

# SalMar ASA assigned 'A-' long-term issuer rating; Outlook stable

Nordic Credit Rating (NCR) said today that it had assigned a 'A-' long-term issuer rating to Norway-based SalMar ASA (SalMar). At the same time NCR assigned an 'N-1+' short-term issuer rating. The outlook is stable. We expect to assign the company's long-term senior unsecured instruments 'BBB+' to reflect the high share of secured debt financing.

## Rationale

The ratings reflect the company's strong profitability relative to its peer group, which is due to its cost-efficient production and excellent farming locations. The rating further reflects the company's strong cash flow and moderate financial leverage. We believe that the current owner-manager structure will keep SalMar's risk appetite in check.

The rating is constrained by the sector's historical earnings volatility due to unstable prices as a result of variable supply. Moreover, we take into account environmental challenges and disease problems in our assessment of the operating environment. Positively, we note that salmon is a healthy food product, with a lower environmental footprint than other sources of protein.

## Stable outlook

The outlook is stable, reflecting our view that profitability will remain strong in the years ahead. We anticipate that a bounce-back of demand after the COVID-19 pandemic and lower supplies from Chilean producers will support prices over the next three years. Accordingly, we expect SalMar to maintain strong credit metrics after a period of high investment in new processing and smolt facilities as well as farming capacity. We believe that the company will keep adverse biological factors under control. We could raise the rating to reflect lower volatility in supply leading to reduced price uncertainty and increased demand or increased productivity due to better control of biological issues. We could lower the rating to reflect increased biological problems, higher financial leverage leading to debt/EBITDA above 2.5x due to higher-than expected investments, or decreased demand for Norwegian or Atlantic salmon.

Rating list	Rating
Long-term issuer credit rating:	A-
Outlook:	Stable
Short-term issuer credit rating:	N-1+
Senior unsecured issue rating:	BBB+

## If you have any questions, please contact:

Geir Kristiansen, credit rating analyst, +4790784593, [geir.kristiansen@nordiccreditrating.com](mailto:geir.kristiansen@nordiccreditrating.com)  
Mille O. Fjeldstad, credit rating analyst, +4799038916, [mille.fjeldstad@nordiccreditrating.com](mailto:mille.fjeldstad@nordiccreditrating.com)

The methodology documents used for this rating are NCR's Corporate Methodology published on 14 Aug. 2018 and NCR's Rating Principles published on 16 Sep. 2019. For the full regulatory disclaimer please see the rating report.

### **About Us**

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Nordic Credit Rating AS is a credit rating agency headquartered in Oslo with a branch in Stockholm. The company provides credit ratings to companies and financial institutions in the Nordic region, and bases its analysis on local insights. Nordic Credit Rating is registered with the European Securities and Markets Authority (ESMA).

### **Attachments**

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