Schibsted ASA
Norway, Media

SCOPE BBB STABLE

Key metrics

			Scope estimates	
Scope credit ratios	**2021**	**2022**	**2023E**	**2024E**
Scope-adjusted EBITDA/interest cover	7.1x	10.2x	9.0x	10.1x
cope-adjusted debt/Scope-adjusted EBITDA	2.9x	2.2x	2.8x	2.5x
Scope-adjusted funds from operations/debt	24%	37%	27%	30%
Scope-adjusted free operating cash flow/debt	11%	9%	9%	11%

Rating rationale

Schibsted's business risk profile (assessed at BBB) continues to reflect Schibsted's strong market positions in news media and digital marketplaces in the Nordics. Schibsted's portfolio still include some of the best-known newspapers in the Nordics (VG, Aftonbladet and more). It also includes strong online-marketplace brands (Finn.no, Blocket.se, DBA.dk and Tori.fi), all with leading positions in verticals like mobility, jobs, real estate and more. Schibsted's brand awareness in the Nordics is strong (estimated 3.3m daily logged in users, 1bn monthly site visits, 80% of the Swedish and Norwegian population reached weekly). In Nordic Marketplaces, these positions are reflected in higher-than-industry-average revenue per user (ARPU). Schibsted's financial risk profile (assessed at BBB) ended 2022 stronger than we projected last year, with Scope-adjusted debt/EBITDA at 2.2x (vs. 2.8x projected) driven by Schibsted's sale of 5% of its stake in publicly listed Adevinta, generating NOK 4.5bn in proceeds. This compensated for a lower-than-projected EBITDA and its impact on leverage metrics. We continue to note the financial strength of Schibsted's Adevinta holdings (28.2% left, valued around NOK 25bn), and the now proven willingness to divest. Going forward, we expect leverage to increase but still remain in Schibsted's stated NIBD/EBITDA range of 1.0x-3.0x (1.3x at year-end 2022).

Outlook and rating-change drivers

The Stable Outlook reflects our expectation that: i) Schibsted will continue its consolidation of the Nordic market but at a slower pace than in recent years; ii) Nordic Marketplaces will continue to shape Schibsted's performance; iii) profitability in 2023 will be below historical averages and gradually recover towards 18% in the medium term; and iv) Schibsted will continue its growth in digital sales to combat the decline in traditional media. We also expect that the company will continue its prudent financial policy and maintain credit metrics consistent with the rating category and its own financial targets.

A positive rating action could be triggered by an improving financial risk profile, exemplified by Scope-adjusted debt/EBITDA at or below 2.0x, sustained.

A negative rating action could be triggered by a weaker financial risk profile, exemplified by Scope-adjusted debt/EBITDA at or above 3.0x, sustained.

Rating history

Date	Rating action	Issuer rating & Outlook
09 June 2023	Affirmation	BBB/Stable
10 June 2022	Affirmation	BBB/Stable
23 August 2021	New	BBB/Stable

Rating & Outlook

Issuer	BBB/Stable
Short-term debt	S-2
Senior unsecured debt	BBB

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Related Methodology

Corporate Rating Methodology; July 2022

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Bloomberg: RESP SCOP

Rating and rating-change drivers

Positive rating drivers	Negative rating drivers
• Very strong market position within digital marketplaces; top position across different verticals in its core market, the Nordics • Strong profitability in marketplaces; higher average revenue per user than bigger European peers • Top positions within media, with the largest newspapers in Norway and Sweden • 28% stake in listed Adevinta, valued at around NOK 25bn • Strong record of shifting business model towards digital, which is necessary in fast-evolving media industry	• Increased competition from new entrants and structural changes in news media and online classifieds • Exposure to cyclical advertising segment • Low geographical diversification compared to European peers; strong concentration in Nordics, with Norway and Sweden contributing 95% of total turnover, though mitigated by those countries' strong economies • History of M&A and focus on strategic growth, implying considerable investments and some execution risk

Positive rating-change drivers	Negative rating-change drivers
• Scope-adjusted debt/EBITDA at or below 2.0x, sustained	• Scope-adjusted debt/EBITDA at or above 3.0x, sustained

Corporate profile

Schibsted ASA, founded as a printing house by Christian Michael Schibsted in 1839, is today one of the largest media conglomerates in the Nordic region. It is listed on the Oslo Stock Exchange, is headquartered in Oslo, and employs 6,100 people. For 2022, turnover was EUR 1.4bn and EBITDA was EUR 219m (margin 15.8%).

