

Nortura SA

Full Rating Report

LONG-TERM RATING

BB+

OUTLOOK

Stable

SHORT-TERM RATING

N4

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RATING RATIONALE

Our 'BB+' long-term issuer rating on Norway-based food producer Nortura SA reflects the company's weak financial metrics and continuous pressure on its margins. Nortura has been negatively affected in recent years by high inflation and volatile input costs. These factors have been exacerbated by limitations on the company's ability to adjust prices. Nortura's corporate structure reduces opportunities to achieve economies of scale due to a statutory obligation to take produce from farmers throughout Norway, which in turn impedes inventory management. The rating is constrained by increasing competition from producers, distributors, and retailers, as well as megatrends, such as public concern about emissions, animal welfare and health.

Nortura has a solid market position through its brands Prior and Gilde, with consumer demand met through a variety of distribution channels. The company's strong relationships with grocery retailers support its operations. The rating is further supported by Nortura's statutory role as market regulator, which creates barriers to entry and ensures the company's systemic importance in the Norwegian food market.

STABLE OUTLOOK

The outlook is stable, reflecting our view that Nortura will maintain its regulatory role and solid market position. We expect the company to improve its operating margins and credit metrics gradually through strategic efficiency investments, and so recover from ongoing supply-demand imbalances. Nortura demonstrated an ability to offset higher costs through price increases in 2023, but we note that inventory management continues to create challenges.

POTENTIAL POSITIVE RATING DRIVERS

- Net debt/EBITDA sustainably below 3.5x and EBITDA/net interest sustainably above 4.5x.
- EBITDA margins excluding one-offs stabilising at around 4%.
- Improved supply-demand predictability.

POTENTIAL NEGATIVE RATING DRIVERS

- Debt covenant breaches leading to action by one or more of the company's banks.
- Insufficient support, or loss of regulatory role.
- Failure to improve key financial ratios in line with our forecast.

Figure 1. Key credit metrics, 2020–2026e

NOKm	2020	2021	2022	2023	2024e	2025e	2026e
Revenues	24,723	26,614	28,390	30,786	30,908	32,003	32,849
EBITDA	1,095	1,022	536	1,101	1,141	1,186	1,240
EBITDA margin (%)	4.4	3.8	1.9	3.6	3.7	3.7	3.8
FFO	897	799	282	791	837	859	944
Net debt	3,970	3,558	4,863	5,281	5,322	5,507	5,630
Total assets	11,060	10,661	11,872	13,014	12,914	13,103	13,454
Net debt/EBITDA (x)	3.6	3.5	9.1	4.8	4.7	4.6	4.5
EBITDA/net interest (x)	6.1	5.7	2.5	3.7	3.7	4.1	4.4
FFO/net debt (%)	22.6	22.5	5.8	15.0	15.7	15.6	16.8
FOCF/net debt (%)	11.4	8.4	-28.7	-6.1	7.5	-1.1	3.3

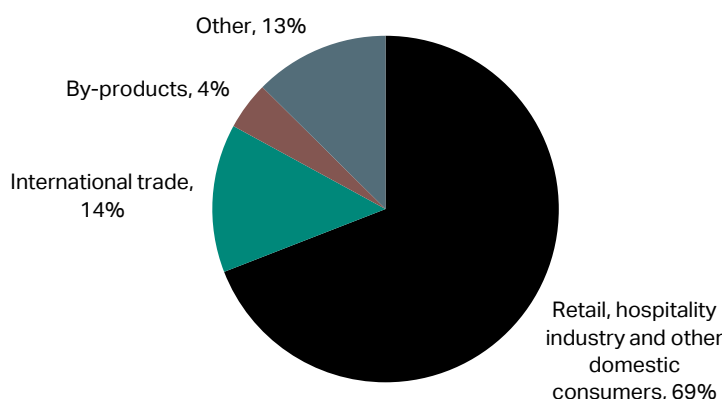
Source: company and NCR. e=estimate. FFO=funds from operations. FOCF=free operating cash flow. All metrics adjusted in line with NCR methodology.

ISSUER PROFILE

Nortura is an agricultural cooperative established in 2006 by the amalgamation of the Prior and Gilde cooperatives, which previously focused on poultry and livestock, respectively. The company can trace its roots as far back as the establishment of Jæderen Poultry breeding association in 1896. Nortura is owned by about 16,000 Norwegian farmers and is one of the largest agricultural processing and distribution companies in northern Europe. The company is the market regulator for eggs and meat in Norway, with a statutory remit to facilitate a stable balance of supply and demand. It also provides stability of revenues for its owners and ensures availability of products for consumers.

Nortura's primary operations link farmers and consumers and include slaughtering, packaging, processing, wholesale, marketing, product development, and support for members. The company is organised into four main business areas: Retail, Hospitality industry and other domestic consumers; By-products; International Trade; and Other.

Figure 2. Revenues by business segment, 30 Apr. 2024



Source: company.

BUSINESS RISK ASSESSMENT

Business risk

Our business risk assessment reflects Nortura's leading position in Norway's semi-protected meat and egg industry. The company has strong brand recognition and a diverse product offering within the food sector. Nortura has strong relationships with grocery retailers, which provide a significant share of its revenues, and the hospitality industry. In addition, the company's position as market regulator creates barriers to entry. These factors are partly offset by increasing competition in the food industry, an obligation to sell meat and eggs to competitors, and operating margins that remain under pressure.

Economic trends and trade regulations constrain supply and demand

Operating environment

Historically, the Norwegian food industry has been stable and resilient to economic change, but unpredictable economic conditions have resulted in a volatile market in recent years. Continued high interest rates are pressuring consumer budgets and increasing price awareness. While we believe these trends will have a limited impact on overall food consumption, changing dynamics could nonetheless negatively impact consumer preferences. Positively, Nortura's broad selection of price categories (premium to budget, and white-label products) partly offsets this risk. The hospitality and retail sectors account for most of Nortura's sales, though constraints on domestic household budgets could hamper growth in the hospitality sector.

