NorgesGruppen

Credit rating higher on the agenda

NorgesGruppen's attractive credit profile was once again proven in April this year, when its 6-year NOK650m unsecured green bond was placed at 3M+115bp – only days after state-owned Avinor (A1/A+) issued a 6-year unsecured bond at 3MN+120bp. In our view, the company's role as Norway's largest supplier of groceries has been reinforced during the pandemic and its stable profitability seems largely unaffected by the lockdown. On the back of VFF's aim to increase corporate ratings in Norway, we expect that obtaining an issuer rating will be higher on the agenda. Secondary-market bond prices have largely recovered since the sell-off in March and we reiterate our Marketweight recommendation.

Scrapped price regulation likely positive for sustaining margins

One source of regulatory risk seems to have been alleviated on 19 June, when the Norwegian government announced that it decided to cancel the proposal to regulate procurement prices. The proposal could have ended suppliers' price discrimination, which could have compromised the profitability of retailers benefitting from economies of scale, such as NorgesGruppen. However, while price regulation is no longer on the table, the government wants to expand the competition authority's ability to monitor competition in the grocery market, which could still pose a risk to NorgesGruppen's margins.

Norway's import protection laws (importvernet) remain a crucial entry barrier to competition from international retailers. As long as import tariffs on agriculture products remain high, the competitive landscape in the Norwegian grocery market will likely remain stable. This is a fundamental strength of NorgesGruppen's credit profile and it will likely continue to safeguard the company's leading market position ahead.

Key figures

NOKm	2015	2016	2017	2018	2019
Total sales	76,224	80,162	85,632	87,813	90,504
EBITDA (rep.)	4,729	4,846	5,238	4,992	5,325
EBITDA (adj.)	6,386	6,689	7,144	6,806	7,547
Net income	2,361	2,465	2,090	2,410	2,746
FFO (rep.)	4,028	4,309	4,492	4,425	5,974
Equity	14,820	16,728	18,135	19,843	21,930
Net debt	7,100	5,578	4,177	3,791	4,467
Net debt (adj.)	18,633	17,853	15,899	16,339	22,320
Ratios	**2015**	**2016**	**2017**	**2018**	**2019**
EBITDA margin	6.2%	6.0%	6.1%	5.7%	5.9%
Net debt/EBITDA (x)	1.5	1.2	0.8	0.8	0.8
Adj. net debt/adj. EBITDA (x)	2.9	2.7	2.2	2.4	3.0
FFO/net debt	57%	77%	108%	117%	134%
Adj. total debt/total capital	58%	54%	50%	49%	54%
Net debt/total capital	30%	23%	17%	14%	15%

Source: Company data, Danske Bank Credit Research

Marketweight

Retail

Corporate ticker: NORGRU

Equity ticker: 3481382Z NO

Ratings:
S&P: NR / NR
Moody's: NR / NR
Fitch: NR / NR

ESG rating:
Sustainalytics ESG Risk Rating: NR

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Key credit strengths and challenges

Credit strengths

- Market leading retailer with major societal importance.
- Stable, non-cyclical demand prompts resilient cash flow.
- Strong balance sheet with prudent leverage.
- Tariffs, scale, customer loyalty and capital intensity serve as entry barriers.

Credit challenges

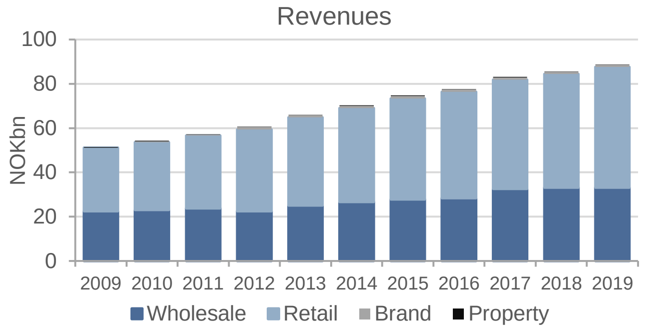
- Profitability sensitive to strong competition among few retailers.
- Relatively low geographical diversification.
- Capital intensive industry caps cash generation.
- Sensitive to shifting consumer trends.

Source: Company data, Danske Bank Credit Research

Important disclosures and certifications are contained from page 15 of this report

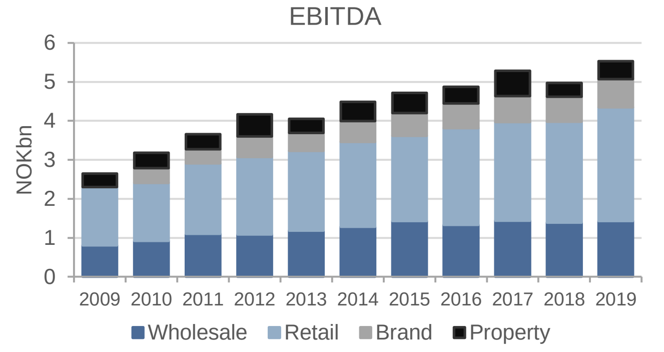
Key credit metrics

Chart 1. Historically steady increases in retail revenues



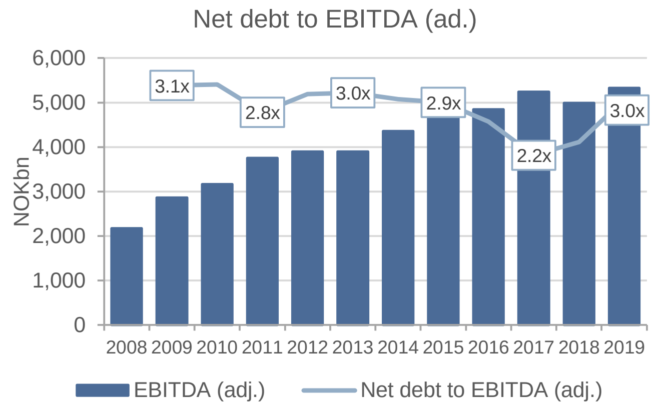
Source: Company data, Danske Bank Credit Research

Chart 2. Retail represents roughly 45% of earnings



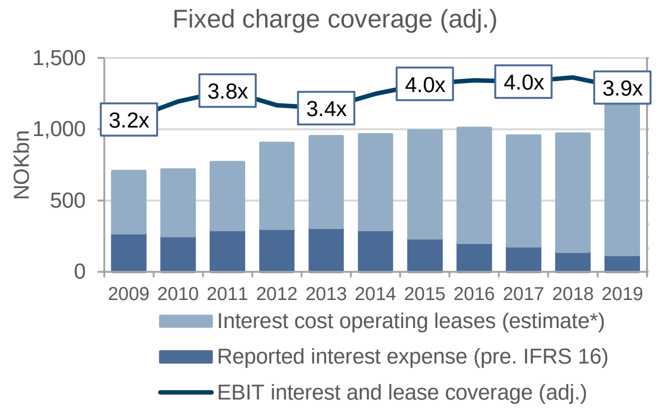
Source: Company data, Danske Bank Credit Research

