

Jotun A/S

Full Rating Report

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N2

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RATING RATIONALE

Our 'A-' long-term issuer credit rating on Norway-based paint and coatings manufacturer Jotun A/S reflects the company's low financial gearing, growing net cash position and strong operational efficiency. It also factors in the resulting robust credit metrics, in both absolute terms and relative to the company's peer group. Jotun has a leading position in the market for marine coatings. In the decorative paint market, Jotun is a major player in Scandinavia, the Middle East, and South East Asia.

The rating is constrained by Jotun's small size compared with the biggest players in the global paint and coatings market, where large US companies dominate. We also note the historical cyclicality of the company's margins, which mainly stems from volatile raw material prices but also from cyclical demand in certain market segments. However, Jotun's diversification across market segments and regions has allowed the company to sustain relatively solid margins through economic cycles. In addition, the company has proven ability to increase prices to reflect higher raw material costs.

STABLE OUTLOOK

The outlook is stable, reflecting our view that strong operating cash flows, despite investment requirements, will enable Jotun to maintain a net debt position below zero in the years ahead. We also believe Jotun has achieved a sustainable EBITDA margin exceeding 20% although we anticipate some increased margin pressure in coming years, due to competition or slowing demand. Jotun's global diversity and exposure to growth markets in Asia partly offset its exposure to cyclical fluctuations.

POTENTIAL POSITIVE RATING DRIVERS

- An upgrade seems unlikely at this point given the current business profile with exposure to cyclical inputs and limited sector diversification.

POTENTIAL NEGATIVE RATING DRIVERS

- An economic downturn prompting slower demand.
- Sluggish profitability, leading to an EBITDA margin below 20% over a prolonged period.
- Net debt/EBITDA sustainably above 1.0x.

Figure 1. Key credit metrics, 2022–2028e

NOKm	2022	2023	2024	2025	2026e	2027e	2028e
Revenues	27,858	31,861	34,206	34,333	37,080	40,046	42,849
EBITDA	4,503	6,810	7,677	8,027	8,347	8,895	9,489
EBITDA margin (%)	16.2	21.4	22.4	23.4	22.5	22.2	22.1
FFO	3,089	5,158	5,960	6,165	6,798	7,237	7,725
Net debt	2,027	-799	-1,039	-2,010	-1,005	-2,474	-3,879
Total assets	26,355	30,080	34,904	34,653	37,135	40,227	43,683
Net debt/EBITDA (x)	0.5	-0.1	-0.1	-0.3	-0.1	-0.3	-0.4
EBITDA/net interest (x)	12.8	25.7	24.2	25.7	23.0	23.6	25.2
FFO/net debt (%)	152.4	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
FOCF/net debt (%)	15.0	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.

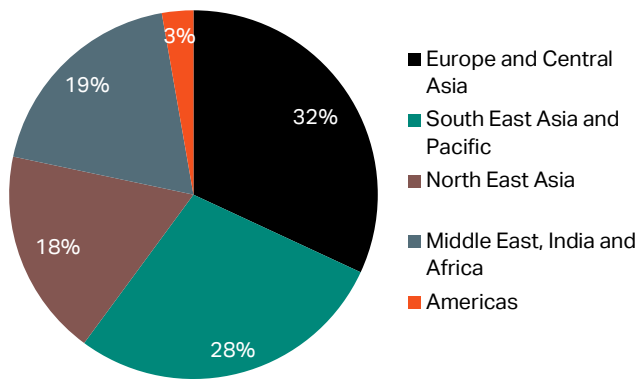
Source: company and NCR. e=estimate. FFO=funds from operations. FOCF=free operating cash flow. All metrics adjusted in line with NCR methodology.

ISSUER PROFILE

Jotun is among the world's largest manufacturers of paints and coating products. A global company present in more than 120 countries, it has a particularly strong position and presence in Middle East, North East Asia, South East Asia and Scandinavia. The company has a globally diverse production model, with 40 manufacturing facilities and about 11,000 employees, including 1,000 in Norway. Jotun is a one-brand company with products including decorative paint and protective marine and powder coatings. It has a strategy of organic growth and expansion into new markets.

