

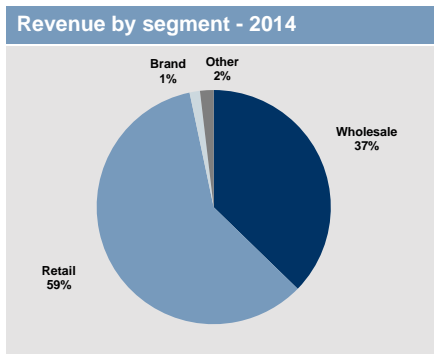
NorgesGruppen ASA

Industry (GICS): Food & Staples Retailing
Sector (Nordea): Consumer Goods

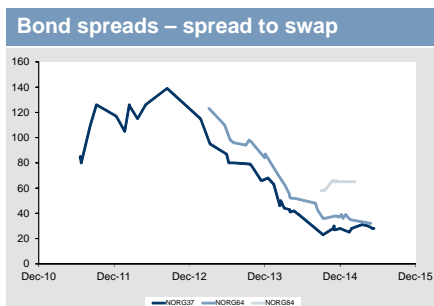
A-
Stable

Key info	
Country	Norway
Bloomberg debt	NORGRU Corp
Bloomberg equity	3481382Z NO
Moody's	NR/---
S&P	NR/---
Market cap. (bn)	n.a.

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Source: Company data and Nordea Markets



Source: OSE and Nordea Markets

Business as usual

NorgesGruppen's sound growth story continued in 2014. The group increased its market share in the domestic food retailing market, while at the same time delivered steady margins.

Unchanged margins y/y

NorgesGruppen posted unchanged operating margins y/y, demonstrating its continued sound growth story. The group's turnover and EBITDA (adjusted for operational leases) both grew y/y by 6%, resulting in an unchanged EBITDA margin of 8.3%.

Further market penetration

According to independent researcher Nielsen, NorgesGruppen increased its market share in the domestic food retailing market to 39.9% in 2014 (39.3% in 2013).

Stable cash flow patterns

The group's reported operating cash flow increased y/y by 14% to NOK 3,248m (2013: NOK 2,852m), helped by stronger earnings and lower working capital build-up. Operating cash flow was more than sufficient to cover net investments of NOK 2,983m, illustrating the group's ability to support growth through its cash flow generation.

Credit view

We maintain our shadow rating on NorgesGruppen at A- with a Stable outlook, reflecting our assessment of a Strong business risk profile and an Intermediate to Significant financial risk profile. The credit benefits from its position as Norway's largest food retailer, generating highly stable and visible cash flows.

Key credit metrics and ratios (adjusted numbers)										
NOKm	2008	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E
EBITDA	3,009	3,918	4,296	4,898	5,313	5,583	5,927	6,281	6,658	7,057
- margin	6%	7%	8%	8%	9%	8%	8%	8%	8%	8%
EBIT	1,345	2,018	2,248	2,618	2,672	2,835	3,202	3,504	3,827	4,174
- margin	3%	4%	4%	4%	4%	4%	4%	5%	5%	5%
Shareholders' equity	7,145	8,165	9,162	9,505	10,220	11,455	13,007	14,606	16,452	18,561
Debt	11,797	12,076	14,049	13,962	16,877	18,823	18,391	17,591	16,391	14,791
Debt/(Debt+Equity)	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.4
FFO/Debt	15.9%	20.5%	19.6%	20.4%	19.1%	17.0%	18.8%	21.1%	24.5%	29.3%
FOCF/Debt	-17.0%	-1.5%	-7.2%	5.0%	2.7%	-0.3%	0.2%	1.1%	2.4%	4.1%
DCF/Debt	-19.9%	-3.4%	-9.6%	2.0%	0.2%	-2.7%	-1.1%	-1.8%	-0.7%	0.7%
EBITDA interest coverage	5.0	6.3	6.8	7.2	6.8	6.4	7.2	7.9	8.6	9.4
Debt/EBITDA	3.9	3.1	3.3	2.9	3.2	3.4	3.1	2.8	2.5	2.1
ROC	7.4%	10.0%	10.0%	10.8%	10.2%	9.6%	10.1%	10.7%	11.4%	12.3%

Source: Company data and Nordea Markets

Business as usual

NorgesGruppen's sound growth story continued in 2014. The group increased its market share in the domestic food retailing market, while at the same time delivered steady margins.