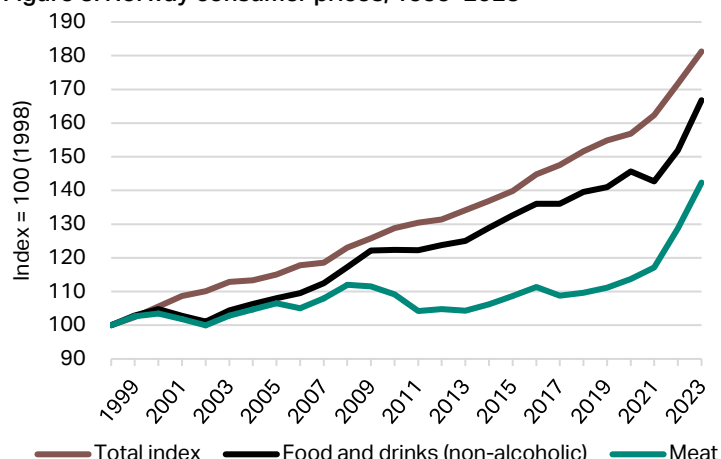
Domestic food price inflation is partly offset by significant public transfers to agriculture and market practices that restrict suppliers' ability to change prices to set dates twice a year. This restricts Nortura's ability to adjust prices to reflect increasing costs.

Most of Nortura's revenues come from the Norwegian domestic market. Consumption is largely channelled through three grocery chains – NorgesGruppen, Coop and Rema 1000 – and the hospitality industry. In addition, cross-border trade creates effective competition.

While Norwegian consumer prices and the price of other food and non-alcoholic drinks have steadily increased over the past 20 years, changes in meat product prices have been more subdued. However,

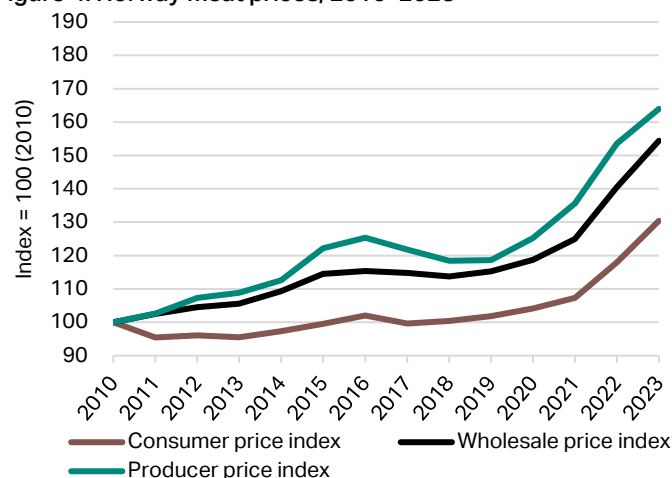
the gap has narrowed in recent years. Production costs and the wholesale price index have rapidly outpaced the consumer price index, indicating significant pressure on the price of meat products.

Figure 3. Norway consumer prices, 1999–2023



Source: Norwegian institute of Bioeconomy Research.

Figure 4. Norway meat prices, 2010–2023



Source: Norwegian institute of Bioeconomy Research.

The Norwegian food production industry is heavily protected by the government, which places a strong emphasis on self-sustaining domestic food production policies by limiting imports and creating trade barriers. This focus has strengthened since Russia's invasion of Ukraine. In our view, provided that these policies remain in place, there should be no immediate risk of foreign producers entering the Norwegian market.

Food producers face an increased global focus on sustainability issues, including health, animal welfare, energy use and greenhouse gas emissions, especially from cattle. As a result, demand for meat, particularly red meat, is sliding. In an attempt to offset the impact of reduced demand for red meat, Nortura has sharpened its focus on other products, such as white meat and eggs. The agricultural sector is also likely to be negatively affected by climate change-induced weather events and climate volatility.

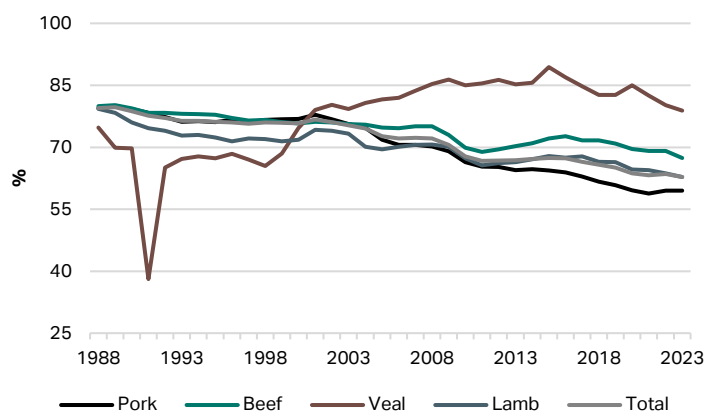
Strong brand names and regulatory role create solid market position

Market position

Nortura has a solid position in the domestic meat and egg market through its leading brands, Gilde and Prior. The company's role as market regulator gives it a favourable market position and considerable power within the industry. Domestic regulations require market regulators to be organised as cooperatives. Nortura is owned by a significant number of Norwegian farmers, effectively barring the way for prospective new entrants. However, pricing regulations, competition rules and the presence of strong retail groups constrain the company's pricing and bargaining power within the value chain. Competition for shelf space is fierce; the retail grocery sector is largely characterised by high volumes and narrow operating margins, and new producers offering niche selling points such as sustainability and local sourcing add to the challenge. As sales through grocery retailers represent a significant amount of Nortura's total sales volumes, strong relationships are important. Conversely, retailers are dependent on food producers for consistent supply of sellable volumes.

