

SalMar ASA

Rating Action Report

LONG-TERM RATING

BBB+

OUTLOOK

Negative

SHORT-TERM RATING

N2

PRIMARY ANALYST

Geir Kristiansen
+4790784593
geir.kristiansen@nordiccreditrating.com

SECONDARY CONTACTS

Christian Yssen
+4740019900
christian.yssen@nordiccreditrating.com

Elisabeth Adebäck
+46700442775
elisabeth.adeback@nordiccreditrating.com

SalMar ASA 'BBB+' long-term issuer rating affirmed; Outlook negative

Nordic Credit Rating (NCR) has affirmed its 'BBB+' long-term issuer rating on Norway-based salmon farmer [SalMar ASA](#). The outlook is negative. At the same time, NCR affirmed its 'N2' short-term issuer rating and 'BBB+' long-term senior unsecured obligations issue rating, reflecting the flat debtor hierarchy.

Rating rationale

The affirmation reflects the company's strong profitability in relation to its peers. This is attributed to cost-efficient production, favourable farming locations, strong cash flow and moderate financial leverage. SalMar has had an active role in restructuring the Norwegian salmon industry, generating significant synergies and effectively cementing its position as the world's second-largest salmon farmer.

The rating is constrained by the seafood sector's historical earnings volatility due to unstable prices resulting from variable supply. It is also constrained by environmental and disease-related challenges (biological issues), with the industry particularly affected by higher costs for sea lice treatment. We expect this will lead the sector to invest in new farming technology. These factors have also contributed to volatile EBITDA margins. In addition, the sector faces political risk due to its profitability and perceived environmental impact.

Negative outlook

The negative outlook reflects our view that the company's long-term financial leverage direction is uncertain. While we expect that margins will rebound since the biological issues related to string jellyfish and winter wounds seem to have passed and feed costs are on the way down, we also see a risk that increased US tariffs will trigger lower demand and prices. A strengthening of the Norwegian krone, in particular towards the euro but also towards the US dollar, is also a risk factor for SalMar. Moreover, SalMar increased its net debt more than we expected during 2024. This is mainly due to lower cash flow but could indicate that the company's risk appetite may be higher than we previously assumed.

We could lower the rating to reflect EBITDA margin below 30% from 2025, or funds from operations (FFO) to debt below 40% for a prolonged period. We could also lower the rating in the event of increasing biological problems, such as disease and sea lice.

We could revise the outlook to stable to reflect FFO to net debt above 50% for a prolonged period; and EBITDA margin above 30% from 2025. We could also revise the outlook if SalMar exhibited a reduced risk appetite, for example, lower dividend payouts or tighter net debt to EBITDA target.

Rating list

	To	From
Long-term issuer credit rating:	BBB+	BBB+
Outlook:	Negative	Stable
Short-term issuer credit rating:	N2	N2
Senior unsecured issue rating:	BBB+	BBB+

Figure 1. SalMar rating scorecard

Subfactors	Impact	To	From
Operating environment	20.0%	bb	bb
Market position	10.0%	bbb	bbb
Size and diversification	10.0%	a-	a-
Operating efficiency	10.0%	a+	a+
Business risk assessment	50.0%	bbb	bbb
Ratio analysis		a-	a-
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		Negative	Stable
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 07 Apr. 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:	Geir Kristiansen, +4790784593, geir.kristiansen@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, 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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