

NOKm	2024e	2025e	2026e
Revenue growth (%)	4.0	3.0	2.5
EBITDA margin (%)	8.5	8.6	8.6
Capital expenditure (NOKm)	4,360	4,650	4,750
Dividend payment (NOKm)	1,286	1,324	1,357
Net debt/EBITDA (x)	2.5	2.4	2.4
EBITDA/net interest (x)	7.2	7.3	7.4
FFO/net debt (%)	30.9	31.5	31.5
FOCF/net debt (%)	13.7	12.9	12.2

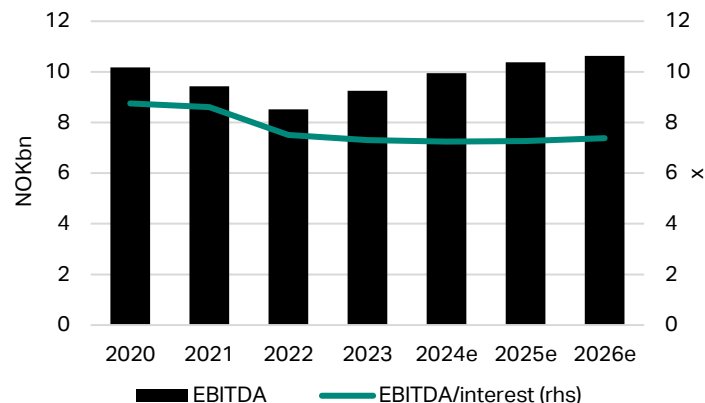
Source: company and NCR. e-estimate. All metrics adjusted in line with NCR methodology.

Figure 20. Net debt and net debt/EBITDA, 2020–2026e



Source: company. e-estimate.

Figure 21. EBITDA and EBITDA/interest, 2020–2026e



Source: company. e-estimate.

Stable profitability and capital spending

We believe that NorgesGruppen's risk appetite is more moderate than warranted by the financial ratios we expect over our forecast period. We consider it positive that the lease options provide flexibility to exit unprofitable contracts. We also believe that the family ownership structure contributes to the company's stable risk appetite. The grocery business is relatively resilient to economic cycles and the company has traditionally reported strong FOCF.

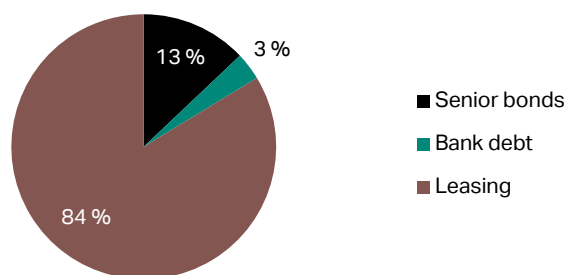
NorgesGruppen targets a minimum dividend pay-out ratio of 25%, providing the company's future capital needs are covered. In the past five years, the pay-out ratio has been around 30%. The board is currently authorised to increase the company's share capital by issuing up to 2 million additional shares (a 5% increase) and to buy back up to 10% of outstanding shares. NorgesGruppen retains the right of first refusal when the company's shares are sold.

The company has pursued a prudent acquisition strategy and has mostly focused on small bolt-on acquisitions in recent years. Investments on the fringe of its core business areas have mostly been carried out through associate companies. NorgesGruppen invests in real-estate development projects as a minority partner to obtain access to attractive locations for grocery stores, and this could lead to fluctuations in cash flow and periods of volatile financial gearing.

NorgesGruppen's funding consists of senior bonds, bank debt, and leasing. The main covenants and historical metrics (see Figure 23) are based on pre-2019 accounting standards (Norwegian Generally Accepted Accounting Principles).

Risk appetite 'bbb+'

Figure 22. Funding structure, 31. Dec. 2023



Source: company.

Figure 23. Debt covenants and reported credit metrics*, 2020–2023

	Covenant	2020	2021	2022	2023
EBITDA/net interest (x)	≥3	271	n.m.	n.m.	n.m.
NIBD/EBITDA (x)	≤3.5	0.3	0	0	0.1
Equity ratio (%)	≥24	59	65	63	62

Source: company. *Not based on IFRS16. NIBD–net interest-bearing debt. **not meaningful, due to negative net interest.

NorgesGruppen has limited currency risk. Its foreign exchange exposure is mainly to the Danish krone and euro. It uses hedging instruments to reduce the impact of changes in currency rates. Funding is mainly at floating interest rates (some interest hedges exist) and we do not assess its operations to be interest rate sensitive. The weighted average time to maturity of the company's bond debt is close to three years. NorgesGruppen faces credit risk in connection with lending and guarantees provided to associate companies, wholesale customers and franchisees totalling NOK 1.4bn, as well as account receivables totalling NOK 3.06bn (2023). We assess the risk of significant credit losses as small.

ADJUSTMENT FACTORS

Adjustment factors are assessed as neutral and have no effect on the rating.

