Nordic Credit Rating

CORPORATE

Norway
7 Jun. 2024

NorgesGruppen ASA

Rating Action Report

LONG-TERM RATING

BBB+

OUTLOOK

Positive

SHORT-TERM RATING

N2

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NorgesGruppen ASA 'BBB+' long-term issuer rating affirmed; Outlook positive

Nordic Credit Rating (NCR) said today that it had affirmed its 'BBB+' long-term issuer credit rating on Norway-based grocery retailer NorgesGruppen ASA. The outlook is positive. The 'N2' short-term issuer rating and 'BBB+' issue rating on the company's senior unsecured debt were also affirmed.

Rating rationale

The long-term issuer rating reflects NorgesGruppen'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 further reflects the company's low sensitivity to economic recessions.

We view the operating environment as more positive than previously. The company has shown resilience to challenging market conditions in recent years and has maintained its EBITDA margin in the last year despite cost increases.

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 positive outlook reflects 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.

We could raise the rating to reflect NCR-adjusted debt/EBITDA sustainably below 2.5x, for example due to improved EBITDA margins. We could also raise the rating to reflect an improved market position or increased diversity of distribution and revenues, together with steady operating efficiency and profitability.

We could revise the outlook to stable to reflect new legislation that negatively impacts the company's market position, weakened market fundamentals, leading to EBITDA margins below 8%, or increased financial leverage due to higher working capital requirements or investments.

Rating list	**To**	**From**
Long-term issuer credit rating:	BBB+	BBB+
Outlook:	Positive	Positive
Short-term issuer credit rating:	N2	N2
Senior unsecured issue rating:	BBB+	BBB+

Figure 1. NorgesGruppen rating scorecard

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

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 25 Oct. 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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