Steady margins

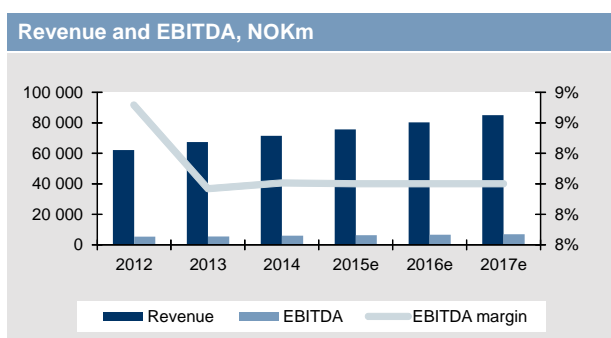
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Increased market share

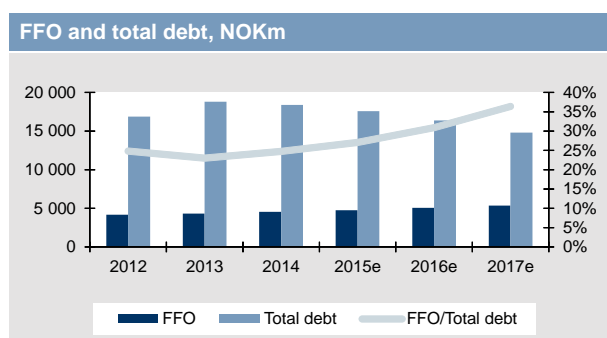
According to independent researcher Nielsen, NorgesGruppen increased its market share in the domestic food retailing market to 39.9% in 2014 (39.3% in 2013).

Stronger cash flow

The group's reported operating cash flow increased y/y by 14% to NOK 3,248m (2013: NOK 2,852m), helped by stronger earnings and lower working capital build-up. The operating cash flow was more than sufficient to cover net investments of NOK 2,983m, illustrating the group's ability to support growth through its cash flow generation.



Source: Company data and Nordea Markets



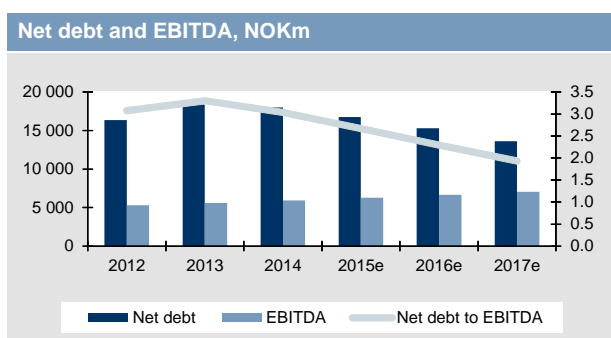
Source: Company data and Nordea Markets

Strong liquidity reserve

NorgesGruppen's liquidity reserve as of year-end 2014 amounted to NOK 7,415m, comprising cash at hand of NOK 400m and undrawn committed credit facilities of NOK 7,015m.

Improved credit metrics

The group's net debt (adjusted for operating leases and pension liabilities) declined by approximately NOK 0.4bn during 2014, ending the year at NOK 18.0bn (2013: NOK 18.4bn). As a consequence, the net debt to EBITDA and total debt to capitalisation ratios strengthened to 3.0x and 59% (2013: 3.3x and 62%), respectively.



Source: Company data and Nordea Markets



Source: Company data and Nordea Markets

Conservative dividend policy

NorgesGruppen distributed dividends of NOK 251m in 2014, corresponding to a dividend payout ratio (dividend to previous year's net profit) of 14% (2013: 28%). The proposed dividend for the financial year 2014 is NOK 509m, equal to a dividend payout ratio of 27%.

