

Møller Mobility Group AS

Rating Action Report

LONG-TERM RATING

NR

OUTLOOK

-

SHORT-TERM RATING

NR

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Møller Mobility Group AS long-term issuer rating lowered to 'BB+' and withdrawn

Nordic Credit Rating has lowered its long-term issuer rating on Norway-based car importer and retailer [Møller Mobility Group AS](#) to 'BB+' from 'BBB-'. The outlook is stable. The senior unsecured issue rating has also been lowered to 'BB+' from 'BBB-', while the 'N3' short-term issuer rating has been affirmed. The ratings have been withdrawn at the issuer's request.

Rating rationale

The lower long-term issuer rating reflects our expectations that Møller Mobility will continue to operate with weaker credit metrics and that net debt/EBITDA is likely to stabilise above 2.5x on a long-term basis. In addition, we now believe that a market recovery is more remote than we initially anticipated. Previously, we had expected management to take sufficiently strong remedial action to reduce near-term debt to offset the impact of declining profitability and cash flows on financial leverage. We now believe that the company is likely to continue to face operational headwinds, with profit margins stabilising at lower levels than in the past due to high pressure on prices and low demand for big ticket purchases. We expect these factors to offset any positive contribution from measures such as suspension of dividends.

We consider Møller Mobility's liquidity strong and its liquidity management sound, enabling the company to handle highly seasonal swings in working capital. 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 car deliveries during the holiday season. We expect the company to increase inventory in response to rising demand for used cars. In 2024, Møller Mobility increased its credit facilities by NOK 500m and extended their maturity to 2027. We believe that the increased facilities are adequate for dealing with seasonal liquidity variations. However, we take a negative view of significant working capital fluctuations due to changes in inventory because of repurchase commitments and uneven delivery of imported vehicles, which has a negative effect on smoothing liquidity and debt uptake.

Møller Mobility is essentially dependent on the competitive position of the Volkswagen Group, and that Volkswagen will continue to have an attractive car offering. However, rapid technological innovation and intense price competition in the wider industry could reduce the desirability of the Volkswagen brand, in turn reducing Møller Mobility's inventory turnover and heightening the residual value risk of the company's used cars. Positively, we believe that the Volkswagen Group has taken measures to remain competitive and that Møller Mobility is likely to maintain its leading position in its core markets.

Stable outlook

At the time of withdrawal, the stable outlook reflected our expectations that Møller Mobility's profitability will stabilise at lower levels than in the past but that inventory turnover will remain adequate to support financial leverage within our requirements for the former rating. It further reflects our belief that the Volkswagen Group will continue to offer consumers attractive price-to-value deals, enabling Møller Mobility to maintain its leading market position in the Norwegian market.

Related rating actions

- i) [Møller Mobility Group AS 'BBB-' long-term issuer rating affirmed; Outlook negative](#), 14 Nov. 2024.
- ii) [Møller Mobility Group AS 'BBB-' long-term issuer rating affirmed; Outlook negative](#), 22 May 2024.

| Rating list | Withdrawal | To | From |
|---------------------------------|------------|--------|----------|
| Long-term issuer credit rating: | NR | BB+ | BBB- |
| Outlook: | - | Stable | Negative |

| Rating list | Withdrawal | To | From |
|----------------------------------|-------------------|-----------|-------------|
| Short-term issuer credit rating: | NR | N3 | N3 |
| Senior unsecured issue rating: | NR | BB+ | BBB- |

Figure 1. Møller Mobility rating scorecard

| Subfactors | Impact | Withdrawal | 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% | - | bb+ | bbb- |
| Indicative credit assessment | | - | bb+ | bbb- |
| Liquidity | | - | Adequate | Adequate |
| ESG | | - | Adequate | Adequate |
| Peer calibration | | - | Neutral | Neutral |
| Stand-alone credit assessment | | - | bb+ | bbb- |
| Support analysis | | - | Neutral | Neutral |
| Issuer rating | | NR | BB+ | BBB- |
| Outlook | | - | Stable | Negative |
| Short-term rating | | NR | N3 | N3 |

Figure 2. Capital structure ratings

| Seniority | Withdrawal | To | From |
|------------------|------------|-----|------|
| Senior unsecured | NR | BB+ | 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. |
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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 |
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| Ancillary services provided: | No ancillary services were provided. |
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