Chart 3. We expect leverage to remain around 3x



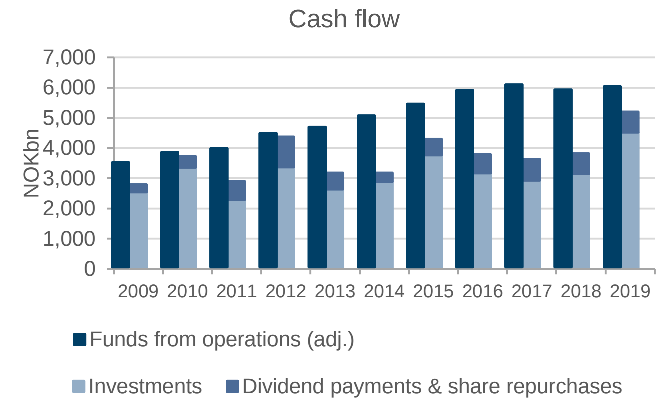
Source: Company data, Danske Bank Credit Research

Chart 4. Solid interest coverage likely to sustain



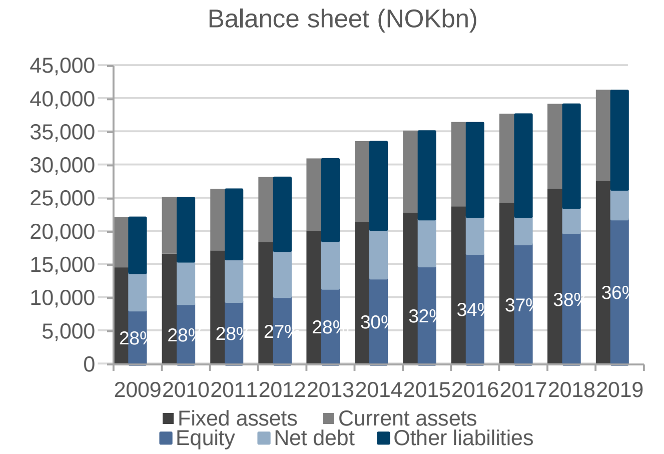
Note: Based on interest cost on operating leases as reported in 2019
Source: Company data, Danske Bank Credit Research

Chart 5. Cash flow sufficient to cover expenditures



Source: Company data, Danske Bank Credit Research

Chart 6. Limited debt on balance sheet (pre-IFRS 16)



Source: Company data, Danske Bank Credit Research

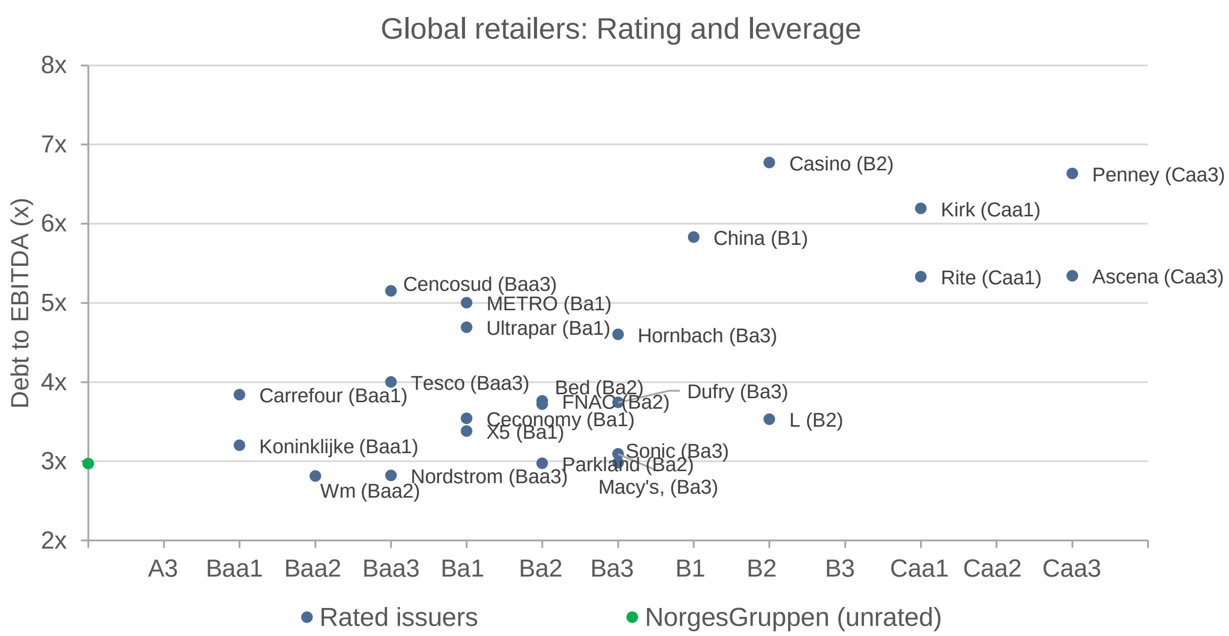
Rating higher up on the agenda

As the Norwegian Fund and Asset Management Association (VFF) requires issuers to obtain a public investment grade rating in order to acquire debt funding through Norwegian fixed income and money market funds, the pressure on unrated issuers to obtain a rating has increased. NorgesGruppen's credit profile has traditionally been perceived as among the strongest in the Norwegian corporate bond market and comparable to international investment grade-rated issuers. With VFF's new requirement for a rating, the company's era of being unrated might come to an end. On the other hand, the company is in no need of any near-term bond issue and as such management has plenty of time to consider various rating agencies.

Whether the company opts for a rating from Nordic Credit Rating Agency, Scope Ratings, S&P or Moody's, should not affect its credit profile or the company's access to debt funding, in our view. We note, however, that international rating agencies could penalise NorgesGruppen for its geographical concentration and its size, despite it being one of the largest companies in Norway. Our suspicion is based on a like-for-like comparison with international retailers like Carrefour S.A. (Baa1/BBB) and Koninklijke Ahold Delhaize (Baa1/BBB), which have 7-8x higher revenues and enjoy a broader geographical footprint in Europe. We would view Scope and Nordic Credit Rating as less likely to put weight on the company's lower scale compared with global retailers and rather base a potential rating on the company's leading market position in the country and its strong relationships with Nordic banks and the bond market.

We believe NorgesGruppen's bonds should trade in accordance with our fair value curve for 'A-' issuers, which is partly based on issuers like Entra (Baa1) and Steen & Strøm (A-). Despite its lower scale, we believe the company's credit profile is comparable to those of international retailers like Carrefour (Baa1/BBB), Kroger (Baa1/BBB) and Koninklijke (Baa1/BBB). Our view on the credit profile is based on the methodologies of Moody's (Retail, Distribution and Supply services) and that of NCR.