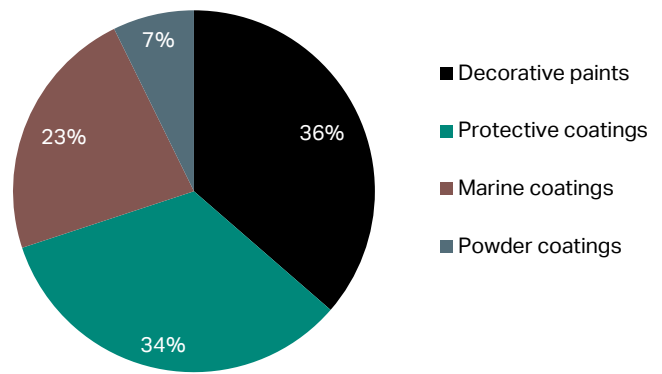
Jotun was established by Odd Gleditsch in 1926 and is still controlled by the Gleditsch family. However, Paint Holding AS, owned by Norwegian conglomerate Orkla ASA, is now the largest single shareholder. The company's international expansion began with a production facility in Libya in 1961. In 1972, Jotun merged with three other Norwegian paint producers, becoming the leading domestic paint producer and one of Norway's largest companies. The company's shares are unlisted.

Figure 2. Revenue* by area, 2025



Source: company, Jotun Group. *Revenues from contract with customers.

Figure 3. Revenue* by segment, 2025



Source: company, Jotun Group. *Revenues from contract with customers.

BUSINESS RISK ASSESSMENT

Market growing and price sensitivity moderate

Jotun's presence and expansion in developing markets have contributed to its double-digit annual revenue growth. Our assessment of the operating environment considers cyclical fluctuations, especially in the performance coatings market and raw material prices, as well as potential political risk and corruption in some of Jotun's less developed markets.

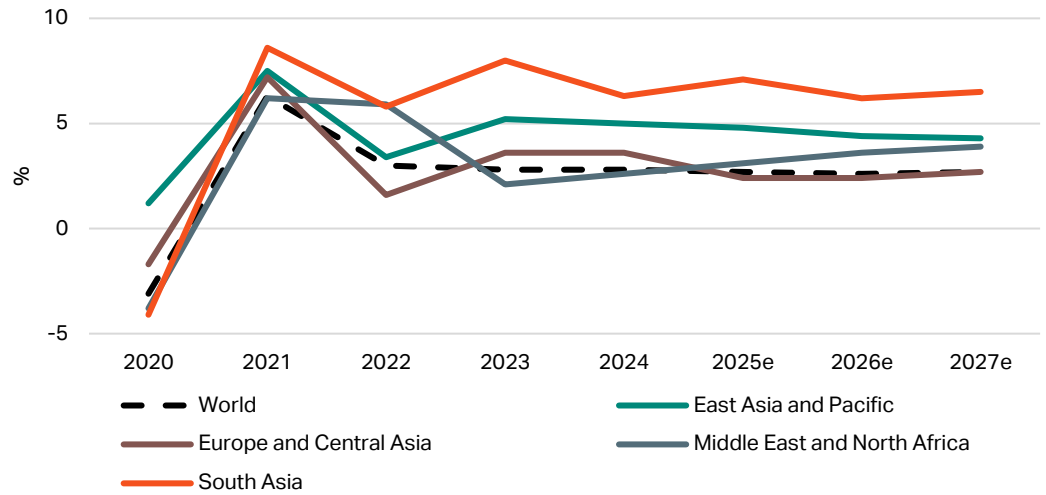
The paint and coatings market includes the decorative paint segment (outdoor and indoor) and performance coatings, including protective coatings, marine coatings and powder coatings. Both segments have similar long-term growth prospects. The decorative paint segment is less cyclical and has shown greater resilience to weak economic conditions in recent years. Margins are generally higher in decorative paints, where competition is mainly local, compared with performance coatings, which are dominated by global players. Rising raw material costs are more easily passed on to customers in the decorative paint segment than in performance coatings, where price adjustments tend to lag. Price sensitivity remains moderate due to the low proportion of coatings in overall project costs.