Activities are focused on Scandinavia, with exceptionally strong positions in Norway and Sweden. The company's four segments are Nordic Marketplaces, News Media, Delivery (formerly eCommerce & Distribution), and Growth & Investments (formerly Financial Services & Ventures). Together, the first two segments generate the majority of Schibsted's revenues (~80%) and EBITDA (90%).

Nordic Marketplaces involves all the company's classifieds operations in the Nordics. It is the company's most profitable business area, generating Scope-adjusted EBITDA margins of around 40% (39% at full-year 2022 and 34% LTM 2023). Historical performance is driven by Schibsted's leading market positions in the Nordics (Finn in Norway, Blocket in Sweden, Tori and Oikotie in Finland, and DBA in Denmark), and higher-than-industry average revenue per user (ARPU).

News Media is the largest segment by revenues but dilutes overall margins, with Scope-adjusted EBITDA margins of around 10% (7% for FY 2022 and 2% LTM 2023). The segment includes all media operations, with the cornerstones being market-leading newspapers VG in Norway and Aftonbladet in Sweden. In 2022 profitability was negatively impacted by inflation throughout the paper value chain and the declining demand for print media, in part mitigated by a 20% growth in digital sales, compared to 2021.

The two last segments, Delivery and Growth & Investments, include market-leading door-to-door service providers Helthjem and Morgenlevering as well as fintech companies Lendo and Prisjakt. Lendo has performed particularly well since our last review, and in Q1 2023 Schibsted announced that the exit process for the two ventures has been stopped due to market conditions.

Financial overview

				Scope estimates		
Scope credit ratios	**2021**	**2022**	**LTM [1] 2023**	**2023E**	**2024E**	**2025E**
Scope-adjusted EBITDA/interest cover	7.1x	10.2x	9.4x	9.0x	10.1x	13.5x
Scope-adjusted debt/EBITDA	2.9x	2.2x	2.7x	2.8x	2.5x	2.1x
Scope-adjusted funds from operations/debt	24%	37%	29%	27%	30%	35%
Scope-adjusted free operating cash flow/debt	11%	9%	10%	9%	11%	14%
Scope-adjusted EBITDA in NOK m						
EBITDA	2,740	2,406	2,349	2,523	2,923	3,324
Dividends from joint ventures and associates	16	56	56	35	35	35
Scope-adjusted EBITDA	**2,756**	**2,462**	**2,405**	**2,558**	**2,959**	**3,359**
Funds from operations in NOK m						
Scope-adjusted EBITDA	2,756	2,462	2,405	2,558	2,959	3,359
less: (net) cash interest paid	-389	-224	-237	-263	-272	-228
less: pension interest	-16	-18	-18	-21	-21	-21
less: cash tax paid as per cash flow statement	-424	-260	-284	-305	-453	-606
Funds from operations	**1,928**	**1,960**	**1,866**	**1,969**	**2,213**	**2,505**
Free operating cash flow in NOK m						
Funds from operations	1,928	1,960	1,866	1,969	2,213	2,505
Change in working capital	195	-90	164	-23	-75	-83
Lease amortisation	-306	-325	-343	-400	-400	-400
less: capital expenditure (net)	-936	-1045	-1017	-900	-950	-1000
Free operating cash flow	**880**	**499**	**670**	**645**	**788**	**1022**
Net cash interest paid in NOK m						
Net cash interest per cash flow statement	-373	-224	-237	-263	-272	-228
Interest expense pensions	-16	-18	-18	-21	-21	-21
Net cash interest paid	**-389**	**-242**	**-255**	**-284**	**-293**	**-249**
Scope-adjusted debt in NOK m						
Reported gross financial debt	6,866	6,354	6,147	5,465	5,652	5,727
less: cash and cash equivalents	-1,108	-3,738	-2,683	-1,125	-930	-1,137
add: restricted cash	62	62	62	62	62	62
add: leasing obligations	1,543	2,080	2,284	2,284	2,100	2,000
add: pension obligations	546	573	573	561	561	561
Scope-adjusted debt	**7,908**	**5,331**	**6,383**	**7,248**	**7,445**	**7,213**