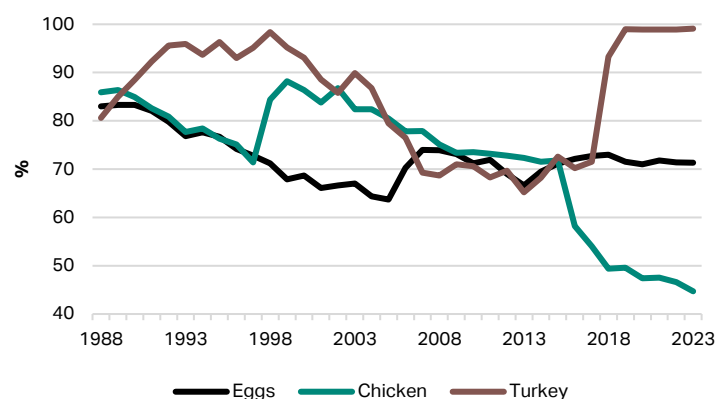
Competition also comes from retailers' own-brand products which accounted for about 20% of all domestic groceries in 2023. In Norway, the proportion of grocery retailers' own brands is much lower than in other European countries, and we expect domestic supermarkets to aim for similar levels, thereby intensifying competition with suppliers such as Nortura. The company itself has a foothold in the own-brand segment through Norfersk AS, a wholly owned producer that supplies NorgesGruppen. In this respect, Norfersk provides some protection for Nortura's market position but, in our view, Nortura's overall market share remains under pressure. Due to the company's role as market regulator, it is required to supply meat to other producers at prices similar to those it would pay its own processing companies.

Figure 5. Position in Norwegian meat market, 1988–2023



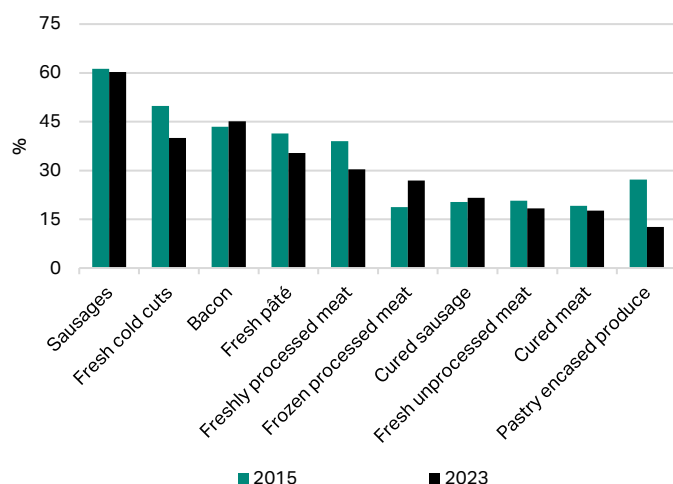
Source: company.

Figure 6. Position in Norwegian egg and poultry markets, 1988–2023



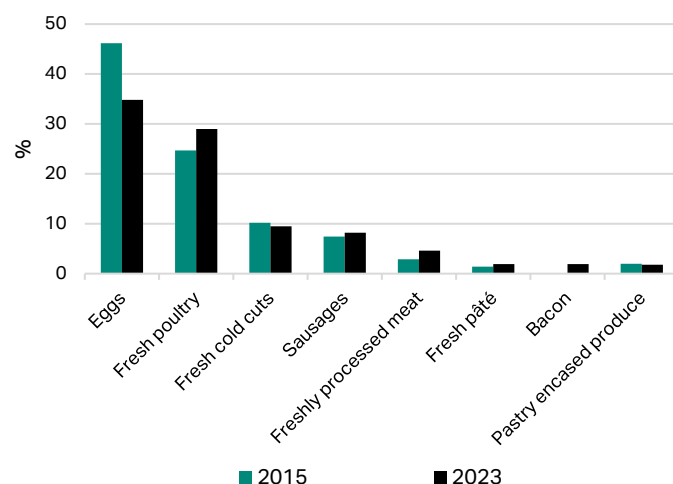
Source: company.

Figure 7. Gilde market position by product, 2015 vs 2023



Source: company.

Figure 8. Prior market position by product, 2015 vs 2023



Source: company.

Competitors such as Fatland Group AS and Nordfjord Kjøtt AS, which mostly distribute through Coop and Rema 1000 respectively, have increased their market share at Nortura's expense in recent years. However, grocery retailer NorgesGruppen has by far the largest market share in the domestic market, and Nortura benefits from its role as NorgesGruppen's main distributor of red and white meat. Nortura's market share is under pressure from factors such as increasing competition from both domestic and international meat and egg producers. While an increased global focus on sustainability and animal welfare is likely to impact overall market size, we expect it to be more beneficial than harmful to Nortura's market position.

Norway's largest distributor of meat and eggs

Nortura is the largest distributor of meat and eggs in Norway. Its 16,000 farmer members provide significant diversity of supply. Non-members are guaranteed equal treatment with members, increasing the incentive for them to supply the cooperative. The diversity of suppliers ensures that Nortura has secure supplies of livestock. However, the statutory obligation to sell meat and eggs to other producers could negatively affect Nortura's ability to expand and the stability of the company's sales through its own distribution channels.

Nortura's revenues are more diverse than those of peers such as Fatland and Nordfjord, but less diverse than those of distributors and producers supplying multiple foodstuffs. Customer diversity is limited, as the country's three main grocery chains dominate the market. Nortura's contracts with grocery store distributors vary, but are typically based on targeted volumes and prices.

Size and diversification

Nortura's role as the market regulator for meat and eggs is generally positive, ensuring the company's consumer reach, political influence and market position. However, it also reduces flexibility and cost efficiency, given the need for a country-wide presence and a requirement to purchase produce at low margins.

Figure 9. Main grocery distributors

	NorgesGruppen	Coop	Rema 1000
Main distributor of red meat	Norfersk (Nortura)	Fatland	Nordfjord
Secondary distributor of red meat	Gilde (Nortura)	Gilde (Nortura)	Gilde (Nortura)
Main distributor of white meat	Prior (Nortura)	Den Stolte Hane	Solvinge
Secondary distributor of white meat	-	Prior (Nortura)	-

Source: company.

