

NorgesGruppen ASA

Rating Action Report

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N2

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Norgesgruppen ASA long-term issuer rating raised to 'A-'; Outlook stable

Nordic Credit Rating (NCR) has raised its long-term issuer rating on Norway-based grocery retailer [NorgesGruppen ASA](#) to 'A-' from 'BBB+'. The outlook is stable. The 'N2' short-term issuer rating was affirmed. The issue rating on the company's senior unsecured debt was raised to 'A-' from 'BBB+'.

Rating rationale

The rating action reflects the company's resilience to challenging market conditions, stability in credit metrics and strong operational efficiency. NorgesGruppen's credit metrics have remained stable, with moderate improvement in recent years, supported by its robust business model. It has maintained its EBITDA margin despite rising costs over time, sustaining this performance in 2024. The company consequently has a long track record of stable key metrics in a now more volatile macroeconomic environment, which supports our view of the low cyclicity of its business.

The company's EBITDA margin widened to 8.5% in 2024 from 8.3% in 2023, driven by revenue growth from an increased customer base and effective cost management. We expect the EBITDA margin to remain stable, with a slight improvement to 8.7% through end-2027, alongside continued stability in NorgesGruppen's credit metrics. In our view, the low cyclicity, increased earnings, and strong cash flows contribute positively to the company's overall financial risk profile.

The long-term issuer rating continues to reflect NorgesGruppen's leading position in the Norwegian retail grocery sector and its high levels of horizontal and vertical integration. It also reflects the company's stable margins, which are largely due to economies of scale and its advantageous negotiating position with suppliers. The company's low sensitivity to economic recessions is an additional rating strength.

The rating is constrained by NorgesGruppen's financial leverage, which is primarily driven by long-term leases but remains moderate thanks to robust and stable cash flows. We believe the company has minimal risk appetite and a strong liquidity position, factors which support our financial risk assessment. We also believe that the long-term owners will keep the company's risk appetite under control.

Stable outlook

The stable outlook reflects our expectation that NorgesGruppen's credit metrics will remain moderate, with net debt/EBITDA projected at 2.4x–2.5x during our forecast period through end-2027. The company's stable margins and solid cash flows provide financial flexibility to continue investing in stores and to roll out efficiency measures, facilitating long-term profitability. The outlook is further supported by the company's low sensitivity to economic fluctuations and its robust business model.

An upgrade is unlikely at this point given our already strong assessment of NorgesGruppen's business risk.

We could lower the rating to reflect new legislation that erodes the company's market position or profitability, or to reflect weakened market fundamentals, leading to an EBITDA margin below 8% over a protracted period. We could also lower the rating if we observe materially increased financial leverage due to higher working capital or investments.

Related rating actions

- (i) [NorgesGruppen ASA 'BBB+' long-term issuer rating affirmed; Outlook positive](#), 7 Jun. 2024.
- (ii) [NorgesGruppen ASA outlook revised to positive; 'BBB+' long-term issuer rating affirmed](#), 13 Jun. 2023.

Rating list

Long-term issuer credit rating:

Outlook:

Short-term issuer credit rating:

Senior unsecured issue rating:

To

A-

Stable

N2

A-

From

BBB+

Positive

N2

BBB+

Figure 1. NorgesGruppen rating scorecard

Subfactors	Impact	To	From
Operating environment	20.0%	a	a
Market position	10.0%	a	a
Size and diversification	10.0%	bbb+	bbb+
Operating efficiency	10.0%	a	a-
Business risk assessment	50.0%	a	a-
Ratio analysis		bbb	bbb-
Risk appetite		a-	bbb+
Financial risk assessment	50.0%	bbb+	bbb
Indicative credit assessment		a-	bbb+
Liquidity		Adequate	Adequate
ESG		Adequate	Adequate
Peer calibration		Neutral	Neutral
Stand-alone credit assessment		a-	bbb+
Support analysis		Neutral	Neutral
Issuer rating		A-	BBB+
Outlook		Stable	Positive
Short-term rating		N2	N2

Figure 2. Capital structure ratings

Seniority	To	From
Senior unsecured	A-	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 25 Oct. 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
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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