[1] End of March 2023

Table of Content

Environmental, social and governance (ESG) profile[2]

Environment		Social		Governance	
Resource management (e.g. raw materials consumption, carbon emissions, fuel efficiency)		Labour management		Management and supervision (supervisory boards and key person risk)	
Efficiencies (e.g. in production)		Health and safety (e.g. staff and customers)		Clarity and transparency (clarity, quality and timeliness of financial disclosures, ability to communicate)	
Product innovation (e.g. transition costs, substitution of products and services, green buildings, clean technology, renewables)		Clients and supply chain (geographical/product diversification)		Corporate structure (complexity)	
Physical risks (e.g. business/asset vulnerability, diversification)		Regulatory and reputational risks		Stakeholder management (shareholder payouts and respect for creditor interests)	

Legend
Green leaf (ESG factor: credit positive)
Red leaf (ESG factor: credit negative)
Grey leaf (ESG factor: credit neutral)

High focus on transparency and integrity

Schibsted operates several market-leading newspapers as well as online marketplaces. These operations are very much built on the company's perceived credibility and integrity within society at large, which comes with regulatory and reputational risks. To maintain transparency and integrity, the company has clear goals and guidelines directly relating to these issues.

The company has also established frameworks and routines regarding reporting of ESG impacts under the EU's Taxonomy Regulation. However, most of the company's operations are not subject to these regulations.

In News Media, Schibsted helps highlight current megatrends like resource scarcity, equality, climate change and more. This highlights and informs readers about the increasing importance of ESG-related issues. In Nordic Marketplaces, a substantial portion of its operation revolves around circularity, as used items are sold through their marketplaces instead of potentially being discarded. We positively note these elements but consider the overall impact credit neutral.

[2] These evaluations are not mutually exclusive or exhaustive as ESG factors may overlap and evolve over time. We only consider ESG factors that are credit-relevant, i.e. those that have a discernible, material impact on the rated entity's cash flow and, by extension, its credit quality.

Business risk profile: BBB

Industry risk profile: BBB

We continue to assign a blended industry risk of BBB based on the risk profile of the media industry (medium cyclicality, medium market entry barriers and low substitution risk) and the business services industry (medium cyclicality, medium market entry barriers and medium substitution risk).

Leading player in digital marketplaces and news media in the Nordics

Schibsted's business risk profile continues to benefit from its very strong market positions in the Nordic region and world-leading ARPU. The company is market leader in several countries through a portfolio of well-known brands in both digital marketplaces (Finn, Blocket, Tori and Oikotie) and news media (e.g. VG, Aftenposten and Bergens Tidende).

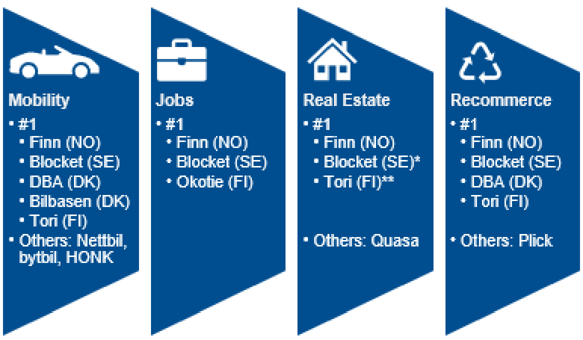
2022 turned out to be a different year, as Russia's invasion of Ukraine and subsequent weaponising of energy deliveries to the EU led to record-high energy prices, inflationary pressure, and the prospects of rising interest rates. Seeing this, Schibsted decided to use 2022 to refocus its efforts away from non-organic growth, and towards leveraging its existing Nordic core portfolio.