Nortura has numerous associated companies, which provide geographic and market diversity. They account for 33% of group revenue, contribute to the company's circular business model and reduce waste. Most of the associated companies are held for strategic reasons and operate in Norway, Denmark, Sweden and the UK. They help to fully utilise slaughtered animals (hides, wool, intestines), provide animal welfare, and offer sustainability oversight. They also facilitate international trade and ensure that meat imports and exports meet regulatory requirements.

Continued improvements likely as investment programme progresses

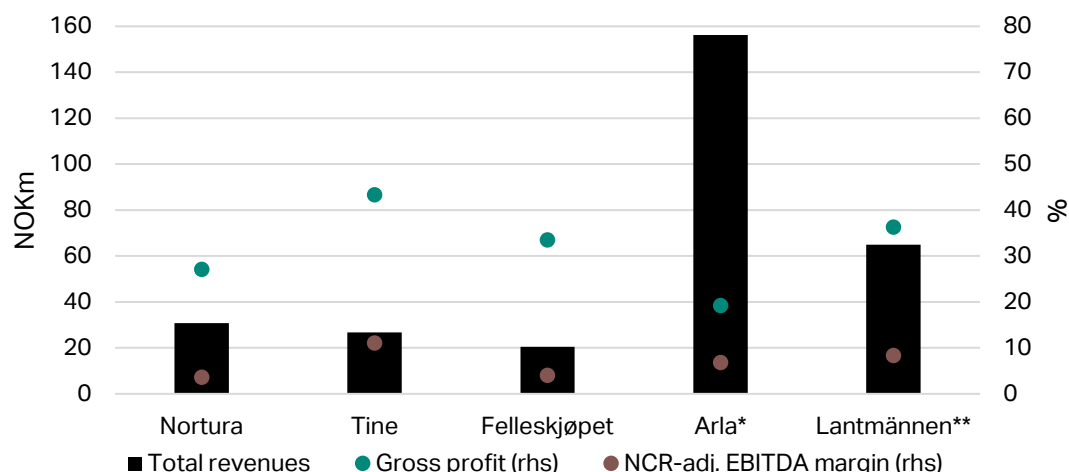
Due to Nortura's cooperative structure and role as market regulator, the company has narrow, but consistently positive, EBITDA margins. Production facilities are spread across Norway, limiting economies of scale, while a legal requirement to balance supply and demand limits pricing power and the ability to manage inventories efficiently. The company is making headway with a strategy to reduce the number of facilities and improve cost efficiency. We believe this will continue to have a positive effect over the next few years.

In 2023, Nortura improved its EBITDA margin from extremely weak levels in 2022. Input costs (energy, transport and animal feed) remained high, but cost coverage levels improved throughout the year. Margins remained under pressure in the first four months of 2024 due to lower egg prices and increased meat inventories, and initial challenges associated with a new pork cutting line at the company Tønsberg facility. The line will increase capacity, and the resulting economies of scale could lead to significant cost savings. We believe that Nortura will improve operating efficiency over the remainder of 2024 by optimising inventory levels and implementing cost efficiencies, thereby keeping EBITDA margins at around 2023 levels.

Due to its ownership structure, Nortura has some influence over input costs, but its margins are weaker than those of comparable companies and cooperatives in the Nordic region (see Figure 10). As market regulator, Nortura is responsible for encouraging production and absorbing oversupply when needed. The company maintains a large inventory of processed, frozen, and fresh meat, with all member farmers contributing to the related storage costs. Nortura cannot swiftly reduce its inventories due to the regulated nature of the market, already tight margins, and the relative inflexibility of its product prices. We note, however, that the company engages in price competition with grocery chains and has demonstrated its ability to make significant price adjustments.

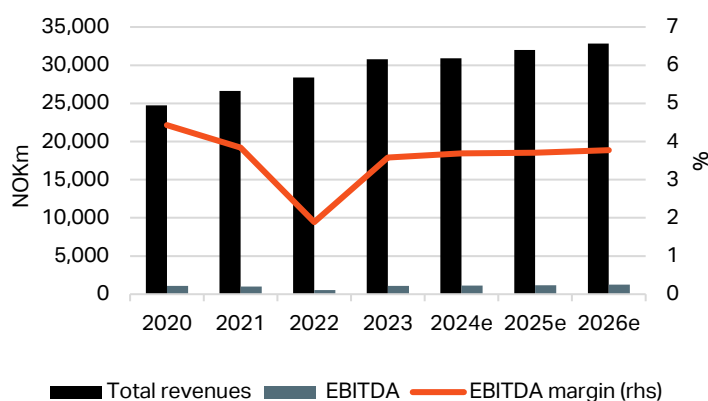
Operating efficiency

Figure 10. Regional peer comparison by revenue and EBITDA margin, 31 Dec. 2023



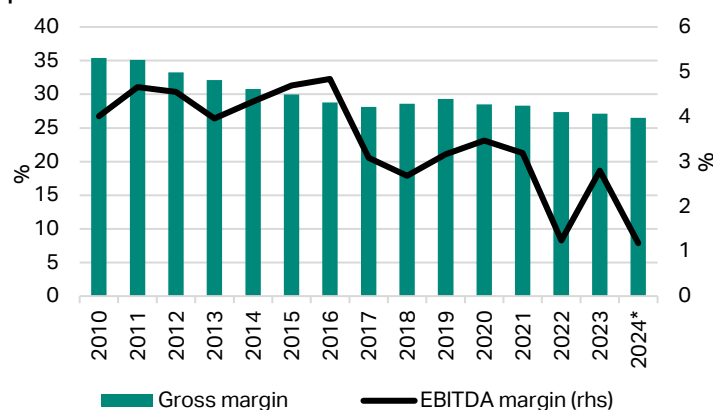
Source: company. *EUR-NOK 11.42 **SEK-NOK 0.99 as of 31 Dec. 2023.