The paint and coatings industry is exposed to inflationary pressures and fluctuations in economic growth. Raw materials, primarily sourced from crude oil, have experienced significant price volatility in recent years, mainly due to political instability in oil-producing countries. Raw materials represent approximately 60% of industry costs. We view volatile raw material prices as a credit negative for the broader industry. However, Jotun has raised prices in response to higher costs, and its business model has demonstrated resilience during global crises and cyclical downturns.

Direct exposure to units affected by the war in the Middle East accounted for 8% of reported revenue in 2025. Of the eight affected units, three are majority owned and consolidated; for the remaining units, Jotun's share of profit is included in reported operating profit. Profit from associated companies in

these areas represented 14% of reported operating profit in 2025. We currently assess the direct impact on Jotun’s operations as limited, but note that the conflict contributes to a more uncertain operating environment, particularly through potential effects on demand, logistics and raw material inputs, which could weigh on margins.

Figure 4. Real GDP growth in main operating regions, 2020-2027e

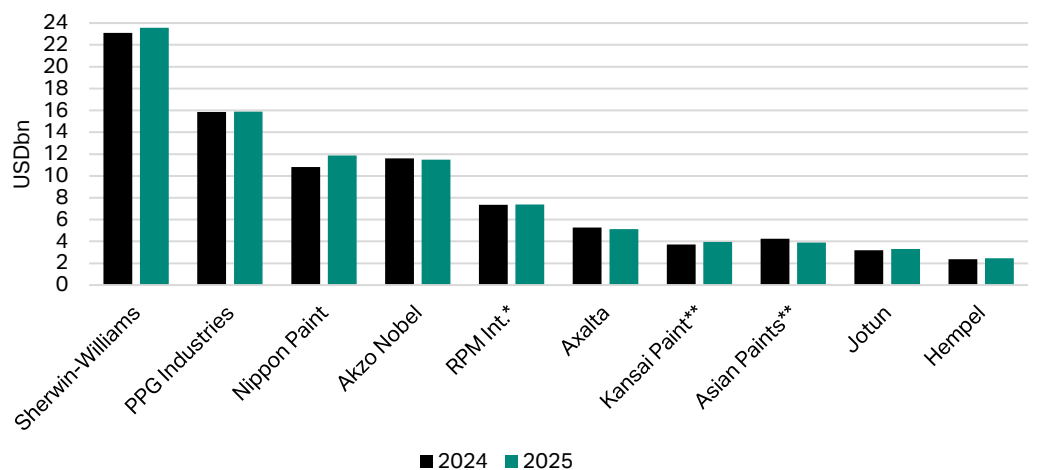


Source: World Bank Group.

Strong positions in target regions and niche markets

Jotun is a regional and global niche supplier, holding a 3% share of a target market for paints and coatings valued at approximately USD 100bn. The company is the world's seventh largest paint and coatings manufacturer, including joint ventures and associates not fully consolidated, and maintains strong positions in selected regions and niche markets. In contrast to larger competitors, which have actively consolidated the sector, Jotun remains the fastest growing among major global players, maintaining an organic growth strategy and a long-term sales growth target of over 8% annually. This growth is supported by Jotun's early strategy of forming joint ventures with local partners to access Asian markets, focusing on orders from the shipping, industrial, and commercial real estate sectors in China and South Korea, and expanding into the retail decorative paint market in the Middle East.

Figure 5. Peer group revenues



Source: companies. *fiscal year ending May. **fiscal year ending March.

In the decorative paint market, Jotun is a major player in Scandinavia, the Middle East and South East Asia. Its regional market leadership supports strong margins in decorative paints. The performance coatings market is largely dominated by global players. In marine coatings, Jotun holds a leading position with approximately 25% market share. The company is also among the largest in protective paints. However, it remains small globally in powder coatings, though it has a significant presence in key subsectors such as building components, pipelines and general industries.

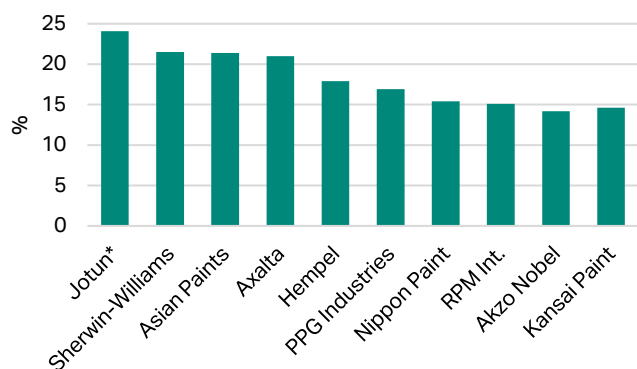
Barriers to entry are higher in performance coatings than in decorative paints, reflecting stricter performance standards and the importance of long-term business relationships. Lower margins also help deter new entrants.

