Møller Mobility Group AS

Rating Action Report

LONG-TERM RATING

BBB-

OUTLOOK

Negative

SHORT-TERM RATING

N3

PRIMARY ANALYST
Gustav Nilsson
+46735420446
gustav.nilsson@nordiccreditrating.com

SECONDARY CONTACTS
Anine Gulbrandsen
+4797501657
anine.gulbrandsen@nordiccreditrating.com

Elisabeth Adebäck
+46700442775
elisabeth.adeback@nordiccreditrating.com

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 reflects our expectation of a market recovery for car importers and retailers in 2025. We expect Møller Mobility's leverage to be temporarily elevated at year-end 2024, with net debt/ EBITDA above 2.5x and interest coverage below 8.0x, before recovering in 2025. We believe management will take actions to strengthen the company's balance sheet and reduce net debt in the near term. Despite our expectations of a market recovery, we are cautious about the current low visibility on revenues and on how strongly markets will rebound after the sluggishness in 2023–2024. We will continue to assess the impact on the company's long-term financial leverage.

We consider that the company's liquidity management is sound and will enable it to handle highly seasonal working capital swings. Working capital accumulation is typically highest in the final four months of the year and lowest in the four months through August due to limited supplier deliveries of cars during the holiday season. We expect the company to marginally increase its inventory, which remains low compared with historical levels, to capture rising demand for used cars. The company recently increased its credit facilities by NOK 500m and extended their maturity to 2027. We believe that the increased credit facilities are adequate for dealing with seasonal liquidity variations.

In commercial vehicles, where market performance has outpaced expectations, Møller Mobility has gained market share, reporting 36.5% as of 30 Aug. 2024, up from 30.8% in 2023. The service market has shown stable profitability and growth, somewhat offsetting the negative impact on the company of slumping sales of new and used cars. We are monitoring the possible impact of car manufacturer Volkswagen AG's recently announced potential closing of German plants on Møller Mobility's access to new cars, which could dampen its inventory turnover and volumes. Still, we believe that electrification trends, high penetration of electric cars in the Norwegian market and Møller Mobility's long-standing relationship with Volkswagen reduces the probability of less access to new cars.

Negative outlook

The negative outlook reflects our view that the market is approaching a cyclical bottom, and that Møller Mobility will need to take measures to strengthen its balance sheet over the coming months. Depending on the magnitude of expected market recovery, competition, and management's financial discipline, the company's long-term financial leverage could stabilise at levels consistent with the current rating drivers. The outlook also incorporates our view that Møller Mobility will maintain its market position and that Volkswagen will continue to deliver popular cars to the company in a timely manner.

We could revise the outlook to stable to reflect NCR-adjusted net debt/EBITDA below 2.5x and improved interest coverage over a protracted period or improved market conditions, with profit margins stabilising and inventory turnover increasing.

We could lower our rating on Møller Mobility if the company does not succeed in deleveraging in the near-term to NCR-adjusted net debt/EBITDA below 2.5x and improved interest coverage over a protracted period or weakened inventory turnover and a continued sag in car sales that pressures profitability.

Related rating actions
i) Møller Mobility Group AS 'BBB-' long-term issuer rating affirmed; Outlook negative, 22 May 2024.
ii) Møller Mobility Group AS outlook revised to negative; 'BBB-' long-term issuer rating affirmed, 16 May 2023.

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.
Primary analyst:	Gustav Nilsson, +46735420446, gustav.nilsson@nordiccreditrating.com
Rating committee chairperson responsible for approval of the credit rating:	Elisabeth Adebäck, +46700442775, elisabeth.adeback@nordiccreditrating.com
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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