Figure 11. Revenues and adjusted EBITDA margin, 2020–2026e



Source: company and NCR. e—estimate.

Figure 12. Reported gross margin and EBITDA margin, 2010–30 Apr. 2024



Source: company. *four months ended 30 Apr. 2024.

FINANCIAL RISK ASSESSMENT

Financial risk

Our financial risk assessment reflects Nortura's slim margins, significant financial leverage, high investment requirements, and challenging inventory management issues. These factors have a material negative impact on the company's finances. Positively, we expect the company's finances to improve as the cost benefits of an ongoing restructuring plan to improve operating efficiency materialise. We also expect inventory levels to reflect demand more accurately over time.

Metrics improve, but recovery remains slow

Ratio analysis

We expect Nortura to continue to make investments in line with the restructuring plan. We expect moderate sales growth over our forecast period as demand for the company's products appears to have reverted to long-term historical norms, compared with the sharp fluctuations of recent years. Nortura is structured to provide its members with any profits, while operating as a support unit for customers and suppliers alike.

Nortura's financial metrics have been under pressure for some time and uncertainty about inventory levels continues. The effects of the restructuring should continue to have a positive effect on metrics over our forecast period, but the impact should be even greater in subsequent years.

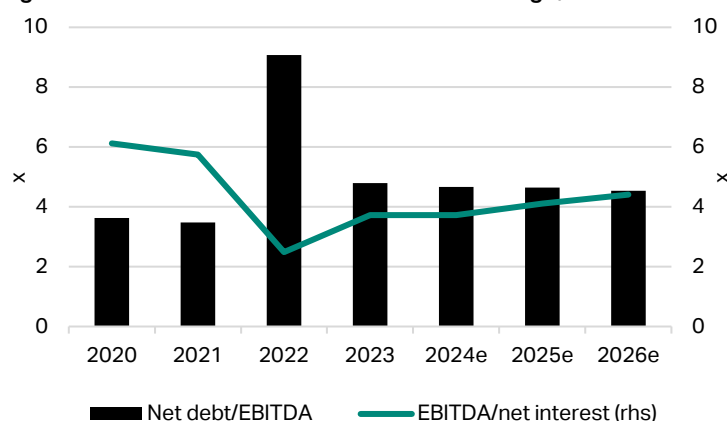
Nortura reports every four months under Norwegian Generally Accepted Accounting Principles. We adjust our calculations by adding factoring, unfunded pension liabilities, and operating leases to debt. We apply 50% equity treatment to a NOK 750m hybrid bond and its corresponding interest costs due to its long maturity, the 5-year gap between the call date and step-up date, and the possibility of deferring interest costs. We have historically included non-recurring adjustments in EBITDA.

Figure 13. Key base-case forecast assumptions and credit metrics, 2024–2026e

NOKm	2024e	2025e	2026e
Revenue growth (%)	0.4	3.5	2.6
EBITDA margin (%)	3.7	3.7	3.8
Capital spending NOKm	580	780	775
Net debt/EBITDA (x)	4.7	4.6	4.5
EBITDA/net interest (x)	3.7	4.1	4.4
FFO/net debt (%)	15.7	15.6	16.8
FOCF/net debt (%)	7.5	-1.1	3.3

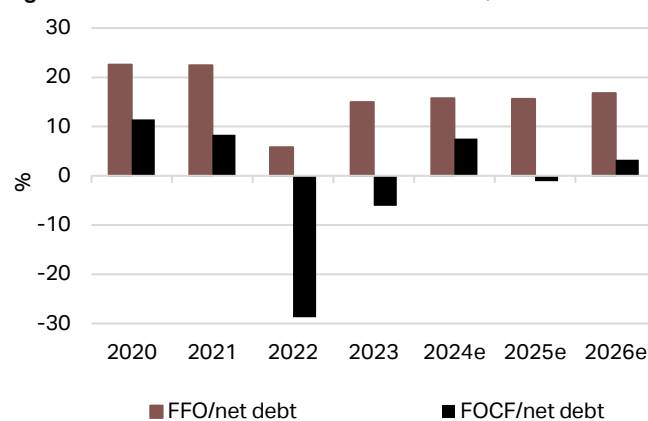
Source: NCR. e–estimate. All metrics adjusted in line with NCR methodology.

Figure 14. Net debt/EBITDA and interest coverage, 2020–2026e



Source: Company and NCR. e–estimate.

Figure 15. FFO/net debt and FOCF/net debt, 2020–2026e



Source: company and NCR. e–estimate.

Cooperative structure and hedging offset financial weaknesses

We assess Nortura's risk appetite as commensurate with our assessment of its financial ratios. The company has an ambitious debt-financed investment plan, which is likely to improve its margins. However, this implies continuously elevated leverage, especially given Nortura's historically low margins and difficulty issuing new equity due to its membership structure. This risk is offset by the strength of the company's cooperative structure and the financial support of its member farmers, as well as its flexibility in making payments and paying dividends to its owners. We classify the company's cooperative capital as shareholder loans and apply 100% equity treatment as we expect no sharp fall in the number of member farmers. Cooperative capital is locked in for seven years and dividend distributions require board approval.

Nortura's balance sheet reflects high inventory levels, though we expect the current supply-demand imbalance to improve over time. Part of Nortura's inventory is a so-called market regulator inventory, which is mostly funded by annual fees paid by farmer members to a dedicated fund. In addition, Nortura has an earmarked facility of NOK 500m (as of 30 Apr. 2024) to help fund additional inventory volumes. We do not include utilised portions of this facility in net debt in our base-case assessment. However, but given that Nortura has formal responsibility for this debt and we expect inventory levels to remain high, we incorporate this facility as a stress factor in our forecast net debt metrics.