Nordic Marketplaces continues to benefit from strong market positions

Nordic Marketplaces delivered several milestones in 2022, like the implementation of a vertical-based operating model (as opposed to geographical), and a new pricing model within real estate in its Norwegian marketplace, Finn. In addition, the full-year effect of Schibsted's eBay DK acquisition in 2021 and favourable development in job verticals and real estate verticals led to a good operational year. Further, Schibsted acquired 79% of Helsinki-based C2B used car auction marketplace, AutoVex. It also won an ongoing dispute with the Norwegian anti-trust authorities regarding its 2019 acquisition of Norwegian car auction marketplace Nettbil. Both strengthened Schibsted's position within the mobility vertical. The mobility vertical has generated EBITDA-margins in the 48%-50% range and is margin accretive for the Nordic Marketplaces segment. We therefore favourably note this growing vertical segment.

In sum, Schibsted's market position remains strong, spearheaded by general classifieds portal Finn in Norway with a brand awareness over 90%. Sweden's Blocket and Finland's Tori also hold top positions across verticals with a brand awareness of above 80%. This continues to be reflected in higher-than-industry average ARPU (average revenue per user).

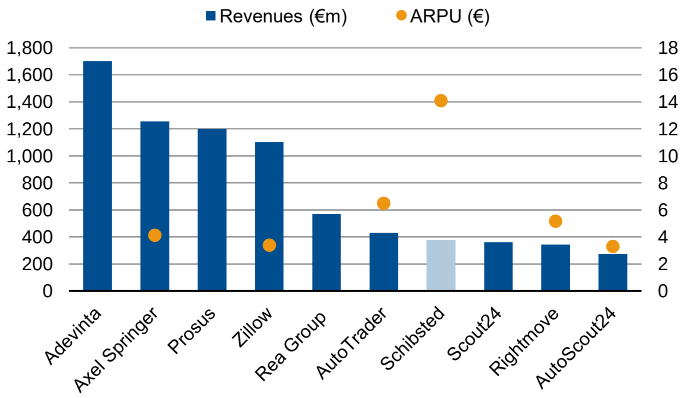
Figure 1: Nordic marketplaces market positions, FY 2022



*Only rental **Tied at #1

Sources: Schibsted, Scope

Figure 2: ARPU comparison (2021 data)



Sources: Schibsted (estimates), Scope

Owner of Norway's best-selling newspaper

News Media had a difficult 2022, reporting a 1% topline increase despite a 20% growth in digital subscribers compared to 2021. Similarly, profitability decreased to 7% at year-end 2022, and further to 2% LTM 2023. Driven by increased costs across the paper value chain, lower advertisement revenues, and lower demand from cost-conscious consumers experiencing reduced purchasing power. Schibsted subsequently announced a NOK 500m cost-cutting programme in News Media to improve performance, but we believe profitability will remain below historical average in the medium term.

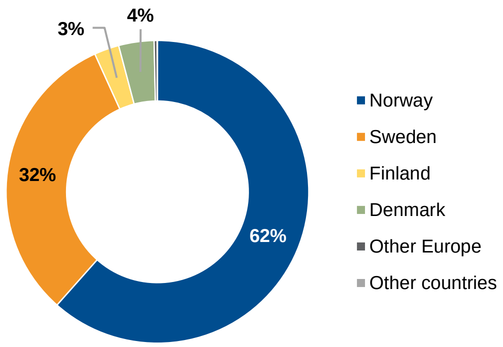
Increasing recurring income from digital subscriptions