Strong operating margins over time

Among the 10 largest industry players, Jotun reported the highest EBITDA margin in 2025, despite currency headwinds. Jotun's margins have consistently been the strongest in recent years, reflecting its leading operating efficiency in the sector. In our view, Jotun's broad production model, primarily based in low-cost countries, supports this efficiency.

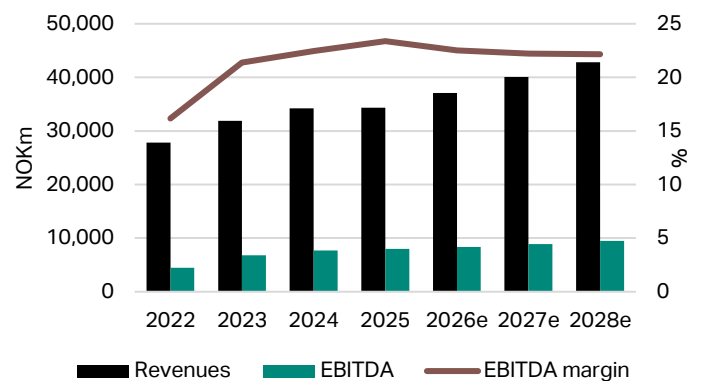
The company has increasingly emphasised cost controls to reduce margin cyclicality. We believe this has resulted in lower volatility in EBITDA and EBIT margins compared with gross margins. Paint and coatings typically represent a small portion of customers' total project costs, leading to low price sensitivity. This enables Jotun to pass higher costs to customers, albeit with a 6–9 month lag. More stable raw material prices, the delayed effect of ongoing price increases, improved cost management, and volume growth have supported margin expansion in recent years. While some margin pressure is expected, we anticipate the company will maintain margins above 20% during our forecast period. The company also continues to generate strong cash flow from earnings, and working capital turnover has remained stable as a percentage of sales, increasing at a slower rate than sales growth.

Figure 6. EBITDA margins*, 2025



Source: company. *As reported.

Figure 7. NCR-adjusted revenues, EBITDA and EBITDA margin, 2022–2028e



Source: company.

FINANCIAL RISK ASSESSMENT

Strong credit metrics compared with peers

Jotun's credit metrics are stronger than those of its peer group average and notably stronger than those of its five largest peers. As the entire sector faces the same challenges, we believe that Jotun will maintain its relative position. We also believe that strong operating cash flows and moderate investment requirements will enable the company to maintain the strong absolute level of its credit metrics in the years ahead, including after paying out substantial dividends. Its total debt/EBITDA is also low, averaging about 0.8x during the period of 2022-2025.

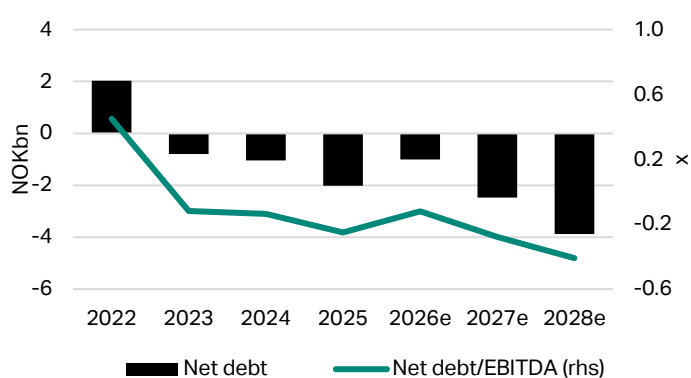
We include dividends from joint ventures in EBITDA. Annual revenues from Jotun's joint ventures exceed NOK 10bn on a 100% basis, and we expect strong contributions the coming years. The joint ventures have insignificant interest-bearing debt.