Nortura operates predominantly within Norway, keeping the need for currency hedging low. Its operations in the UK, Denmark and Sweden are financially secured through currency hedges. The company has a policy of keeping 50% of interest-bearing debt secured through hedging.

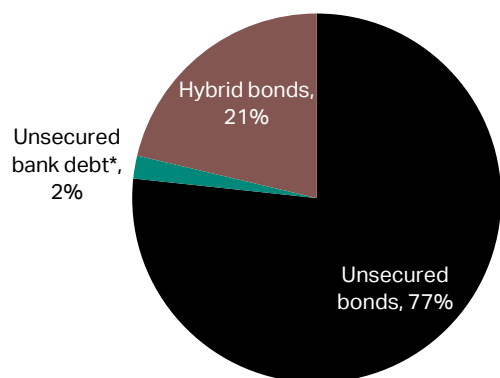
Nortura's financial policy targets net debt/EBITDA of 2–3x and its financial covenants on bank loans and facilities stipulate average net debt/EBITDA of below 3.5x on a rolling 12-month basis (although the figure varies throughout the year). The company also has a minimum equity ratio of 26% for senior unsecured bonds and 28% for bank loans. After a period of raised covenant levels in 2022 and 2023, Nortura had restored the net debt/EBITDA (covenant calculation) to 3x by end-2023, well below waiver target of 4x. The hybrid instrument is excluded from these calculations. We believe that Nortura has continued and strong support from its banks, but that future covenant breaches could lead creditors to refuse additional waivers or that creditors' demands could become more severe. However, the net

Risk appetite

debt/EBITDA (covenant calculation) stood at 3.28x as of 30. Apr. 2024, compared with its original requirement of 3.5x. We expect the company to meet its covenant requirements over our forecast period.

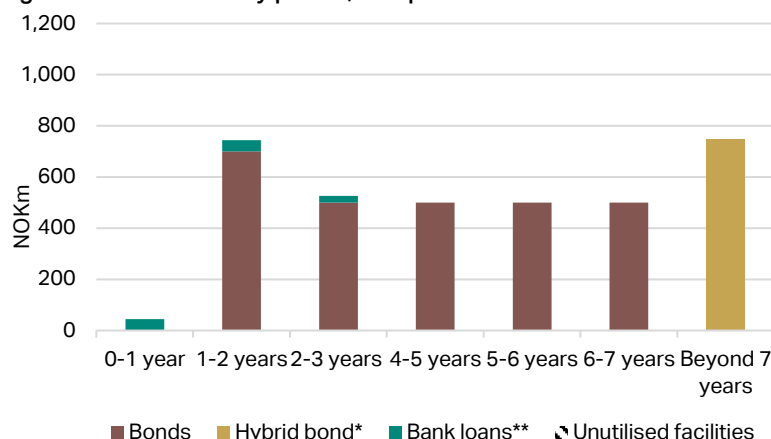
Nortura has a diverse maturity profile, with an average debt maturity of 3.8 years (excluding NOK 750m in hybrid bonds). The hybrid bond matures in 2047 (first call date in 2027) and represents 21% of the company's outstanding debt.

Figure 16. Debt profile, 30 Apr. 2024



Source: company.*Nordic Investment Bank, and Innovasjon Norge.

Figure 17. Debt maturity profile, 30 Apr. 2024



Source: company.*Nordic Investment Bank and Innovasjon Norge.

Nortura provides financial guarantees to its members through a common guarantee pool, established in 1967, to support the wider Norwegian agricultural industry. The company holds about 50% of the pool's total guarantee obligations. In 2023, Nortura's guaranteed obligations totalled NOK 790m, divided between its member farmers. Losses on guaranteed obligations have been negligible in recent years and the company reported no losses in 2023. We do not include this in our adjustments to net debt, but consider these guarantees as increasing the company's risk appetite.

Nortura uses factoring to mitigate counterparty risk and finance working capital, effectively reducing the company's responsibilities after the point of sale. Although the resulting adjustments increase the complexity of the balance sheet, we believe factoring reduces cash volatility and improves corporate stability.

ADJUSTMENT FACTORS

Adjustment factors

Adjustment factors are assessed as positive. Under our criteria, we apply a one-notch positive adjustment to our standalone credit assessment to reflect peer calibration (see Peer calibration below).

Liquidity

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 assess Nortura's liquidity position as adequate on the basis of net sources/uses of NOK 620m for the 12 months to 31 Apr. 2025. The company's liquidity position is also supported by strong banking relationships, an undrawn credit facility of NOK 500m maturing in April 2025, and an undrawn short-term credit facility of NOK 450m maturing in June 2025 (not included in our stressed scenario).

Figure 18. Liquidity analysis (stressed scenario) 30 Apr. 2024–30 Apr. 2025

Liquidity, next 12 months	Amount NOKm
Cash and cash equivalents (100%)	456
Adjusted FFO (75%)	633
Unutilised credit facilities	500
Total sources	1,607
Repayment of borrowings	-271
Committed capital spending	-698
Total uses	-969
Sources/uses (x)	1.6
Sources-uses (NOKm)	620

Source: company and NCR.

Environmental, social and governance factors

ESG factors

We assess Nortura's environmental, social and governance (ESG) efforts as adequate. The company operates in an industry facing major ESG issues such as emissions and energy use, animal welfare, waste and resource management, but aims to be Norway's most sustainable food producer by 2030. Nortura has a long history of reporting on sustainability issues, but its efforts are not yet externally validated by independent agencies. The company is governed by Animalia AS, a research and development company focusing on supporting animal welfare, food safety and production, but we note that Nortura is the main owner with a stake of 66%.

Nortura has a sustainability strategy that contains clear and measurable targets for both 2030 and 2050, effectively improving the viability of the company's sustainability efforts. We believe Nortura stands to gain from its efforts in this respect. For example, the company is working to reduce methane emissions by cattle, which could partly reverse a decline in red meat consumption due to climate awareness among consumers. It is also seeking to reduce transport emissions to lower costs. Nortura has also started to report in line with the EU's new Corporate Sustainability Reporting Directive.