Chart 7. Credit ratings of international retailers are largely determined by their leverage



Note: Figures adjusted in accordance with Moody's methodology
Source: Company data, Moody's, Danske Bank Credit Research estimates

Growing online platform supports competitive position

NorgesGruppen grew its market share by 0.5% in 2019, while the market shares of the main competitors COOP and Rema 1000 changed by +0.1% and -0.5%. The market for discount stores, in which NorgesGruppen's Kiwi held a 21.8% leading position at year-end 2019, grew to 67.1% of the NOK185bn market for grocery stores in the country.

NorgesGruppen's online grocery platform, MENY Netthandel, grew its revenues by 56% in 2019 and we expect the positive growth to have continued amid the pandemic. Online grocery shopping is still a young market in Norway, with few established players. NorgesGruppen's largest competitor, COOP, launched its own online shopping application during the lockdown this spring. Nielsen reports that half of Norwegian consumers claim that their grocery shopping is done outside of the traditional stores and the portion of non-traditional (such as online) grocery shopping may have permanently increased as a result of the COVID-19 pandemic.

Online shopping represents roughly NOK3bn (1%) of the total NOK300bn market for grocery goods in Norway, according to Nielsen (Q1 20).

NorgesGruppen's leading market position in Norway is one of the company's key credit strengths and is likely to weigh positively from a rating perspective. Its established position in online shopping supports the company's multi-channel profile and strengthens its competitive position against smaller retailers in the country, including dollar stores like Europris and Nille and the challengers Iceland and Picard.

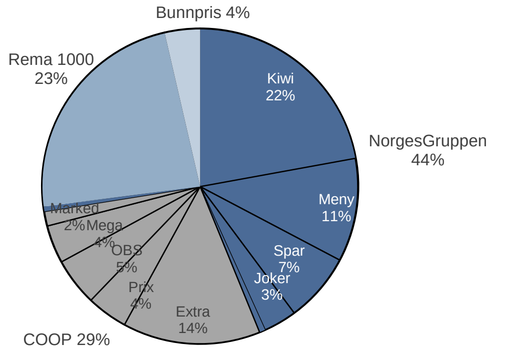
Diversified product offering

Aside from its online grocery platform MENY Netthandel, NorgesGruppen is well placed across most of the grocery sub-segments. An exception is hypermarkets, where COOP has a stronger market presence.

While demand for the company's wide product offering is highly inelastic, the country's grocery market has steadily moved towards smaller local and discount stores. In fact, only 16% of Norwegian grocery stores were larger than 1 square kilometre in 2018, while in Sweden and the Netherlands the proportion of stores above 1 square kilometre was 31% and 49%, respectively (curiously, Norway has roughly as many stores as Sweden and the Netherlands, despite the countries having 2x and 3x higher populations, respectively).

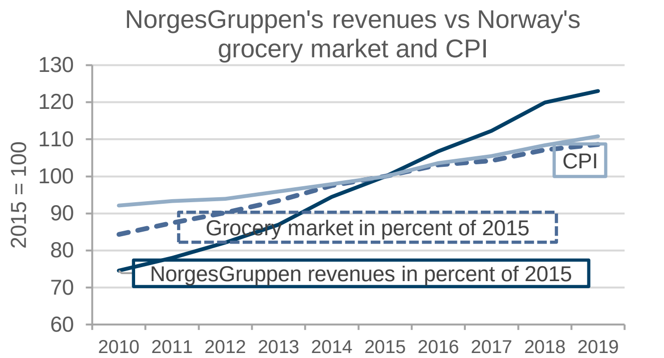
NorgesGruppen's presence across the segments supermarkets (MENY, Spar), discount stores (Kiwi), local stores (Joker, Nærbutikken) and online shopping, allows the company to grow in accordance with consumer preferences. The diversified product offering is likely to weigh positively from a rating perspective.

Chart 8. Market shares pie chart



Source: Company data, Danske Bank Credit Research

Chart 9. NorgesGruppen has enjoyed significant growth



Source: Nielsen, Statistics Norway, Company data, Danske Bank Credit Research

Economies of scale give competitive advantage in profitability

From a rating perspective, profitability is usually not explicitly accounted for as a quantitative measure, but rather considered a qualitative aspect of credit risk. NorgesGruppen's return on assets has averaged 4.6% over the past five years, adjusting for off-balance sheet commitments before 2019. This is on par with Koninklijke and Kroger and well above Carrefour, although below that of Target (A2/A).

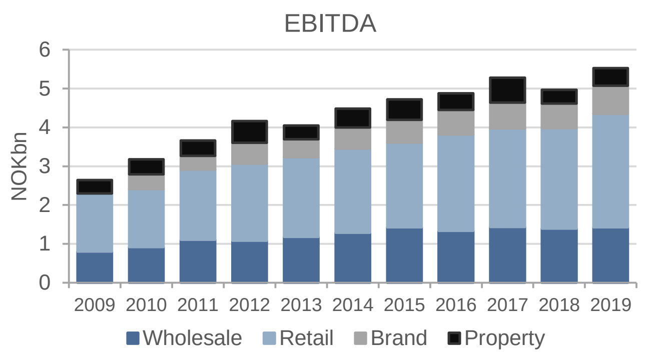
In late 2019 the Norwegian competition authority released a report on procurement terms in the Norwegian grocery industry. The report concluded that NorgesGruppen generally enjoys lower prices on the supply of goods compared to peers – in some cases suppliers operate with more than 15% price difference to the various retailers.

NorgesGruppen's economies of scale grant it favourable prices from its suppliers. The company's profitability could nevertheless come under pressure from the new law of good trading practice and extended focus on monitoring competition.

As NorgesGruppen's 10 largest suppliers represent more than half of the company's sold goods, the favourable procurement margins are likely obtained in part due to the significant volumes purchased by NorgesGruppen. The Norwegian competition authorities are now set to monitor competition and procurement prices permanently, which increases the risk of downward pressure on NorgesGruppen's profitability.

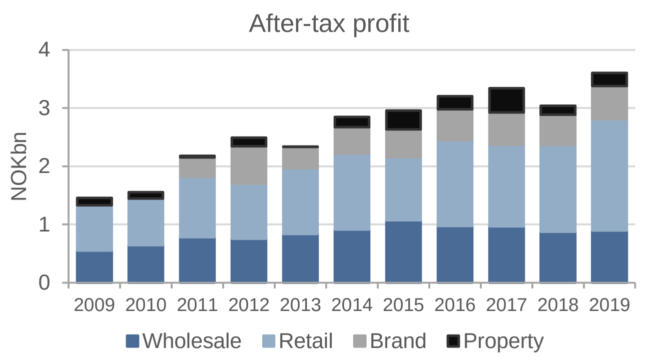
Both the Retail and the Wholesale segment grew their after-tax profits in 2019 and while both segments enjoy highly stable single-digit revenues and EBITDA growth, the Retail segment grew its net profit by almost 28% in 2019. The development is in part driven by gained market shares in the market for groceries, aside from the inclusion of Dagligvaregruppen Tromsø in the financial statements.