Still, Schibsted's market position in News Media remains strong as rapid growth in digital sales dampened the decline in traditional print media. At year-end 2022, 55% of all revenues in News Media came from digital platforms, up from 51% in 2021. Further, 41% of the digital revenues came from recurring income from a broad digital subscriber base of around 1.2m at year-end 2022, up from 1.1m in 2021. We favourably note this growth in digital sales and recurring revenues. Further, we highlight that Schibsted's online news destinations are all highly represented in the top visited websites of 2022 in their respective countries.[3]

Geographical diversification remains limited

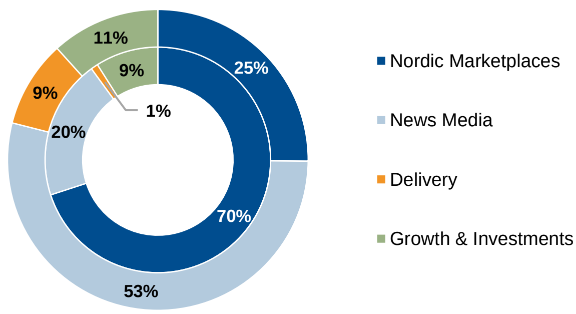
Schibsted's activities remain focused on the Nordics. In 2022, Norway generated 62%, Sweden 32%, Finland 3%, and Denmark 4% of revenue. This revenue dependency is somewhat mitigated by the region's economic strength and the technological savviness of the region. Both contribute positively to ARPU. In addition, Schibsted has indirect participation in other major western markets via its Adevinta holdings. Adevinta's share price dropped further in 2022, causing a year-end negative NOK 22bn non-cash fair value adjustment in Schibsted's accounts. However, Adevinta is still a world leader in online classified ads and Schibsted's holdings, valued at around 25bn in May 2023, still provide the company with significant financial flexibility if needed.

Figure 3: Geographical revenue split (%), FY 2022



Sources: Schibsted, Scope

Figure 4: Segment contribution to revenues (%, outer) and EBITDA (%, inner), average last 4 years



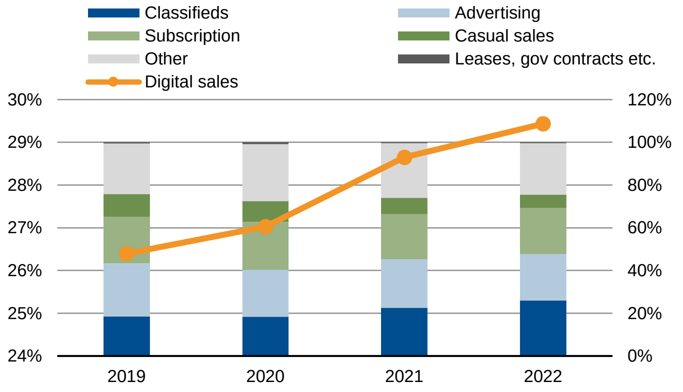
Sources: Schibsted, Scope

Diversified by segment: digital marketplaces, media, and fast-growing digital operations

Operationally, News Media still accounted for the majority of 2022's revenues while Nordic Marketplaces continued to account for the majority of EBITDA (79%). This dependency on Nordic marketplaces is offset by a well-diversified portfolio both through recognised brands in every segment and through verticals, exposing the company to different market patterns (e.g. jobs, real estate, and cars). We also note how performance has increased in Growth & Investments after Schibsted decided to shift focus away from the European market to the Nordic arena, as exemplified by a LTM 2023 EBITDA-margin of 18% (historical average 12%). Although we expect a cooling-off, particularly in Lendo, we still expect the segment to contribute above-historical averages in the short-term.