Credit profile considerations

Supportive business risk profile elements

The business risk profile is supported by:

- Leading market position as Norway's largest food retail player, as well as Norway's largest food wholesale player
- Significant barriers to entry in the domestic food retailing industry due to intense price competition and protective toll barriers
- Resilient industry characteristics as the sensitivity to economic cycles is below average.

Challenging business risk profile elements

The business risk profile is challenged by:

- Limited geographic diversification
- The wholesale operations is a low-margin business
- Risk of future expansion into non-core business segments with higher inherent risk due to limited growth opportunities in its core business operations.

Strong business risk profile

We are of the opinion that the overall business risk profile associated with NorgesGruppen can be considered Strong, according to the "expanded rating matrix" from Standard & Poor's below.

Expanded Rating Matrix							
Business Risk Profile	- Financial Risk Profile -						
	Minimal	Modest	Intermediate	Significant	Aggressive	Highly Leveraged	
Excellent	AAA/AA+	AA	A+/A	A-	BBB	BBB-/BB+	
Strong	AA/AA-	A+/A	A-/BBB+	BBB	BB+	BB	
Satisfactory	A/A-	BBB+	BBB/BBB-	BBB-/BB+	BB	B+	
Fair	BBB/BBB-	BBB-	BB+	BB	BB-	B	
Weak	BB+	BB+	BB	BB-	B+	B/B-	
Vulnerable	BB-	BB-	BB-/B+	B+	B	B-	
Core ratios		Supplementary coverage ratios			Supplementary payback ratios		
	FFO/Debt (%)	Debt/EBITDA (x)	FFO/Interest (x)	EBITDA/Interest (x)	CFO/Debt (%)	FOCF/Debt (%)	DCF/Debt (%)
Minimal	> 60	< 1.5	> 13	> 15	> 50	> 40	> 25
Modest	45-60	1.5-2	9-13	10-15	35-50	25-40	15-25
Intermediate	30-45	2-3	6-9	6-10	25-35	15-25	10-15
Significant	20-30	3-4	4-6	3-6	15-25	10-15	5-10
Aggressive	12-20	4-5	2-4	2-3	10-15	5-10	2-5
Highly Leveraged	< 12	> 5	< 2	< 2	< 10	< 5	< 2

Source: Standard & Poor's

Intermediate to Significant financial risk profile

Our opinion is that the financial risk profile associated with NorgesGruppen can be considered as Intermediate to Significant. According to guidelines from S&P, we evaluate credit ratios on a time series basis. We consider the group's credit ratios for the previous two years, as well as the current year's forecast.

We adjust the reported debt for pension liabilities and operational lease commitments

We adjust NorgesGruppen's reported debt for pension liabilities and operational lease commitments. The minimum lease payments under the group's operating lease arrangements amounted to NOK 11.6bn as of 31 December 2014.

Bond details

Last trade level(s)

The table below shows the last reported trades in the group's listed bonds on the OSE (the 2019 and 2024 bonds have never traded on the OSE).

Last trade levels on the OSE (bonds are sorted by maturity date)												
Ticker	Issuer	Corp	Bond	Issue	Maturity	Coupon	Size (m)	Level	Spread	Date	Rank	
NORG37	NorgesGruppen ASA	A-	A-	2011-06-15	2016-06-15	N3M +85	NOK 900	100.59	28	15.05.15	Senior unsecured	
NORG64	NorgesGruppen ASA	A-	A-	2012-09-19	2017-09-19	N3M +150	NOK 800	102.74	32	29.04.15	Senior unsecured	
NORG73	NorgesGruppen ASA	A-	A-	2013-06-17	2018-06-15	N3M +105	NOK 700	101.89	43	14.04.15	Senior unsecured	
NORG65	NorgesGruppen ASA	A-	A-	2012-12-05	2019-12-05	4.43 %	NOK 500				Senior unsecured	
NORG79	NorgesGruppen ASA	A-	A-	2013-11-25	2020-11-25	3.80 %	NOK 450	107.51	60	30.10.14	Senior unsecured	
NORG84	NorgesGruppen ASA	A-	A-	2014-04-11	2021-05-10	N3M +79	NOK 700	100.82	65	13.02.15	Senior unsecured	
NORG92	NorgesGruppen ASA	A-	A-	2014-09-25	2024-09-25	3.25 %	NOK 300				Senior unsecured	

Source: OSE and Nordea Markets

Key details for all bond issues

- Senior unsecured
- Rank pari passu with unsecured bank debt.