Figure 8. Key base-case forecast assumptions and credit metrics, 2026–2028e

	2026e	2027e	2028e
Revenue growth (%)	8.0	8.0	7.0
EBITDA margin (%)	22.5	22.2	22.1
Capital expenditure (NOKm)	3,250	1,602	1,714
Dividend payment (NOKm)	3,420	3,027	3,251
Net debt/EBITDA (x)	-0.1	-0.3	-0.4
EBITDA/net interest (x)	23.0	23.6	25.2
FFO/net debt (%)	-676.2	-292.5	-199.2
CFO/net debt (%)	-592.6	-258.2	-171.7
FOCF/net debt (%)	-273.0	-195.0	-128.5
DCF/net debt (%)	67.2	-72.7	-44.7

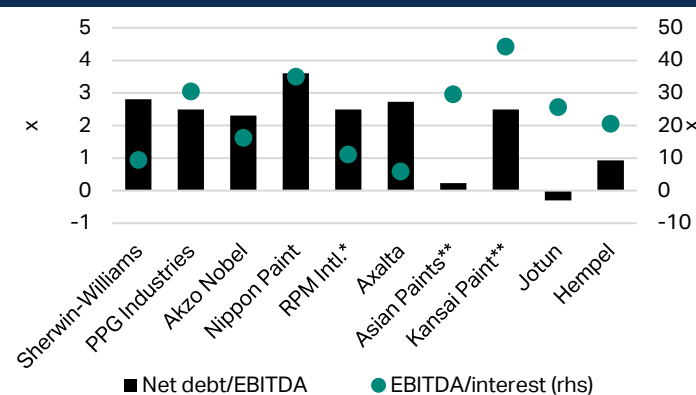
Source: NCR. e–estimate. All metrics adjusted in line with NCR methodology.

Figure 9. NCR-adjusted net debt and Net debt/EBITDA, 2022–2028e



Source: company and NCR. e–estimate.

Figure 10. Peer group NCR-adjusted net debt/EBITDA and EBITDA/net interest, 2025



Source: company and NCR. *fiscal year ending May. **fiscal year ending March.

We view Jotun's financial risk appetite as low, although cyclical EBITDA margins have resulted in some historical volatility in the company's credit metrics, implying a somewhat higher risk profile than suggested by current ratios. For this reason, we assess the company's risk appetite as higher than indicated by its current financial ratios. This is partly mitigated by strong liquidity and a long track record of profitable organic growth, with no history of equity injections or material acquisitions.

Jotun targets stable and predictable dividends, with a payout ratio of 30–50% of group net profit after tax and minorities, while maintaining a group equity ratio of at least 50% (62.5% at end-2025). We expect the company to continue generating strong cash flows and assume dividend payments at the upper end of the stated range, although changes to the dividend policy cannot be ruled out.

The company has outstanding bonds of NOK 1.6bn, all with floating rates, including its first green bond issued in March 2024. Liquidity is solid, supported by NOK 2.9bn in undrawn committed credit lines at the parent level, a strategic liquidity reserve target of 5% of sales on a 100% basis (including joint ventures and associates), a strong cash position and ample covenant headroom.

Currency risk is actively managed through selective cash flow hedging at the parent company level and a natural hedging, supported by its geographically diversified production footprint. Counterparty risk is well diversified and not viewed as credit-critical.

ADJUSTMENT FACTORS

Adjustment factors are assessed as neutral and have no effect on the rating.

Liquidity

Our 12-month liquidity analysis is based on a stressed scenario in which the company cannot access the capital markets or extend bank loans, and therefore has to rely on internal or committed external funding sources to cover its liquidity needs. We typically expect a company with an investment grade

rating ('BBB-' or above) to cover its liquidity needs, with limited need for external funding over the coming 12 months.

We assess Jotun's liquidity as adequate, based on our projected sources-to-uses ratio of 3.0x for the 12 months ending 31 Mar. 2027. Liquidity is supported by strong cash flow and unutilised credit facilities.