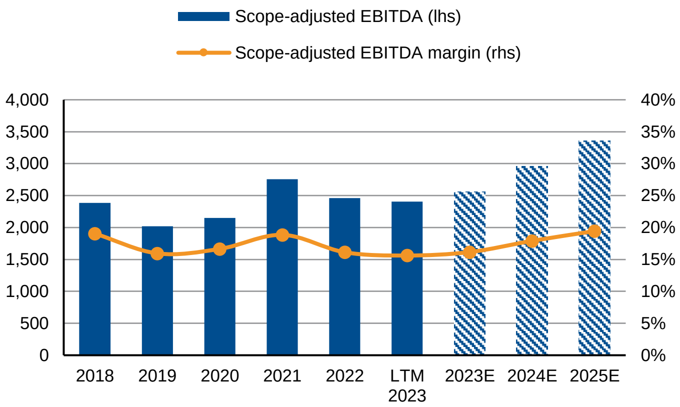
[3] www.similarweb.com

Figure 5: Revenue breakdown (%, rhs) and digital sales (%, lhs), FY 2022



Sources: Schibsted, Scope

Figure 6: Scope-adjusted EBITDA (NOKm) and EBITDA margins (%)



Sources: Schibsted, Scope (estimates)

Profitability projections

On aggregate, we expect Schibsted's profitability to remain around LTM 2023 levels (15.9%) for 2023, with a gradual normalisation towards 19.1% in 2025. This is slightly below the projections in our previous review. In the short term, we expect lower advertising profits, inflationary pressure on wages and increased operational costs. We also expect profitability in Nordic Marketplaces to stay below historical averages, driven by the above factors as well as full-year effects of the freemium model implemented for blocket.se in 2022. For News Media we expect the decline in traditional media to continue at an accelerated rate, in part compensated by Schibsted's track record of increasing digital sales. Lastly, we expect the delivery service Morgenlevering to face continued headwinds after very favourable market conditions during Covid-19. The recovery assumption is driven by our belief that economic conditions will normalise in the medium term. Over time, we also expect synergistic gains from the new vertical-oriented business model which went live in January 2023. Lastly, we expect mobility to be margin accretive for Nordic Marketplaces in the medium term, with EBITDA margins around 50%.

Financial risk profile: BBB

Assumptions & adjustments

To assess Schibsted's creditworthiness, we look at key credit metrics such as leverage, debt protection and liquidity.

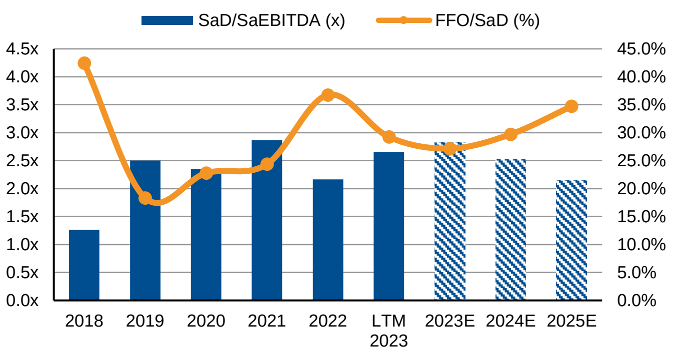
We have made the following adjustments and assumptions in our updated base case compared to last year's review:

- Assumed lower short-term profitability;
- Assumed higher contribution from Growth & Investments;
- Assumed increase in staff costs;
- Assumed higher cost of debt;
- Capex to remain in line with recent years, but focused around the continued implementation of new transactional models and the verticalisation process;
- NOK 1.7bn in share buybacks, following Schibsted's buyback programme announced on 9 December 2022:
- EBITDA adjusted for dividends from shareholdings (mainly Adevinta);
- Free operating cash flow adjusted for lease amortisation, assumed around NOK 400m per year.
- Scope-adjusted debt adjusted for 50% of uncovered pension liabilities and lease liabilities.