Liquidity

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 NorgesGruppen's liquidity position as adequate, with net sources/uses of NOK 10.3bn for the 12 months ending 31 Dec. 2024. The company has a strong cash position and unutilised credit facilities which significantly outweigh its committed financial obligations.

Figure 24. Liquidity analysis (stressed scenario), 31 Dec. 2023–31 Dec. 2024

Liquidity, next 12 months	Amount NOKm
Cash and cash equivalents (100%)	3,408
Adjusted FFO (75%)	5,775
Unutilised credit facilities	4,335
Total sources	13,518
Repayment of borrowings	-1,100
Committed capital expenditure	-256
Leasing instalments	-1,776
Amortisation	-95
Total uses	-3,227
Sources/uses (x)	4.2
Sources-uses (NOKm)	10,291

Source: company and NCR.

Adjustment factors
neutral

Liquidity adequate

ESG factors adequate

Environmental, social and governance factors

The main environmental, social and governance (ESG) issues that could affect our credit rating on NorgesGruppen 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, we believe that the main credit risks relate to fair competition, CO₂ emissions, electricity usage and food waste. Fair competition is an ongoing area of discussion with Norway's competition authority.

NorgesGruppen adopted a new reporting standard in 2021 to measure sustainability results. The company is making efforts to reduce operating emissions (Scope 1 and 2), as well as emissions related to food waste, other waste and hired transport (Scope 3). The stated target is to be carbon neutral by 2030 within these areas and the company is increasing investments to reduce emissions. Wholesaler Asko's distribution of groceries is a major source of direct emissions, and NorgesGruppen is making efforts to reduce transport emissions. The company's investments in renewable energy have been more profitable than it previously expected, due to higher energy prices, and we considered them an important step to fully offsetting CO₂ emissions.

NorgesGruppen has worked systematically to reduce food waste and aims to halve it by 2025 compared with the 2015 level. In 2023, 2D codes were introduced to simplify identification of products nearing their expiry date. The company is continually working to reduce waste in all product groups and eliminate waste meat entirely by 2025 to cut greenhouse gas emissions.

Figure 25. ESG considerations

Issue	Risk	Mitigating efforts	Result
Fair competition	New competition legislation. Fines, changes in business model.	Discussions with the NCA. No longer discloses prices to competitors.	Legislative proposals are at the consultation stage. Most anti-competitive cases closed by the NCA without action. 'Price hunter' case continuing.
CO ₂	New regulations and increased taxation could reduce operating efficiency. Regulatory requirements could increase capital spending.	Increased use of electric vehicles in distribution. Efforts to achieve carbon-neutral operations by 2030.	Green bond issues with 'Dark Green' shading from environmental certification agency CICERO. Greenhouse gas emissions down by 18% in 2023 from 2019. Plastic use down by 12% in 2023.
Electricity	Increased cost of operations caused by high energy prices.	Target of energy generation equivalent to consumption. Major investments in renewable energy projects using solar and wind power. Energy saving measures such as efficient refrigeration and LED lighting.	Limited negative effect of high energy prices. Half of all grocery stores have reduced energy use or increased own generation, resulting in 30–50% less power usage. Produced 16% of own energy in 2023.
Food waste	New regulations could reduce operating efficiency and increase capital spending. Increased consumer focus on waste.	Targeting 50% reduction of food waste by 2025. Cooperation with suppliers. Discounts on food close to expiry date. Use of food waste for biogas and animal feed.	Food waste down by 40% at end-2023 from 2015.

Source: company. See [ESG factors in corporate ratings](#).

OWNERSHIP ANALYSIS

Ownership neutral

NorgesGruppen is controlled by the Johannson family, which holds 74.4% of the shares. Johan Johannson is currently chairman. The family also owns real-estate and other investments through investment vehicle Joh. Johannson Invest AS. We believe that the family takes a long-term view of its ownership in NorgesGruppen and that it fully backs the company's current strategy, while keeping a firm rein on risk appetite.

Figure 26. Ownership structure, 31 Dec. 2023

Owner	Share of votes and capital (%)
Joh. Johannson Handel AS	74.4
Brødrende Lorenzen AS	9.0
Tor Kirkeng AS	1.9
Butikkdrift AS	1.8
Joakim Burud Holding AS	1.6
Bettina Burud Holding AS	1.6
Drageset AS	1.1
Kråtun AS	1.1
Terje Navjord AS	1.0
Owners with capital in excess of 1%	93.5
Treasury shares	2.7
Other	3.8

Source: company.

ISSUE RATINGS

NorgesGruppen is largely funded through senior unsecured debt, bank debt and leasing. We expect gross secured debt to NCR-adjusted EBITDA to remain below 2x over our forecast period (0.1x as of 31 Dec. 2023). 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 the company's liquidity profile relative to the 'BBB+' long-term issuer rating. The company's committed sources to uses stood at 4.2x according to our liquidity analysis for the 12 months ending 31 Dec. 2024, which we see 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.

