

Lerøy Seafood Group ASA

Rating Action Report

LONG-TERM RATING

BBB+

OUTLOOK

Stable

SHORT-TERM RATING

N2

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Lerøy Seafood ASA 'BBB+' long-term issuer rating affirmed; Outlook stable

Nordic Credit Rating has affirmed its 'BBB+' long-term issuer rating on Norway-based Lerøy Seafood Group ASA. The outlook is stable. The 'N2' short-term issuer rating and the 'BBB+' issue rating on the company's senior unsecured debt have also been affirmed.

Rating rationale

The affirmation reflects Lerøy Seafood's relatively strong market position in the profitable salmon farming industry. It also reflects the breadth of its operations as a fully integrated seafood producer with significant wildcatch, processing and distribution capabilities. The long-term issuer rating reflects the company's moderate financial leverage and strong cash flow, which should allow it to maintain a high level of investment, if necessary, to keep up with technological developments and create revenue growth.

The rating is constrained by the seafood sector's historical earnings volatility due to unstable prices as a result of variable supply and the fact that salmon farmers are effectively price takers, particularly in recurring periods of oversupply. It is also constrained by environmental and disease-related challenges, with the industry particularly impacted by high costs for treating sea lice and winter wounds, which we expect will require investment in new farming technology. These factors have contributed to volatile EBITDA margins despite strong credit metrics.

Stable outlook

The stable outlook reflects our view that moderate supply growth will support global salmon prices over the next three years. We expect average prices of above NOK 90 per kg over this period, assuming a stable EUR/NOK currency rate, albeit with marked seasonality. We also expect operational costs to fall in the remainder of 2025 and 2026 due to lower feed costs and disease-related expenses. In addition, we assume that regulatory changes will have no significant negative impact on the company's operations.

We could raise the rating to reflect more stability in supply and less price uncertainty, or lower costs and improved margin stability due to fewer biological problems.

We could lower the rating to reflect lower demand for Norwegian and Atlantic salmon in general, or higher financial leverage leading to interest coverage below 10x, or funds from operations/net debt below 45% over a protracted period. We could also lower the rating to reflect increased biological problems such as disease and sea lice.

Rating list

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

Figure 1. Lerøy Seafood 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%	bbb	bbb
Business risk assessment	50.0%	bbb-	bbb-
Ratio analysis		a+	a+
Risk appetite		bbb+	bbb+
Financial risk assessment	50.0%	a-	a-
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		Stable	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 02 Jul. 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, 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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