Stronger than projected year-end 2022 debt protection, mainly driven by high interest income

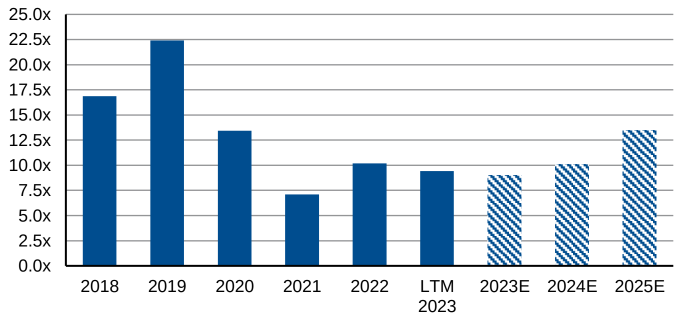
Debt protection, as measured by Scope-adjusted EBITDA/interest coverage, stood at 10.2x at year-end 2022 and declined to 9.4x in LTM 2023. This is stronger than our projections last year (14.2x), mainly driven by reduced net interest paid as Schibsted received substantial interest income on record-high cash reserves of NOK 3.7bn (NOK 2.7bn end March 2023). We expect rising interest rates to increase Schibsted's net interest paid in the medium term, as the majority of its financing is floating rate. For 2023, this is in part countered by higher-than-historical interest income, as we expect cash reserves to remain above historical averages until Schibsted finalises its announced NOK 1.7bn share buyback programme. Towards the end of our forecast period, we see Schibsted's coverage increasing to 13.5x, driven by increased profitability and lower interest rates.

Figure 7: Scope-adjusted leverage (x, lhs) (%, rhs)



Sources: Schibsted, Scope (estimates)

Figure 8: Scope-adjusted interest coverage (x)



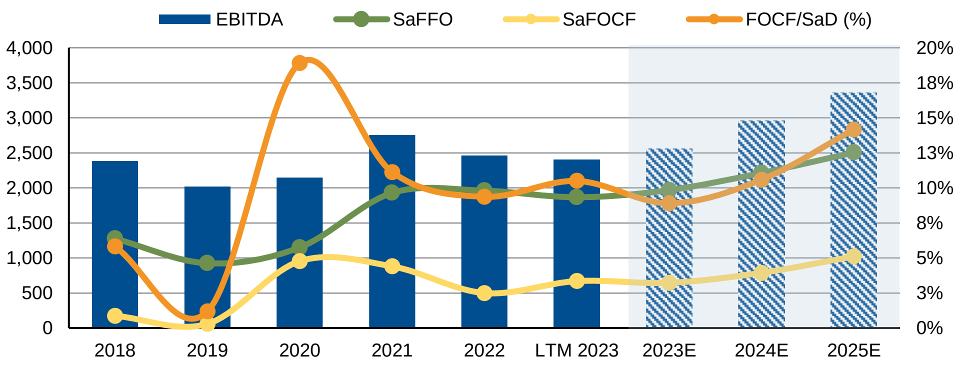
Sources: Schibsted, Scope (estimates)

Good YE 2022 leverage, expected to increase in the medium term

Leverage, measured by Scope-adjusted debt/EBITDA and Scope-adjusted funds from operations/debt, stood at 2.2x and 37%, respectively, at year-end 2022. This is stronger than our projections last year (14.2x and 28%, respectively). We expect weaker metrics going forward, following the announced buyback programme, maintained capex levels, and gradually increasing dividends. Still, we see leverage metrics remaining good and

Schibsted keeping leverage below the upper end of its NIBD/EBITDA-range of 1.0x-3.0x (company definition is without lease liabilities in NIBD and without lease amortisations in EBITDA).