Figure 27. NCR's adjustments to credit metrics, 2020–2026e

NOKm	2020	2021	2022	2023	2024e	2025e	2026e
EBITDA	10,010	9,659	8,582	9,578	10,249	10,676	10,943
Share of profit from JVs and associates	-284	-465	-355	-512	-532	-548	-562
Dividends from JVs & associates	226	238	289	180	235	243	249
Other EBITDA adjustments	220						
NCR-adj. EBITDA	10,172	9,431	8,516	9,246	9,952	10,371	10,630
Net interest	-27	29	29	20	-37	-52	-30
Financial costs from leasing	-1,135	-1,126	-1,163	-1,285	-1,336	-1,376	-1,411
NCR-adj. net interest	-1,162	-1,096	-1,134	-1,265	-1,374	-1,428	-1,441
NCR-adj. EBITDA	10,172	9,431	8,516	9,246	9,952	10,371	10,630
NCR-adj. net interest	-1,162	-1,096	-1,134	-1,265	-1,374	-1,428	-1,411
Current tax	-1,084	-992	-702	-836	-879	-946	-986
NCR-adj. FFO	7,926	7,343	6,680	7,145	7,700	7,996	8,203
Changes in working capital	867	977	536	189	83	-82	-269
Capital spending	-3,284	-2,953	-3,625	-4,033	-4,360	-4,650	-4,750
Other cash flow from operations	-1,054	-1,143	-826	-894			
NCR-adj. FOCF	4,455	4,224	2,765	2,407	3,423	3,264	3,184
Cash and cash equivalents	2,524	4,069	2,814	3,408	3,748	3,807	3,663
NCR-adj. cash and equivalents	2,524	4,069	2,814	3,408	3,748	3,807	3,663
Gross interest-bearing debt	4,574	4,256	3,612	4,860	4,860	4,860	4,860
Long-term leasing liabilities	17,933	17,867	18,804	20,270	20,731	21,146	21,510
Short-term leasing liabilities	2,069	2,006	2,048	2,224	2,313	2,406	2,504
Retirement obligations	669	706	687	729	750	766	794
NCR-adj. cash and equivalents	-2,524	-4,069	-2,814	-3,408	-3,748	-3,807	-3,663
NCR-adj. net debt	22,720	20,766	22,337	24,675	24,906	25,372	26,005

Source: company and NCR. e=estimate. JVs=joint ventures.

Figure 28. Key financial data, 2020–2023

NOKm	2020	2021	2022	2023
INCOME STATEMENT				
Total revenue	101,385	102,885	102,487	111,984
Gross profit	26,375	26,421	26,890	28,647
EBITDA	10,010	9,659	8,582	9,578
EBIT	5,765	5,666	4,341	5,251
Net financial items	-1,182	-1,072	-1,090	-1,256
Pre-tax profit	4,583	4,594	3,251	3,996
Net profit	3,526	3,653	2,602	3,174
BALANCE SHEET				
Property, plant and equipment	18,924	19,484	19,846	20,951
Goodwill	4,912	5,046	5,027	5,215
Intangible assets other than goodwill	95	96	798	1,193
Interests in associates	4,020	4,168	4,349	5,083
Other non-current assets	20,772	20,045	21,240	22,729
Non-current assets	48,724	48,839	51,259	55,171
Cash and cash equivalents	2,524	4,069	2,814	3,408
Other current assets	11,702	11,627	13,888	15,912
Total current assets	14,226	15,696	16,702	19,321
Total assets	62,950	64,535	67,961	74,492
Total equity	23,735	26,363	27,701	29,778
Long-term borrowings	3,737	3,628	3,143	3,623
Long-term lease liabilities	17,933	17,867	18,804	20,270
Retirement benefit obligations	669	706	687	729
Deferred tax liabilities	923	649	981	1,031
Other long-term liabilities	50	0	0	0
Non-current liabilities	23,312	22,850	23,614	25,653
Current liabilities	15,903	15,322	16,645	19,061
Total equity and liabilities	62,950	64,535	67,961	74,492
CASH FLOW STATEMENT				
Pre-tax profit	4,583	4,594	3,251	3,996
Adjustment for non-cash items	2,123	1,212	1,654	1,759
Cash flow before changes in working capital	6,706	5,806	4,905	5,754
Changes in working capital	867	977	536	189
Operating cash flow	7,573	6,783	5,441	5,943
Cash flow from investment activities	-3,206	-2,887	-3,722	-4,322
Cash flow from financing activities	-3,473	-2,351	-2,974	-1,027
Cash and cash equivalents at start of year	1,631	2,524	4,068	2,814
Cash flow for year	893	1,544	-1,254	594
Cash and cash equivalents at year-end	2,524	4,069	2,814	3,408

Source: company.

Figure 29. NorgesGruppen rating scorecard

Subfactors	Impact	Score
Operating environment	20.0%	a
Market position	10.0%	a
Size and diversification	10.0%	bbb+
Operating efficiency	10.0%	a-
Business risk assessment	50.0%	a-
Ratio analysis		bbb-
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		Positive
Short-term rating		N2

Figure 30. Capital structure ratings

Seniority	Rating
Senior unsecured	BBB+

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