Nordic Semiconductor ASA

Rating Action Report

LONG-TERM RATING

BBB-

Watch Negative

SHORT-TERM RATING

N3

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

SECONDARY CONTACTS
Geir Kristiansen
+4790784593
geir.kristiansen@nordiccreditrating.com

Elisabeth Adebäck
+46700442775
elisabeth.adeback@nordiccreditrating.com

Nordic Semiconductor ASA 'BBB-' long-term issuer rating on watch negative

Nordic Credit Rating (NCR) has placed its 'BBB-' long-term issuer rating on Norway-based Nordic Semiconductor ASA on watch negative. The 'N3' short-term issuer rating and 'BBB-' senior unsecured issue rating have also been placed on watch negative.

Rating rationale

The watch placement follows an announcement that Nordic Semiconductor will acquire software-as-a-service provider Memfault for USD 120m, a transaction which we expect to increase debt and elevate financial risk. We recognise that the acquisition would enable Nordic Semiconductor to monetise its software products, create cross-selling opportunities, and possibly enhance the competitiveness of its product offering. In our view, the acquisition would have a minimal effect on Nordic Semiconductor's business mix, market position, diversity and profitability due to the limited scale of the target.

Nordic Semiconductor has obtained senior unsecured bridge financing of USD 110m to enable the transaction. The remainder of the purchase price is financed through cash. We currently have limited visibility into the company's intended long-term capital structure, which could influence our assessment of the transaction's impact on financial risk and, consequently, the rating. Previously, our base-case forecast projected Nordic Semiconductor's NCR-adjusted net interest coverage at 6.2–13.2x, with free operating cash flows breaking even in early 2026. If the acquisition is fully debt financed, we expect NCR-adjusted net interest coverage to fall below 6x over the next two years, with limited free operating cash flow generation. We anticipate Nordic Semiconductor to experience significant margin expansion, which should offset the impact of increased working capital and capital spending during our forecast period through 2027. Increased debt and expectations of limited organic repayment capacity over the next years increases the risk associated with negative deviations from our base-case forecast.

Our view of Nordic Semiconductor's financial flexibility is influenced by its operational commitment to maintaining cash equivalent to one year's research and development (R&D) spending (about USD 150m) on its balance sheet. In our opinion, this requirement is essential for conducting business with some of its largest customers and could result in increased debt if earnings decline, the R&D budget rises, or the cash balance decreases. While the company has some short-term flexibility in connection with this requirement, we consider this cash to be restricted.

Watch negative

The watch placement reflects our uncertainty about Nordic Semiconductor's long-term capital structure and the Memfault transaction's impact on its financial risk profile. We see a risk that the transaction could increase financial leverage without offsetting measures, which could pressure key credit metrics and debt-servicing capabilities, in turn negatively affecting our view of financial risk and risk appetite. Depending on the final long-term capital structure, the rating could be lowered by up to two notches.

We could lower the rating if Nordic Semiconductor proceeds with the transaction using full or partial debt financing. This would likely weaken key credit metrics and elevate financial risk due to the company's limited free operating cash flows, which would in turn limit organic deleveraging capabilities. The eventual rating level would depend on the proportion of debt financing.

We could affirm the current long-term rating if the company appears likely to maintain NCR-adjusted net debt/EBITDA below 1x (treating one-year R&D expenses as restricted cash) as of end-2026. Maintaining the current rating would depend on the company's ability to generate higher margins, resulting in meaningful free operating cash flow and organic deleveraging over time.

Rating list	To	From
Long-term issuer credit rating:	BBB-	BBB-
Outlook:		Stable
Watch:	Watch Negative	
Short-term issuer credit rating:	N3	N3
Senior unsecured issue rating:	BBB-	BBB-

Figure 1. Nordic Semiconductor rating scorecard

Subfactors	Impact	To	From
Operating environment	20.0%	bb	bb
Market position	10.0%	bbb-	bbb-
Size and diversification	10.0%	b+	b+
Operating efficiency	10.0%	bb-	bb-
Business risk assessment	50.0%	bb	bb
Ratio analysis		a	a
Risk appetite		a	a
Financial risk assessment	50.0%	a	a
Indicative credit assessment		**bbb**	**bbb**
Liquidity		Adequate	Adequate
ESG		Adequate	Adequate
Peer calibration		-1 notch	-1 notch
Stand-alone credit assessment		**bbb-**	**bbb-**
Support analysis		Neutral	Neutral
Issuer rating		**BBB-**	**BBB-**
Outlook			Stable
Watch		Watch 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 13 Jun. 2022.
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:	Ancillary services were provided to the rated entity within the previous twelve months. These services were provided in accordance with NCR's internal policies to ensure the independence and integrity of the credit rating process.
Regulations:	This rating was issued and disclosed under Regulation (EC) No 1060/2009.
Legal exemption from liability:	Disclaimer © 2025 Nordic Credit Rating AS (NCR, the agency). All rights reserved. All information and data used by NCR in its analytical activities come from sources the agency considers accurate and reliable. All material relating to NCR's analytical activities is provided on an "as is" basis. The agency does not conduct audits or similar warranty validations of any information used in its analytical activities and related material. NCR advises all users of its services to carry out individual assessments for their own specific use or purpose when using any information or material provided by the agency. Analytical material provided by NCR constitutes only an opinion on relative credit risk and does not address other forms of risk such as volatility or market risk and should not be considered to contain facts of any kind for the purpose of assessing an issuer's or an issue's historical, current or future performance. Analytical material provided by NCR may include certain forward-looking statements relating to the business, financial performance and results of an entity and/or the industry in which it operates. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words "believes", "expects", "predicts", "intends", "projects", "plans", "estimates", "aims", "foresees", "anticipates", "targets", and similar expressions. Forward-looking statements contained in any analytical material provided by NCR, including assumptions, opinions and views either of the agency or cited from third-party sources are solely opinions and forecasts which are subject to risk, uncertainty and other factors that could cause actual events to differ materially from anticipated events. NCR and its personnel and any related third parties provide no assurance that the assumptions underlying any statements in analytical material provided by the agency are free from error, nor are they liable to any party, either directly or indirectly, for any damages, losses or similar, arising from use of NCR's analytical material or the agency's analytical activities. No representation or warranty (express or implied) is made as to, and no reliance should be placed upon, any information, including projections, estimates, targets and opinions, contained in any analytical material provided by NCR, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained in any analytical material provided by the agency. Users of analytical material provided by NCR are solely responsible for making their own assessment of the market and the market position of any relevant entity, conducting their own investigations and analysis, and forming their own view of the future performance of any relevant entity's business and current and future financial situation. NCR is independent of any third party, and any information and/or material resulting from the agency's analytical activities should not be considered as marketing or a recommendation to buy, sell, or hold any financial instruments or similar. Relating to NCR's analytical activities, historical development and past performance does not safeguard or guarantee any future results or outcome. All information herein is the sole property of NCR and is protected by copyright and applicable laws. The information herein, and any other information provided by NCR, may not be reproduced, copied, stored, sold, or distributed without NCR's written permission.

NORDIC CREDIT RATING AS

nordiccreditrating.com