Figure 9: Scope-adjusted cash flows (NOKm, lhs) and cash flow cover (FOCF/debt, %, rhs)



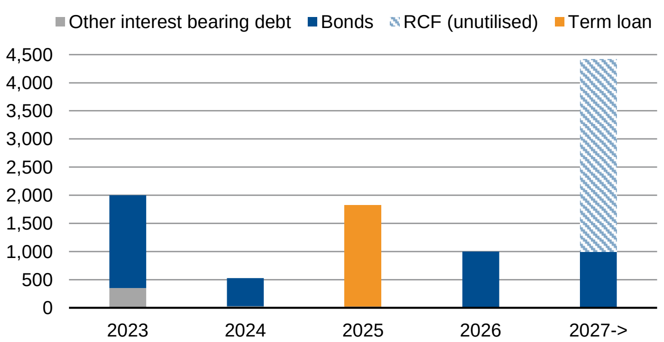
Sources: Schibsted, Scope (estimates), figures are Scope-adjusted

Scope-adjusted FOCF/debt continues to represent the weakest element of Schibsted's financial risk profile

Cash flow cover, as measured by Scope-adjusted FOCF/debt stood at 9% at year-end 2022 and continues to represent the weakest element of Schibsted's financial risk profile. Our updated base case sees Scope-adjusted FOCF/debt between 9%-14% in the medium term, driven by the above assumptions. We anticipate positive internal cash flow (Scope-adjusted EBITDA, Scope-adjusted funds from operations and Scope-adjusted free operating cash flow), driven by continued good operational efficiency, and profitability gains in the medium term. However, we continue to factor in the substantial liquidity buffer the remaining Adevinta shares represent when assessing this metric. At year-end 2022, total gross debt could theoretically be repaid by selling off parts of Schibsted's holdings, even at arguably low share prices.

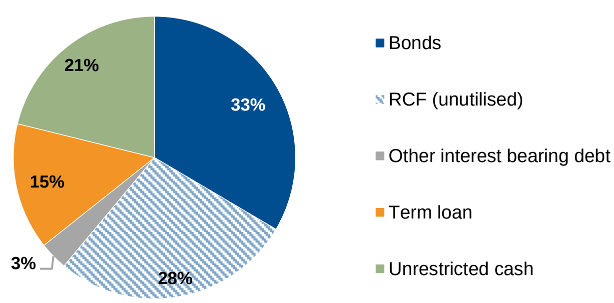
During Q1 2023, Schibsted reduced its interest-bearing debt through purchases of its own bonds (NOK 40m of a June 2023 maturity and NOK 186m of an October maturity). It also extended the maturity for NOK 1.8bn of its term loan of NOK 2bn, by one year from 2024 to 2025 (reflected in figure 10). Lastly, it issued two bonds in May 2023 (one fixed-rate and one floating-rate). The result is a more even maturity profile where the majority of maturities are shifted towards the medium term.

Figure 10: Debt maturity profile, March 2023



Sources: Schibsted, Scope (estimates)

Figure 11: Funding mix, March 2023



Sources: Schibsted, Scope (estimates)

Adequate liquidity

Liquidity remains adequate, with unrestricted cash reserves of NOK 2.6bn available at end-March 2023, an EUR 300m committed overdraft facility and projected positive free operating cash flows. Moreover, liquidity could also be realised from its Adevinta stake (currently worth more than NOK 25.2bn).

We forecast liquidity to remain adequate for the next few years despite increased interest costs and lower short-term profitability. We also forecast coverage to be supported by positive and stabilised Scope-adjusted free operating cash flow and good access to capital markets.

Balance in NOK m	2022	2023E	2024E
Unrestricted cash (t-1)	1,046	3,676	1,063
Open committed credit lines (t-1)	3,051	3,154	3,154
Free operating cash flow	499	645	788
Short-term debt (t-1)	3,274	1,724	490
Coverage	**140%**	**>200%**	**>200%**

Long-term & short-term debt ratings

Senior unsecured debt rating: BBB

Schibsted ASA is the issuer of all outstanding debt. All senior unsecured debt has a negative pledge and pari passu conditions. We therefore rate these in line with the issuer rating, at BBB.

Short-term debt rating: S-2

We have assigned an S-2 short-term rating, based on supportive internal and external sources of liquidity (e.g. access to credit facilities of NOK 3.2bn as at Q1 2023), positive cash flow generation, strong access to capital markets, and Schibsted's long-term issuer credit rating.

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