Chart 10. Wholesale and Retail majority of earnings



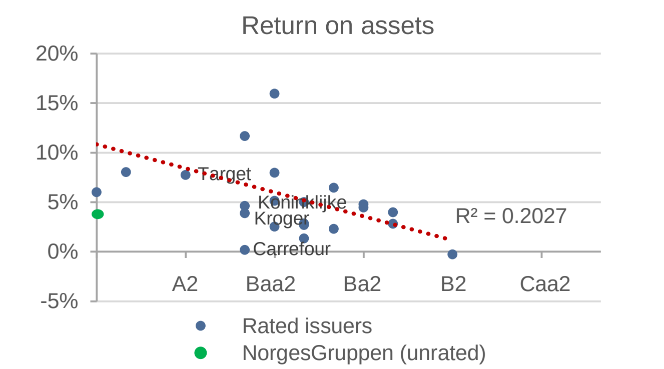
Source: Company data, Danske Bank Credit Research

Chart 11. Significant growth in Retail profits in 2019



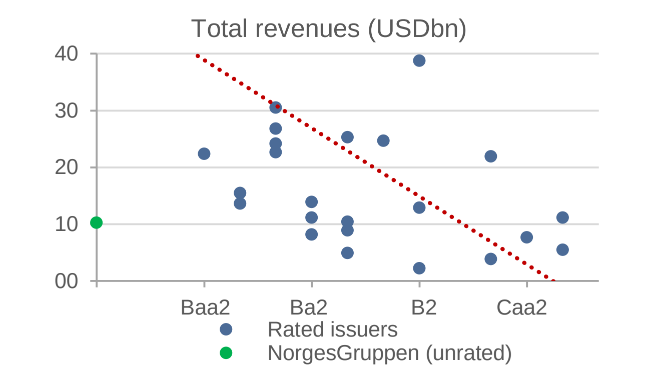
Source: Company data, Danske Bank Credit Research

Chart 12. Profitability among retailers not a key driver of rating, as indicated by high dispersion in the plot chart



Source: Company data, Moody's, Danske Bank Credit Research estimates

Chart 13. Scale among global retailers illustrates limited correlation with credit ratings



Source: Company data, Moody's, Danske Bank Credit Research estimates

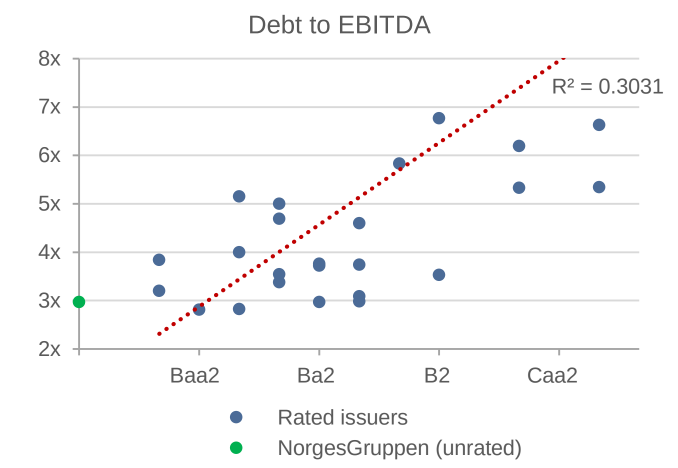
Leverage and interest coverage remain core credit strengths

While profitability bears a lower importance from a rating perspective, leverage and interest coverage are central. This is reflected in the limited dispersion in the plot charts below. Besides its leading market position, NorgesGruppen's strong balance sheet is set to support the company in a potential rating scenario.

Over the past 10 years, the company's net debt to EBITDA has remained in the range of 2.2x-3.2x. The level is prudent and the narrow range underscores the stable earnings and capital structure. On a gross level, the company's five-year average leverage measured 3.0x at year-end 2019, which is in the lower range of our peer group of global peers and among issuers rated 'BBB+'.

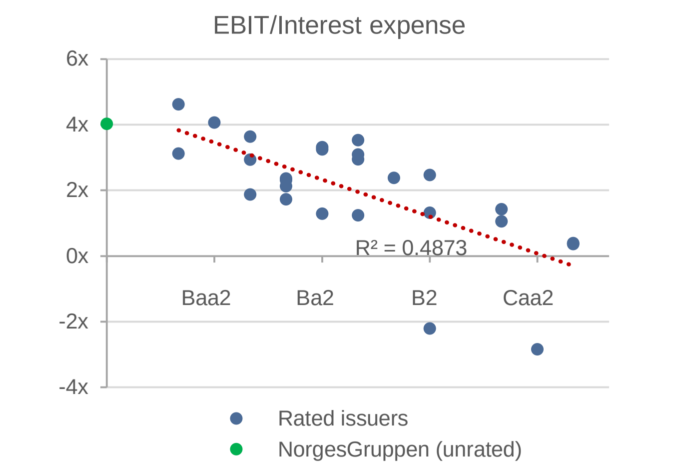
The company's strong balance sheet is reflected also when comparing retained cash flow (FFO less dividend payments) to net debt (Chart 16), debt to total assets (Chart 17), and when comparing EBIT interest coverage (adj., Chart 15), which has ranged around 4x.

Chart 14. Leverage in line with issuers rated BBB+



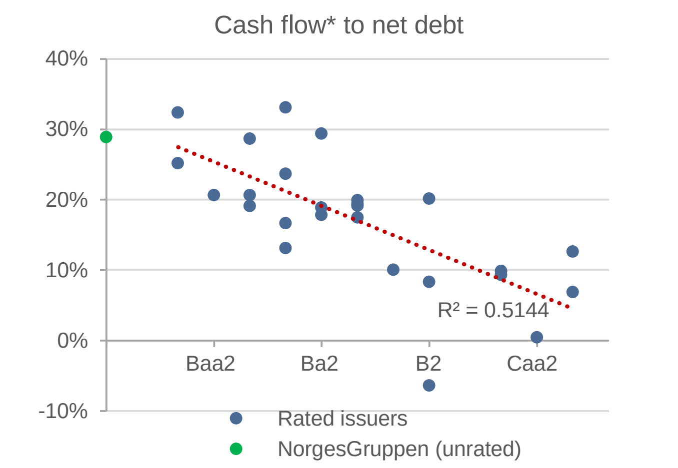
Note: Adjusted for operating leases
Source: Company data, Moody's, Danske Bank Credit Research estimates