Figure 11. Liquidity analysis (stressed scenario) 31 Mar. 2026–31 Mar. 2027

Liquidity, next 12 months	Amount NOKm
Cash and cash equivalents (100%)	5,004
Adjusted FFO (75%)	5,181
Unutilised credit facilities	2,900
Total sources	13,085
Repayment of debt	-300
Committed capital spending	-3,194
Working capital	-842
Total uses	-4,036
Sources/uses (x)	3.0
Sources-uses (NOKm)	9,048

Source: company and NCR.

OWNERSHIP ANALYSIS

Jotun is a privately held company with two share classes: 114,000 A shares (10 votes per share) and 228,000 B shares (one vote per share). The roles of board chair and CEO are separated.

Jotun's largest shareholder, Paint Holding AS, is owned by Orkla. However, the Gleditsch family controls 54% of shares and 59% of voting rights through various companies, with Odd Gleditsch d.y. serving as board chairman. In our view, the ownership structure is stable. Orkla has capacity to provide support in the event of stress. Jotun has not required equity injections to date, and the last increase in share capital occurred at the time of the 1972 merger.

Figure 12. Ownership structure, 31 Dec. 2025

Owner	Share of capital	Share of votes
Paint Holding AS	42.7%	38.6%
Odd Gleditsch AS	14.5%	11.2%
Mattisberget AS	8.9%	21.8%
Leo Invest AS	2.9%	2.7%
Abrafam Holding AS	2.1%	2.7%
Other	28.9%	23.0%
Total	100.0%	100.0%

Source: company.

ISSUE RATINGS

Figure 13. Instrument rating

Seniority	Issue rating and rationale
Senior unsecured issue rating	A-; gross secured debt/EBITDA expected below 2.0x over a protracted period.

Issue ratings are assigned in accordance with our Corporate Rating Methodology. In cases where two alternatives for issue ratings are possible, the rating is assigned based on our forward-looking view of an issuers' capital structure, typically over the next 12-18 months.

SHORT-TERM RATING

Figure 14. Short-term issuer rating

Short-term issuers rating	Rationale
N2	Adequate for the long-term rating due to committed sources to uses of liquidity of 3.0x

Short-term are mapped to the long-term issuer rating, in accordance with our Rating Principles. In cases where two alternatives for short-term ratings are possible, the short-term rating is assigned based on liquidity being strong, adequate, or weak, as applicable. See definitions in the methodology.

ENVIROMENTAL, SOCIAL AND GOVERNANCE FACTORS

We consider ESG factors throughout the analysis, when they are material to our credit assessment of Jotun.

Figure 15. Priority ESG factors

Issue/area	Risk/opportunity	Impacted subsections (impact on credit assessment*)
Climate transition risk and carbon emissions	High exposure to value-chain (Scope 3) emissions with limited direct control and exposure to tightening climate regulation. Partially mitigated by product functionality that reduces customer fuel consumption and emissions.	Market position (+) Risk appetite (0)
Chemical safety and substances of concern	Regulatory and liability risks are linked to chemical management and compliance requirements, which may add structural complexity and cost. These risks are mitigated by a robust, globally harmonised compliance framework.	Operating efficiency (0) Risk appetite (0)
Marine biodiversity and biofouling	Environmental and regulatory risk related to biofouling and marine ecosystem impact. Product performance increasingly supports customer demand, regulatory compliance and pricing power.	Market position (+)
Business ethics and employee safety	Headline and operational risk from corruption or workplace incidents. Mitigated by zero-tolerance policies, training, whistle-blowing procedures and improving safety performance.	Risk appetite (0) Market position (0)
Green-bond framework	Diversity of funding sources, access to additional markets/investors.	Risk appetite (+)

Source: company and NCR. See [ESG factors in corporate ratings](#). *Defined on a 5-step scale ranging from double minus (--) to double plus (++) with (-) representing the most negative impact and (++) the most positive.