Negative pledge language NORG37/64/65 and 73

- Negative pledge with carve-out limited up to NOK 750m.

Negative pledge language NORG79/84 and 92

- Negative pledge with carve-out limited up to NOK 1,500m.

Selected bank debt details

The following covenants apply to some of the group's bank facilities:

- Minimum equity ratio of 24%
- Maximum net debt to EBITDA of 3.5x
- Minimum interest coverage of 3.0x.

Reported numbers and forecasts

Income statement										
NOKm	2008	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E
Total revenue	49,016	53,232	55,675	58,641	62,083	67,396	71,391	75,675	80,215	85,028
- growth	14.8%	8.6%	4.6%	5.3%	5.9%	8.6%	5.9%	6.0%	6.0%	6.0%
Gross profit	11,000	12,311	13,054	14,404	16,627	17,786	18,756	19,675	20,856	22,107
- margin	22.4%	23.1%	23.4%	24.6%	26.8%	26.4%	26.3%	26.0%	26.0%	26.0%
EBITDA	2,169	2,861	3,161	3,749	3,896	3,899	4,357	4,711	5,088	5,487
- margin	4.4%	5.4%	5.7%	6.4%	6.3%	5.8%	6.1%	6.2%	6.3%	6.5%
EBITA	2,169	2,861	3,161	3,749	3,896	3,899	4,357	4,711	5,088	5,487
- margin	4.4%	5.4%	5.7%	6.4%	6.3%	5.8%	6.1%	6.2%	6.3%	6.5%
EBIT	1,065	1,665	1,870	2,235	2,200	2,274	2,679	2,980	3,304	3,650
- margin	2.2%	3.1%	3.4%	3.8%	3.5%	3.4%	3.8%	3.9%	4.1%	4.3%
Net finance	-12	-78	-4	-80	68	131	-63	-20	0	20
Pre-tax profit	1,053	1,587	1,866	2,156	2,268	2,405	2,616	2,960	3,304	3,670
Taxes	-294	-415	-456	-599	-614	-612	-686	-829	-925	-1,028
Net profit, continuing operations	759	1,172	1,411	1,556	1,654	1,793	1,930	2,132	2,379	2,643
Discontinued operations	0	0	0	0	0	0	0	0	0	0
Net profit to equity	740	1,147	1,395	1,527	1,625	1,769	1,907	2,108	2,355	2,619
EBITDA (credit adj)	3,009	3,918	4,296	4,898	5,313	5,583	5,927	6,281	6,658	7,057
EBIT (credit adj)	1,345	2,018	2,248	2,618	2,672	2,835	3,202	3,504	3,827	4,174
Interest expense (credit adj)	-607	-623	-629	-676	-776	-870	-818	-793	-773	-753