Chart 15. Interest coverage on par with BBB+ issuers



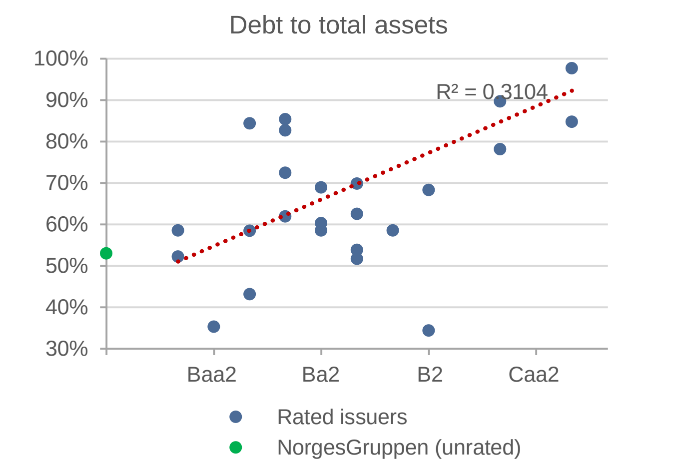
Note: Adjusted for operating leases
Source: Company data, Moody's, Danske Bank Credit Research estimates

Chart 16. Leverage in line with issuers rated BBB+



**Funds from operations less dividends. Figures adjusted for operating leases*
Source: Company data, Moody's, Danske Bank Credit Research estimates

Chart 17. Gearing in line with issuers rated BBB+



Note: Adjusted for operating leases
Source: Company data, Moody's, Danske Bank Credit Research estimates

Environmental considerations

NorgesGruppen has a relatively long history of documenting and reporting its initiatives to reduce its environmental impact and its social responsibility, with an overall goal of becoming climate-neutral. It has integrated the United Nations' sustainable development goals in the company's overall business strategy. Among the 17 goals, nine were explicitly implemented as of December 2019.

Having issued three green bonds since February 2019, it has reinforced its sustainable profile in the Norwegian bond market. This section presents our assessment of the company's ESG risk, in light of the *ESG framework of Danske Bank Credit Research*.

Table 1. Danske Bank's ESG assessment

ESG factor	Score
Environmental risk	Low
Social risk	Low
Governance risk	Low
ESG reporting	Average
Total ESG risk	**Medium**

Source: Danske Bank Credit Research
Link to framework on research website

Broad, albeit not comprehensive ESG reporting

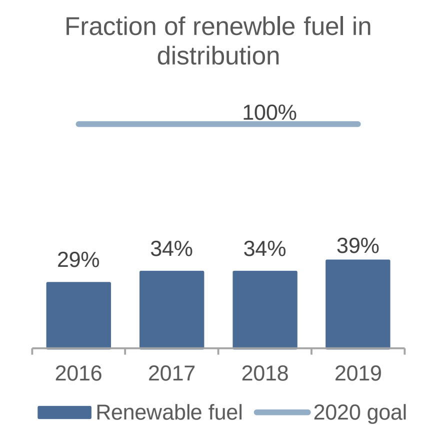
The company reports on more than 30 ESG key performance indicators (KPIs) in its sustainability reports, split across the areas of supply chain, environment (including efforts to mitigate deforestation), health products, waste and energy efficiency as well as employee diversity.

On the company's website and in its sustainability reports, each KPI is supplemented with comments about the indicator's development through the year. Such a broad and granular approach to ESG reporting is rare in the Nordic bond market and greatly supports the company's ESG profile.

Notwithstanding the ample reporting on various ESG initiatives, it arguably has potential for improvement. Key facts such as total emissions (Scope 1, 2 or 3), employee retention rates and the sale of alcohol and tobacco remain undisclosed. For example, the company reports that ASKO's distribution from Trondheim to Bodø will be switched from trucks to rail, which will reduce the annual number of trucks on the road by 13,000. With the company's total emissions being undisclosed, we can only guess about the impact of this initiative on the company's overall emissions. It is difficult to define the company's ESG profile and study its development without such core data.

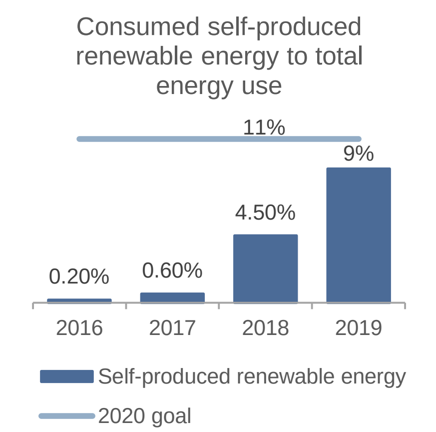
In its current form, we find it difficult to determine the extent to which the company is aligned with the framework of the EU Taxonomy, which was *formally adopted by the European Parliament on 18 June*. For these reasons we consider NorgesGruppen's ESG reporting as 'Average' compared to other issuers in the Nordic corporate bond market.

Chart 18. Fuel used in distribution



Source: Company data, Danske Bank Credit Research

Chart 19. Use of renewable energy



Source: Company data, Danske Bank Credit Research

Chart 20. Waste recycling

Source: Company data, Danske Bank Credit Research

Solid environmental track record

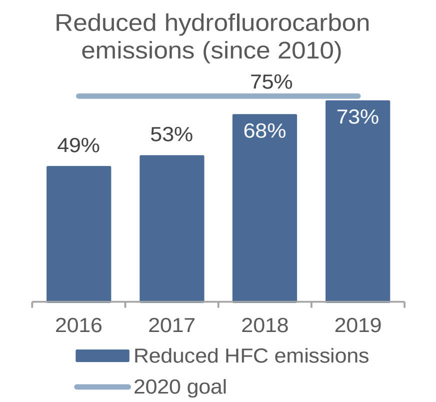
The performance in almost all environmental KPIs has improved over the past four years, although only a few have met the 2020 goal. The best performing indicators over the past four years have been: reduction in hydrofluorocarbon emissions, self-sustained renewable energy use and reduced food waste. The indicators with subpar performance include plastic bag usage and use of renewable energy in distribution.

Since 2016, NorgesGruppen has maintained an ambitious 2020 goal to solely use renewable fuel in its distribution of goods, which primarily relates to ASKO's 600 ~trucks. The goal is to exclude the use of palm oil, which remains a core ingredient in biofuel. Renewable alternatives to biofuel have been limited so far. Not being able to meet the ambitious goal for 2020, the company has updated its goal of achieving 100% renewable fuel for distribution by 2026.

In its efforts to reduce ASKO's emissions, the company has ordered 55 electric trucks and the world's first four hydrogen-fuelled trucks. The company incurs roughly NOK300m in annual extra costs related to investments in renewable solutions, which we expect to increase in the years ahead. Such capital-intensive investments require adequate liquidity and solid means of financing. This is one area where the country benefits from a consolidated distribution of groceries, rather than a fragmented one where distributors may have lower investment capacity.