In our view, the main ESG risk factors likely to affect Nortura's credit quality in the short term are negative media reports on animal welfare and food safety, which could reduce demand and lower operating margins. We do not believe that the company would enjoy its strong market position without widespread consumer satisfaction with its overall food safety standards.

In the longer term, we see energy use, emissions and resource management as factors that could reduce operating efficiency and increase funding costs. As most of these issues lie outside Nortura's direct control and are in the hands of its individual member farmers, the company seeks to influence and assist its members in this transition. Investments to reduce emissions in the sector could increase farmers' capital spending and costs in the short term, which could have a negative impact on Nortura's operating margins.

Figure 19. ESG considerations

Issue	Risk	Mitigating efforts	Result
Animal welfare	Lower demand, reducing sales revenues and operating margins.	Animalia is employed to monitor animal health and welfare. Strong focus on educating members.	Problems in recent years have required investigation.
Food safety	Loss of revenues or operating licences, decreasing access to funding and increasing funding costs.	IT systems track food through the value chain. Recall procedures are in place if needed.	Virtually no problems involving food safety. When issues arise, products are rapidly recalled.
Physical climate risk	Supply chain disruptions and operational risk.	Investment in new technology. Supply-redundancy.	Increased volatility and magnitude of weather events are likely to disturb supply balance.
Changes in consumer preferences	Plant-based diets. Governmental dietary recommendations gaining foothold and consequently lower demand.	Analysis from independent third-party to address the methodology behind the recommendations. Industry collaboration.	Norwegian recommendations will not incorporate climate change in diet recommendations. Nortura is working actively to highlight the lower impact of Norwegian meat to global averages.
Increased environmental focus on financial markets	Adverse effect on financing possibilities or higher financing costs due to slow transitioning to lower CO ₂ dependence.	New sustainability strategy likely to include tangible emission targets to comply with investor and bank expectations.	Unutilised bank facilities are currently sustainability-linked. Targets for 2030 include a reduction in methane (30%) and other greenhouse gases (80%).
Employee safety and relations	Reduced operating efficiency due to loss of key personnel or sick leave.	Consistent monitoring of sick leave. Whistleblowing procedures. Corporate health services.	8.1% sick leave in 2023 (approx. 4,500 employees).

Source: company.

Peer calibration

Peer calibration

According to our criteria, we can apply a 'peer calibration' factor when either a direct peer group comparison adjustment is needed or if uncertainties exist that could affect the rating either positively or negatively.

We have adjusted our standalone credit assessment upward by one notch to reflect Nortura's position as market regulator, which makes the company a critical part of Norway's food production chain. Our adjustment also reflects the transitional nature of Nortura's ongoing and extensive investment programme, which should help improve operating efficiency and profitability.

Nortura's weak financial performance is closely connected with limitations on its ability to adjust prices, while its position as a key distributor for Norwegian farmers and as market regulator adds stability that is not fully reflected in our indicative credit assessment. We would expect Nortura to be supported in a critical financial situation by stakeholders, such as member farmers and, potentially indirectly, through beneficial regulatory change.

OWNERSHIP ANALYSIS

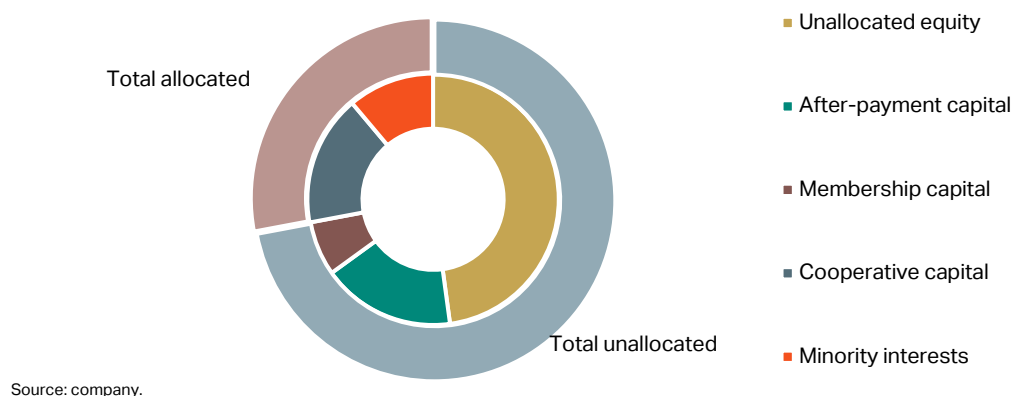
Ownership

Nortura is owned by about 16,000 farmers across Norway. As a cooperative, the company is limited in its ability to raise equity easily when needed. Cooperatives can be subject to conflicts of interests among members or pay out surplus profits, leaving themselves sensitive to cash volatility. Nortura was, however, able to raise NOK 170m in an equity issue in 2011 and withhold surplus profits in 2017 to support itself financially.

Members can leave the cooperative and withdraw their cooperative and membership capital. However, membership capital is locked in for one year, and cooperative capital is locked in for seven,

providing Nortura with reasonable time to make good any prospective shortfall. Payments are made to suppliers on the basis of each farmer's contribution after the accounts for the respective fiscal year are settled. Should the company choose to withhold payments, the funds in question are allocated to an after-payment capital fund. Most of Nortura's equity is unallocated, providing an incentive for members to remain within the company.

Figure 20. Equity structure, 30 Apr. 2024



ISSUE RATINGS

Nortura is largely funded through senior unsecured debt, a subordinated hybrid bond, and cash payments. The company has a flat debt hierarchy, and we expect it to maintain only unsecured debt, ensuring that gross secured debt to NCR-adjusted EBITDA remains well below 2x. The company's senior unsecured bonds are rated 'BB+', in line with the long-term issuer rating, reflecting the relatively flat debtor hierarchy, while the subordinated hybrid bond is rated two notches lower, at 'BB-', in accordance with our criteria.