Source: Company data and Nordea Markets

Balance Sheet										
NOKm	2008	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E
Goodwill	0	0	0	0	0	0	0	0	0	0
Other intangibles	3,700	4,364	4,367	4,343	4,885	4,813	4,760	4,760	4,760	4,760
Tangible assets	8,228	8,891	10,813	10,835	11,790	12,669	13,756	14,775	15,841	16,954
Shares associates	0	0	0	0	0	0	0	0	0	0
Interest bearing assets	0	0	0	0	0	0	0	0	0	0
Deferred tax assets	93	116	244	304	339	333	371	371	371	371
Other non-interest bearing non-current assets	1,346	1,657	1,657	1,966	1,956	2,629	2,761	2,761	2,761	2,761
Other non-current assets	222	207	306	282	315	725	968	968	968	968
Non-current assets	13,588	15,234	17,387	17,730	19,286	21,169	22,616	23,635	24,701	25,814
Inventory	3,067	3,554	3,929	4,318	4,414	4,766	5,191	5,191	5,191	5,191
Accounts receivable	2,984	2,985	3,358	3,702	3,864	4,567	5,245	5,245	5,245	5,245
Other current assets	38	13	32	22	7	9	64	64	64	64
Cash and cash equivalents	325	324	357	583	534	403	400	850	1,100	1,168
Current assets	6,414	6,876	7,676	8,625	8,819	9,745	10,899	11,350	11,600	11,668
Assets held for sale	0	0	0	0	0	0	0	0	0	0
Total assets	20,002	22,110	25,063	26,355	28,105	30,914	33,515	34,985	36,301	37,482
Shareholders equity	7,104	8,046	9,057	9,403	9,994	11,221	12,763	14,362	16,208	18,317
Minority interest	41	119	105	102	226	235	244	244	244	244
Deferred tax	438	622	773	817	827	876	948	948	948	948
Convertible debt	0	0	0	0	0	0	0	0	0	0
Long term interest bearing debt	4,536	3,402	3,941	3,275	4,344	4,929	5,622	5,222	4,622	3,822
Non-current liabilities	0	0	0	0	0	0	0	0	0	0
Pension provisions	419	372	472	437	353	381	431	431	431	431
Other long-term provisions	150	106	100	153	139	100	206	206	206	206
Other long-term liabilities	0	0	0	0	0	0	0	0	0	0
Non-current liabilities	5,542	4,502	5,287	4,682	5,663	6,285	7,207	6,807	6,207	5,407
Short-term provisions	0	0	0	0	0	0	0	0	0	0
Accounts payable	3,003	2,931	3,431	3,849	3,678	4,338	5,162	0	0	0
Other current liabilities	3,164	4,421	3,997	4,453	4,917	5,191	5,301	11,135	11,805	12,476
Short term interest bearing debt	1,147	2,091	3,186	3,866	3,626	3,644	2,837	2,437	1,837	1,037
Current liabilities	7,314	9,443	10,615	12,168	12,222	13,173	13,300	13,572	13,642	13,513
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	20,002	22,110	25,063	26,355	28,105	30,914	33,515	34,985	36,301	37,482
Cash and cash eq (credit adj)	325	324	357	583	534	403	400	850	1,100	1,168
Total assets (credit adj)	20,002	22,110	25,063	26,355	28,105	30,914	33,515	34,985	36,301	37,482
Shareholders equity (credit adj)	7,145	8,165	9,162	9,505	10,220	11,455	13,007	14,606	16,452	18,561
Debt (credit adj)	11,797	12,076	14,049	13,962	16,877	18,823	18,391	17,591	16,391	14,791

Source: Company data and Nordea Markets

Cash flow statement

NOKm	2008	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E
EBITDA	2,169	2,861	3,161	3,749	3,896	3,899	4,357	4,711	5,088	5,487
Adj due to change in group structure	0	0	0	0	0	0	0	0	0	0
Change in Provisions	0	0	0	0	0	0	0	0	0	0
Other non-cash adjustments	0	0	0	0	0	0	0	0	0	0
Net financials	-292	-431	-382	-463	-404	-430	-586	-543	-523	-503
Dividends received	0	0	0	0	0	0	0	0	0	0
Paid taxes	-351	-323	-362	-487	-590	-621	-642	-829	-925	-1,028
Other	11	107	49	-228	-134	-211	-147	-150	-150	-150
Operating cash flow before NWC	1,538	2,214	2,466	2,571	2,767	2,637	2,982	3,189	3,490	3,806
Change in NWC	-931	-702	-409	-111	121	-346	-257	-250	-250	-250
Operating cash flow	607	1,512	2,057	2,460	2,889	2,291	2,725	2,939	3,240	3,556
CAPEX	-2,611	-1,695	-3,068	-1,764	-2,439	-2,355	-2,679	-2,750	-2,850	-2,950
Free operating cash flow	-2,004	-182	-1,011	696	450	-64	46	189	390	606
Dividends paid	-348	-222	-339	-415	-419	-451	-251	-509	-509	-509
Share issues / buybacks	0	-34	-30	-198	-587	-86	-48	0	0	0
Discretionary cash flow	-2,352	-439	-1,380	83	-557	-601	-254	-320	-119	97
Other investments / divestments	0	-947	-80	-276	-709	-912	-304	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0
Net change to group borrowing/repayments	1,276	1,031	1,634	36	829	633	-114	-800	-1,200	-1,600
Other	1,121	354	-141	383	388	748	146	0	0	0
Change in cash	45	-1	33	226	-49	-131	-526	-1,120	-1,319	-1,503
Adjusted metrics										
Funds from operations (FFO) (adj)	1,875	2,474	2,751	2,842	3,216	3,207	3,462	3,713	4,013	4,330
Operating cash flow (OCF) (adj)	607	1,512	2,057	2,460	2,889	2,291	2,725	2,939	3,240	3,556
Free operating cash flow (FOCF) (adj)	-2,004	-182	-1,011	696	450	-64	46	189	390	606
Discretionary cash flow (DCF) (adj)	-2,352	-405	-1,350	281	31	-515	-206	-320	-119	97