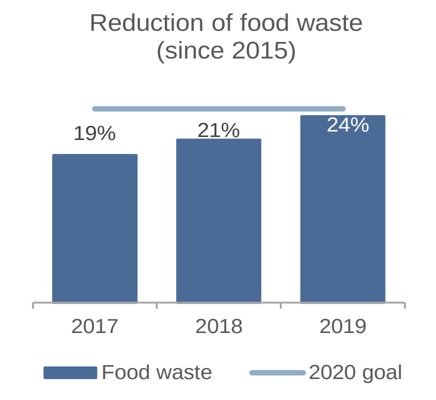
The company incurs roughly NOK300m in annual extra costs related to environmental investments. This equates to 5-10% of annual investments.

Chart 21. HFC emissions



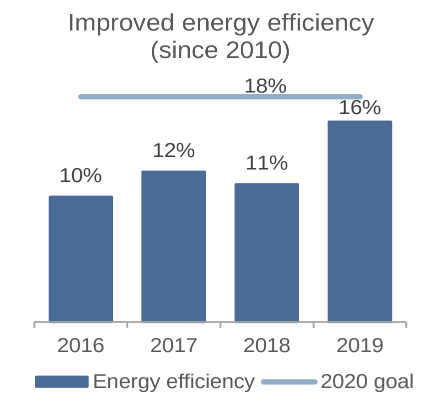
Source: Company data, Danske Bank Credit Research

Chart 22. Food waste



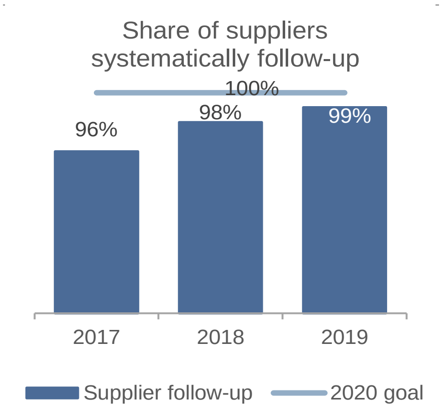
Source: Company data, Danske Bank Credit Research

Chart 23. Energy efficiency



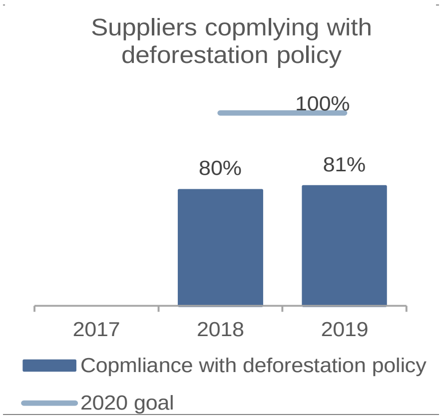
Source: Company data, Danske Bank Credit Research

Chart 24. Supplier follow-up



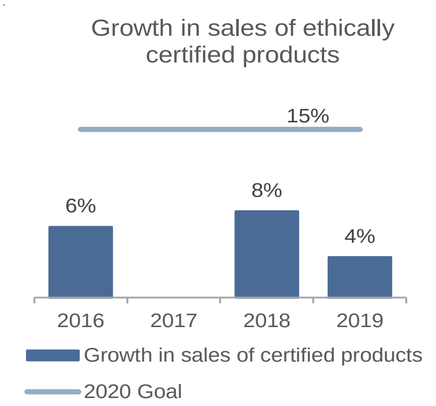
Source: Company data, Danske Bank Credit Research

Chart 25. Deforestation compliance



Source: Company data, Danske Bank Credit Research

Chart 26. Certified product sales



Source: Company data, Danske Bank Credit Research

Supporting local communities

More than 1.2 million consumers shop in NorgesGruppen's stores every day, where they are welcomed by the company's 41,000 employees. Being a market leader with a direct impact on millions of consumers' daily lives, NorgesGruppen arguably has a broad corporate social responsibility. It addresses this responsibility by working towards defined targets that contribute to both local communities and its own working place. On the bottom line, we categorise the company's social risk as low.

While roughly 10 suppliers account for almost half of the company's sold products, the company partners with some 1,200 suppliers, many of which are local producers. The company has a relatively low proportion of own brands compared to other retailers and it rarely demands exclusivity from its suppliers. Among its KPIs is annual sales growth in locally produced goods, with the goal of achieving 2-5% extra growth beyond the company's total sales growth. This goal and the KPI's solid performance over the past four years are a testament to NorgesGruppen's accretive contribution to local economies and supports the company's social risk assessment.

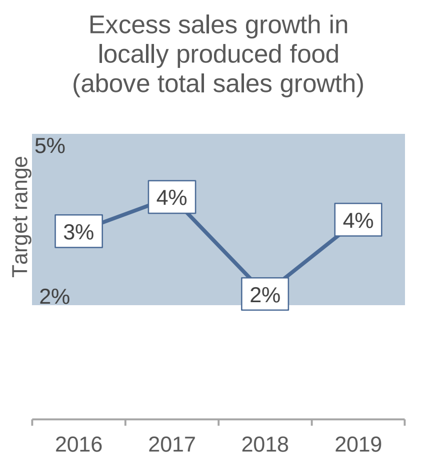
NorgesGruppen's staff were not entirely unaffected by the pandemic and while the exact number has not been disclosed, a minority of the company's employees were temporarily furloughed (primarily in service segments). On the other hand, management has commented that the company managed to relocate almost 100 employees, effectively reducing the number of furloughed employees. We view such measures as positive from a social responsibility perspective.

Alcohol and tobacco sales weigh negatively for the social profile

The one critical point we would point out in assessing NorgesGruppen's social responsibility is the company's relatively high sales of tobacco and alcohol. Both product categories are confirmed to exceed 5% of the company's total revenues. While the exact numbers are not disclosed, we expect them to range at 6-7%, each, under normal circumstances (i.e. not during lockdown when the proportions were likely higher due to consumers not being able to buy groceries across borders). We argue that the relatively high proportion of tobacco and alcohol sales is largely a result of the demand for such products. However, it might restrict certain investors from holding bonds issued by the company, which makes it relevant for its access to capital markets.

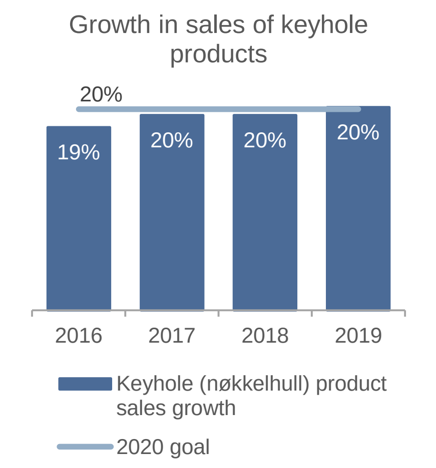
Revenues from tobacco sales account for roughly 7% of the total market for grocery goods in Norway (2019). We expect this to be representative for NorgesGruppen's sales revenues.