SHORT-TERM RATING

The 'N4' short-term rating reflects Nortura's liquidity profile relative to the 'BB+' long-term issuer rating. The company's committed sources to uses is 1.6x according to our liquidity analysis, which we see as indicative of an adequate 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 21. NCR's adjustments to financials, 2020–2026e

NOKm	2020	2021	2022	2023	2024e	2025e	2026e
EBITDA	858	849	352	868	899	1,088	985
Dividends from JVs	47	58	40	33	40	40	40
Fixed lease payments (GAAP)	165	166	176	200	201	208	215
Non-recurring items	25	-52	-32			-150	
NCR-adj. EBITDA	1,095	1,022	536	1,101	1,141	1,186	1,240
Net interest	-117	-116	-165	-240	-248	-226	-213
Interest adj. leasing (GAAP)	-73	-73	-76	-83	-89	-90	-93
Interest adj. for debt hybrids	11	11	25	28	30	28	25
NCR-adj. net interest	-179	-178	-216	-295	-306	-289	-282
NCR-adj. EBITDA	1,095	1,022	536	1,101	1,141	1,186	1,240
NCR-adj. net interest	-179	-178	-216	-295	-306	-289	-282
Current tax	-20	-45	-39	-15	2	-38	-15
NCR-adj. FFO	897	799	282	791	837	859	944
Changes in working capital	127	-377	-323	-489	148	-116	40
Capital spending	-516	-581	-799	-617	-580	-780	-775
Factoring adjustments to working capital	-54	457	-556	-6	-4	-23	-24
NCR-adj. FOCF	454	297	-1,396	-321	401	-61	185
Cash and cash equivalents	817	209	183	498	500	388	341
Money market fund	305	409	200				
NCR-adj. cash and equivalents	1,121	618	383	498	500	388	341
Gross interest-bearing debt	2,820	2,371	2,710	3,379	3,079	3,079	3,079
Hybrid bond, 50% equity treatment	250	250	450	375	375	375	375
Debt adj. for non-IFRS 16 leases	1,215	1,223	1,296	1,475	1,483	1,530	1,579
Retirement benefit obligations	58	55	55	62	62	62	62
Membership exit pay-outs*					2	5	7
Adjustments factoring	624	167	722	728	732	755	779
Gift pension	124	109	105	89	89	89	89
Utilised amount inventory facilities			-92	-330			
NCR-adj. cash and equivalents	-1,121	-618	-383	-498	-500	-388	-341
NCR-adj. net debt	3,970	3,558	4,863	5,281	5,322	5,507	5,630
Stress: Maximum inventory facilities**	n.a	n.a	92	330	500	250	250
Stress: NCR-adj. net debt**	3,970	3,558	4,955	5,611	5,822	5,757	5,880

Source: company and NCR. e-estimate. JV-joint venture. *reflecting a continuous decline of about 200 members annually. **see Risk Appetite. n.a.-not applicable.

Figure 22. Key financial data, 2020–2023

NOKm	2020	2021	2022	2023
INCOME STATEMENT				
Revenue	24,723	26,614	28,390	30,786
Cost of goods sold	-17,679	-19,082	-20,617	-22,442
Sales, general & admin. expenses	-6,185	-6,683	-7,421	-7,476
EBITDA	858	849	352	868
Depreciation and amortisation	-532	-588	-564	-609
Net financial items	-62	-91	-144	-110
Pre-tax profit	265	170	-356	149
Net profit	238	179	-276	134
BALANCE SHEET				
Property, plant and equipment	3,050	3,035	3,274	3,162
Intangible assets and goodwill	988	991	1,012	966
Interest in associates and joint ventures	305	284	293	309
Other non-current assets	909	972	1,060	1,083
Total non-current assets	5,251	5,283	5,639	5,521
Cash and cash equivalents	817	209	183	498
Other current assets	3,154	3,780	4,032	4,792
Total current assets	3,970	3,989	4,215	5,289
Total assets	9,221	9,272	9,854	10,810
Total equity	3,038	3,075	2,797	2,924
Long-term interest-bearing liabilities	2,639	2,357	2,608	3,032
Other long-term liabilities	939	915	1,308	1,150
Total non-current liabilities	3,578	3,273	3,916	4,182
Short-term interest-bearing liabilities	181	14	102	347
Other short-term liabilities	2,425	2,910	3,040	3,358
Total current liabilities	2,606	2,925	3,142	3,705
Total equity and liabilities	9,221	9,272	9,854	10,810
CASH FLOW STATEMENT				
Pre-tax profit	265	170	-356	149
Adjustments for items not in cash flow	448	319	420	392
Changes in working capital	127	-377	-323	-489
Operating cash flow	839	112	-259	51
Cash flow from investment activities	-715	-362	-450	-240
Cash flow from financing activities	-27	-300	721	496
Cash and cash equivalents at beginning of year	662	759	171	191
Cash flow for year	97	-550	12	307
Cash and cash equivalents at end of year	759	209	183	498

Source: company.

Figure 23. Nortura rating scorecard

Subfactors	Impact	Score
Operating environment	20.0%	bbb-
Market position	10.0%	a-
Size and diversification	10.0%	bbb-
Operating efficiency	10.0%	bb-
Business risk assessment	50.0%	bbb-
Ratio analysis		b+
Risk appetite		b+
Financial risk assessment	50.0%	b+
Indicative credit assessment		bb
Liquidity		Adequate
ESG		Adequate
Peer calibration		+1 notch
Stand-alone credit assessment		bb+
Support analysis		Neutral
Issuer rating		BB+
Outlook		Stable
Short-term rating		N4

Figure 24. Capital structure ratings

Seniority	Rating
Senior unsecured	BB+
Subordinated	BB-

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