APPENDIX

Figure 16. NCR's adjustments to financials, 2022–2028e

NOKm	2022	2023	2024	2025	2026e	2027e	2028e
EBITDA	4,723	7,467	7,925	8,282	6,934	7,409	7,927
Non-recurring/non-EBITDA items	-54				0	0	0
Share of profit from associates and JVs	-729	-1,333	-1,492	-1,535	0	0	0
Dividends from associates and JVs	600	713	1,281	1,317	1,451	1,523	1,599
Capitalised development expenses	-37	-37	-37	-37	-37	-37	-37
NCR-adj. EBITDA	4,503	6,810	7,677	8,027	8,347	8,895	9,489
Net interest	-320	-226	-261	-255	-299	-304	-304
Financial costs from leasing	-32	-39	-56	-57	-64	-72	-72
NCR-adj. net interest	-352	-265	-317	-312	-364	-376	-376
NCR-adj. EBITDA	4,503	6,810	7,677	8,027	8,347	8,895	9,489
NCR-adj. net interest	-352	-265	-317	-312	-364	-376	-376
Current taxes	-1,062	-1,387	-1,400	-1,550	-1,186	-1,282	-1,388
NCR-adj. FFO	3,089	5,158	5,960	6,165	6,798	7,237	7,725
Changes in working capital	-1,541	-375	-2,082	650	-840	-847	-1,064
Capital spending	-1,280	-1,374	-1,264	-1,516	-3,250	-1,602	-1,714
Capitalised development expenses	37	37	37	37	37	37	37
NCR-adj. FOCF	305	3,446	2,651	5,336	2,744	4,825	4,984
Gross debt	4,440	3,583	3,964	3,701	3,701	3,701	3,701
Total leasing liabilities	648	729	800	797	793	789	785
Retirement benefit obligations	251	279	373	368	368	368	368
NCR-adj. total debt	5,339	4,591	5,137	4,866	4,862	4,858	4,854
NCR-adj. cash and equivalents	-3,312	-5,390	-6,176	-6,876	-5,867	-7,332	-8,733
NCR-adj. net debt	2,027	-799	-1,039	-2,010	-1,005	-2,474	-3,879

Source: company and NCR. e–estimate.

METHODOLOGIES USED

- (i) [Corporate Rating Methodology](#), 8 May 2023.
- (ii) [Rating Principles](#), 14 Feb. 2024.
- (iii) [Group and Government Support Rating Methodology](#), 14 Feb. 2024.

Figure 17. Jotun key financial data, 2022–2025

NOKm	FY	FY	FY	FY
Period-end	31 Dec. 2022	31 Dec. 2023	31 Dec. 2024	31 Dec. 2025
INCOME STATEMENT				
Revenue	27,858	31,861	34,206	34,333
EBITDA	4,723	7,467	7,925	8,282
EBIT	3,737	6,429	6,765	7,081
Net interest expense	-320	-226	-261	-255
Pre-tax profit	3,191	5,878	5,850	6,824
Net profit	2,167	4,499	4,450	5,243
BALANCE SHEET				
Property, plant and equipment	7,313	7,857	8,548	8,320
Intangible assets and goodwill	831	877	911	1,037
Other non-current assets	3,007	3,773	4,455	4,183
Total non-current assets	11,151	12,507	13,914	13,540
Cash and equivalents	3,312	5,390	6,176	6,876
Other current assets	11,892	12,183	14,814	14,237
Total assets	26,355	30,080	34,904	34,653
Total equity	14,493	18,325	21,661	21,657
Gross debt	4,440	3,583	3,964	3,701
Other liabilities	7,422	8,173	9,279	9,295
Total equity and other liabilities	26,355	30,081	34,904	34,653
CASH FLOW STATEMENT				
Pre-tax profit	3,191	5,878	5,850	6,824
Cash flow before changes in working capital	2,750	4,898	4,922	4,499
Changes in working capital	-1,541	-375	-2,082	650
Operating cash flow	1,209	4,523	2,840	5,149
Capital expenditure	-1,280	-1,374	-1,264	-1,516
Other investing activities	1,041	725	1,297	900
Cash from investing activities	-239	-649	33	-616
Dividends	-840	-947	-2,342	-3,360
Share repurchases	-	-	-	-
Other financing activities	-417	-1,005	206	-450
Cash from financing activities	-1,257	-1,952	-2,136	-3,810
Cash and equivalents beginning of year	3,388	3,312	5,390	6,176
Cash flow for year	-239	1,922	786	700
Cash and equivalents at end of year	3,312	5,390	6,176	6,876

Source: company. FY–full year.

Figure 18. Jotun rating scorecard

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

Figure 19. Capital structure ratings

Seniority	Rating
Senior unsecured	A-

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