Chart 27. Local production growth



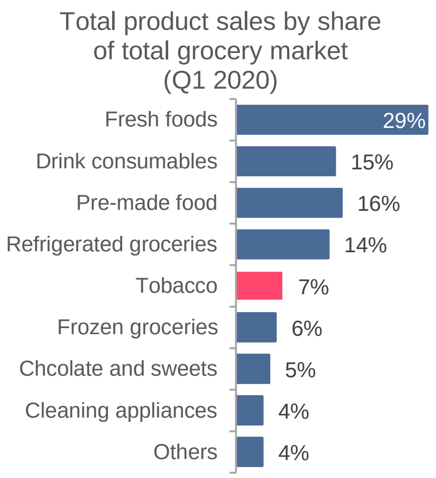
Source: Company data, Danske Bank Credit Research

Chart 28. Growth in healthy goods



Source: Company data, Danske Bank Credit Research

Chart 29. Product categories



Source: Nielsen Scantrack

Decent governance structure mitigates corruption risk

With tens of thousands of employees and hundreds of cooperating partners, NorgesGruppen is exposed to regulatory risk. The competition authorities closely monitor the Norwegian grocery industry, which further underscores the regulatory risk. Lack of solid governance could increase the risk of fines, loss of market shares and general loss of reputation, which in turn could impair the credit profile. Overall we believe the company's governance set-up and track record are good and we deem the governance risk as low.

Adequate board structure even though independence could be improved

The company's board consists of eight shareholder-nominated members as well as two members and two observatory persons nominated by employees. Members are elected for a period of two years. The company's governance framework states that the annual general meeting nominates the board's chairman and the nomination committee. The chief executive officer or other members of the management are not part of the committee.

Four of the eight members of the board elected by the shareholders are independent from the owners and the company's operations. This is a minor deviation from the Norwegian Corporate Governance Board (NUES), which recommends that a majority of the board's shareholder-elected members are independent. We doubt that the government structure has negative implications for the board's ability to ensure internal control and overall to act in the best interests of the company's shareholders.

Corruption incident concluded in 2019

NorgesGruppen employs strict internal guidelines for integrity in all business relations. It has no tolerance for discriminatory behaviour among employees and strives towards a balanced gender equality. However, despite strict guidelines on how to handle conflicts of interest and mitigate corruption, the company made headlines in 2018 when a procurement manager of UNIL AS, a 100%-owned subsidiary responsible for product marketing and development, was discovered to have received bribes for a period of 15 years up until 2018. UNIL initiated its own internal investigation following an internal anonymous tip and the employee admitted his crimes to Økokrim, which has responsibility for investigating and prosecuting economic and environmental crime in Norway. The manager was found guilty of receiving bribes amounting to NOK28m over the years and was sentenced to five years in prison. Although likely unique in NorgesGruppen's history, the case is a reminder of the risk of corruption and the importance of internal controls and governance.

Ongoing investigations into breach of competition and information laws

Aside from the investigations into corruption, NorgesGruppen is still under investigation by the Norwegian Competition Authority for breach of competition and information laws. The allegations relating to competition laws seem to lean towards price discrimination among suppliers. Even though the Norwegian government announced last week that its proposal to regulate supplier prices would be scrapped, the competition authority has stated that it will not be able to conclude on its investigations until after summer. The allegations relating to breach of information laws relate to a particular property transaction.

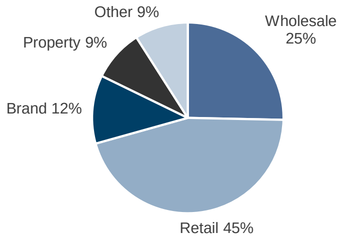
In our opinion, the investigations are not significant enough to affect NorgesGruppen's governance risk and we expect its credit profile to remain unaffected by the outcome of the investigations.

Company summary

Company description

NorgesGruppen is Norway's leading consumer goods retailer, holding an estimated 44% market share in the country. Its retail and wholesale operations are integrated, in which its distribution company ASKO supplies the company's stores, kiosks and cafe's with consumer goods. NorgesGruppen remains unrated, however it's long track-record in the Norwegian bond market stand as a testament to the company's strong credit profile.

EBITDA breakdown, segments (5-year average)



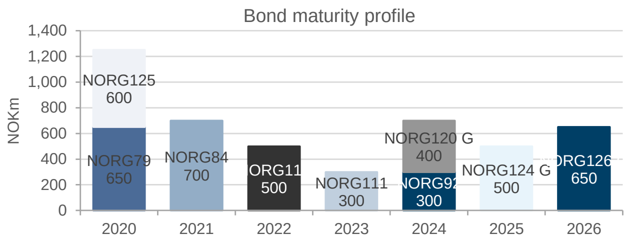
Key credit strengths

- Market-leading retailer with major societal importance
- Stable, non-cyclical demand prompts resilient cash flow
- Strong balance sheet with prudent leverage
- Tariffs, scale, customer loyalty and capital-intensity serve as entry barriers.

Key credit challenges

- Profitability sensitive to strong competition between few large retailers
- Relatively low geographical diversification
- Capital intensive industry caps cash generation
- Sensitive towards shifting consumer trends.

Debt maturity profile



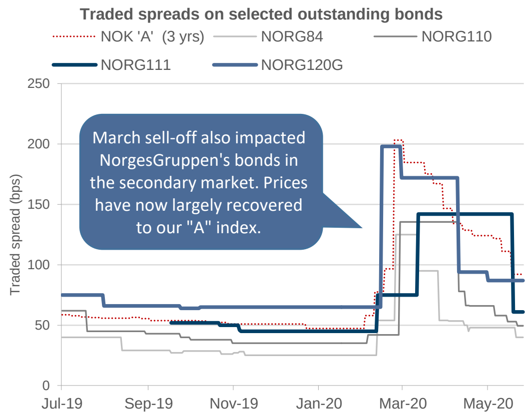
Main shareholders

Name	Votes (%)	Capital (%)
Jo. Johannson Handel AS		74.4%
Brødrene Lorentzen AS		9.0%
PETT Kjede og Servicekontor AS		6.3%

Selected outstanding bonds

Ticker	Size (NOKm)	Maturity	Name
NORG79	650	2020	NorgesGruppen ASA 13/20 3,80%
NORG84	700	2021	NorgesGruppen ASA 14/21 FRN
NORG92	300	2024	NorgesGruppen ASA 14/24 3,25%
NORG110	500	2022	NorgesGruppen ASA 16/22 FRN
NORG111	300	2023	NorgesGruppen ASA 17/23 FRN
NORG120 G	400	2024	NorgesGruppen ASA 19/24 FRN
NORG124 G	500	2025	NorgesGruppen ASA 19/25 FRN
NORG125	600	2020	NorgesGruppen ASA 1,85% CERT
NORG126 G	650	2026	NorgesGruppen ASA 20/26 FRN

Relative valuation



Source: Company data, Bloomberg, Danske Bank Credit Research [all charts and tables]