Source: Company data and Nordea Markets

Key ratios

	2008	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E
Profitability										
ROC	7.4%	10.0%	10.0%	10.8%	10.2%	9.6%	10.1%	10.7%	11.4%	12.3%
ROIC after tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ROE after tax	10.6%	15.1%	16.3%	16.5%	16.8%	16.7%	15.9%	15.5%	15.4%	15.2%
Debt & Interest coverage										
FFO/Debt	15.9%	20.5%	19.6%	20.4%	19.1%	17.0%	18.8%	21.1%	24.5%	29.3%
FOCF/Debt	-17.0%	-1.5%	-7.2%	5.0%	2.7%	-0.3%	0.2%	1.1%	2.4%	4.1%
DCF/Debt	-19.9%	-3.4%	-9.6%	2.0%	0.2%	-2.7%	-1.1%	-1.8%	-0.7%	0.7%
EBITDA interest coverage	5.0	6.3	6.8	7.2	6.8	6.4	7.2	7.9	8.6	9.4
FFO cash interest coverage	-3.1	-4.0	-4.4	-4.2	-4.1	-3.7	-4.2	-4.7	-5.2	-5.7
Leverage										
Debt/EBITDA	3.9	3.1	3.3	2.9	3.2	3.4	3.1	2.8	2.5	2.1
Equity ratio	35.5%	36.4%	36.1%	35.7%	35.6%	36.3%	38.1%	41.1%	44.6%	48.9%
Debt/(Debt+Equity)	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.4
Capital expenditure										
CAPEX/Depreciation and amortisation	2.36	1.42	2.38	1.17	1.44	1.45	1.60	1.59	1.60	1.61
CAPEX/Sales	0.05	0.03	0.06	0.03	0.04	0.03	0.04	0.04	0.04	0.03
Working capital ratios										
Inventory turnover (days)	23	24	26	27	26	26	27	25	24	22
Receivables turnover (days)	22	20	22	23	23	25	27	25	24	23
Days sales outstanding (days)	22	20	22	24	22	23	26	0	0	0
Per share data										
EPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EPS (adj.)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BVPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Equity valuation and yield										
Market cap.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Enterprise value	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
P/E	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
P/BV	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EV/Sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend yield	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Payout ratio	47.0%	19.4%	24.3%	27.2%	25.8%	25.5%	13.2%	24.2%	21.6%	19.4%

Source: Company data and Nordea Markets

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Over the next three months, the fixed income instrument's total return is expected to exceed the total return of the relevant

Market perform

Over the next three months, the fixed income instrument's total return is expected to be in line with the total return of the relevant

Underperform

Over the next three months, the fixed income instrument's total return is expected to be below the total return of the relevant

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Outperform	88	17%
Market perform	284	56%
Under perform	140	27%
Total	512	100%

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Issuer Review

This report has not been reviewed by the Issuer prior to publication.

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