Summary tables

Income statement (NOKm)	2015	2016	2017	2018	2019
Total sales	76,224	80,162	85,632	87,813	90,504
Operating expenses	-71,495	-75,316	-80,394	-82,821	-85,179
EBITDA	4,729	4,846	5,238	4,992	5,325
EBITDA adjusted	6,386	6,689	7,144	6,806	7,547
Depreciation and amortisation	-1,847	-1,825	-2,116	-2,151	-2,147
EBIT	3,170	3,266	3,052	3,140	3,650
EBIT adjusted	3,926	4,070	3,828	3,969	4,758
Net interest	-169	-101	-274	-83	-200
Pre-tax profit	3,001	3,164	2,778	3,057	3,450
Tax	-640	-699	-688	-647	-704
Net income	2,361	2,465	2,090	2,410	2,746
Balance sheet (NOKm)	**2015**	**2016**	**2017**	**2018**	**2019**
Fixed assets	14,587	15,778	16,102	16,872	18,642
Goodwill	4,905	4,895	4,832	4,873	5,338
Associates	2,966	2,851	3,042	3,436	3,593
Other non-current assets	1,678	1,515	1,215	1,578	844
Working capital assets	10,397	10,629	11,374	10,614	11,194
Cash and cash equivalents	505	707	1,090	1,778	1,631
of which restricted cash					
Other current assets	66	7	23	21	6
Total assets	35,104	36,382	37,678	39,171	41,248
Total assets (adj.)	46,637	48,657	49,400	51,719	60,370
Total interest-bearing debt	8,660	7,178	6,111	6,605	7,052
Total interest-bearing debt adjusted	20,193	19,452	17,833	19,153	26,189
Net interest-bearing debt	7,100	5,578	4,177	3,791	4,467
Net interest-bearing debt adjusted	18,633	17,853	15,899	16,339	22,320
Working capital liabilities	4,671	5,543	6,095	5,438	4,919
Other current liabilities	5,479	5,415	5,810	5,749	5,920
Other non-current liabilities	1,474	1,518	1,527	1,536	1,413
Total equity	14,820	16,728	18,135	19,843	21,930
Total equity and liabilities	35,104	36,382	37,678	39,171	41,248
Total equity and liabilities (adj.)	46,637	48,657	49,400	51,719	60,370
Cash flow statement (NOKm)	**2015**	**2016**	**2017**	**2018**	**2019**
EBITDA	4,729	4,846	5,238	4,992	5,325
Tax paid	-590	-677	-684	-707	-647
Other cash flow from operations	-111	140	-63	141	1,297
Funds from operations (FFO)	4,028	4,309	4,492	4,425	5,974
FFO (adjusted)					
Change in working capital	-363	291	690	-176	-297
Operating cashflow (CFO)	3,665	4,600	5,182	4,249	5,677
CFO (adjusted)					
Capex	-3,435	-3,117	-2,892	-3,053	-4,145
Divestments/acquisitions of businesses	222	448	385	-585	385
Free operating cashflow (FOCF)	452	1,931	2,675	610	1,917
FOCF (adjusted)					
Dividend paid	-524	-605	-648	-653	-653
Share buyback	-16	-8	-56	-11	-19
Free cashflow (FCF)	-87	1,319	1,971	-54	1,245
Other investing activities					
Debt repayment	-5,024	-6,276	-6,332	-4,280	-7,298
Funding shortfall	-5,111	-4,957	-4,361	-4,335	-6,052
New debt	5,512	6,190	4,996	4,342	7,589
New equity					
Other financing activities	-296	-1,030	-253	681	-1,683
Change in cash	105	202	382	689	-147

Source: Company data, Danske Bank Credit Research

Summary tables

Adjusted ratios (NOKm)	2015	2016	2017	2018	2019
Sales growth	7%	5%	7%	3%	3%
EBITDA margin	6.2%	6.0%	6.1%	5.7%	5.9%
Adj. EBITDA margin	8.4%	8.3%	8.3%	7.8%	8.3%
EBIT margin	4.2%	4.1%	3.6%	3.6%	4.0%
Adj. EBIT margin	5.2%	5.1%	4.5%	4.5%	5.3%
EBITDA interest coverage (x)	20.7	24.5	29.8	36.3	46.2
Adj. EBITDA interest coverage (x)	6.6	6.8	7.6	7.1	6.3
EBIT interest coverage (x)	14.1	16.8	17.7	23.1	32.1
Adj. EBIT interest coverage (x)	3.3	3.4	3.3	3.4	3.1
FFO interest coverage (x)	17.7	21.9	25.7	32.2	51.7
Adj. FFO interest coverage (x)					
CFO interest coverage (x)	16.1	23.3	29.5	31.0	49.2
Adj. CFO interest coverage (x)					
Net debt/EBITDA (reported) (x)	1.5	1.2	0.8	0.8	0.8
Net debt/EBITDA (x)	1.5	1.2	0.8	0.8	0.8
Adj. net debt/adj. EBITDA (x)	2.9	2.7	2.2	2.4	3.0
Debt/EBITDA (x)	1.8	1.5	1.2	1.3	1.3
Adj. debt/adj. EBITDA (x)	3.2	2.9	2.5	2.8	3.5
Debt/EBITDA (reported) (x)	1.8	1.5	1.2	1.3	1.3
FFO/net debt	56.7%	77.3%	107.5%	116.7%	133.7%
Adj. FFO/adj. debt					
Adj. FFO/adj. net debt					
FFO/debt	46.5%	60.0%	73.5%	67.0%	84.7%
Adj. total debt/total capital	57.7%	53.8%	49.6%	49.1%	54.4%
Net debt/total capital	30.2%	23.3%	17.2%	14.3%	15.4%
Adj. net debt/adj. total capital	53.2%	49.3%	44.2%	41.9%	46.4%
Yearly overview (NOKm)	**2015**	**2016**	**2017**	**2018**	**2019**
Net Sales	76,224	80,162	85,632	87,813	90,504
EBITDA	4,729	4,846	5,238	4,992	5,325
Adj. EBITDA	6,386	6,689	7,144	6,806	7,547
EBIT	3,170	3,266	3,052	3,140	3,650
Net Income	2,361	2,465	2,090	2,410	2,746
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FFO	4,028	4,309	4,492	4,425	5,974
Total debt	8,660	7,178	6,111	6,605	7,052
Net debt	7,100	5,578	4,177	3,791	4,467
Adjusted net debt	18,633	17,853	15,899	16,339	22,320
Equity (incl. minorities)	14,820	16,728	18,135	19,843	21,930
Ratios:					
Net debt to EBITDA	1.5x	1.2x	0.8x	0.8x	0.8x
Adj. net debt to EBITDA	2.9x	2.7x	2.2x	2.4x	3.0x
FFO to net debt	57%	77%	108%	117%	134%
Adj. FFO to net debt	0%	0%	0%	0%	0%

Source: Company data, Danske Bank Credit Research

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Date	Old rec.	New rec.
New	Not Rated	Marketweight
24 Apr 2020	Marketweight	Not Rated

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