

Schibsted ASA Norway, Media



Stable
BBB

Key metrics

Scope credit ratios	2020	2021	Scope estimates	
			2022E	2023E
Scope-adjusted EBITDA/interest cover	13.4x	7.1x	14.2x	15.7x
Scope-adjusted debt (SaD)/Scope-adjusted EBITDA	2.3x	2.9x	2.8x	2.5x
Funds from operations/SaD	24%	24%	28%	30%
Free operating cash flow/SaD	26%	15%	16%	17%

Rating rationale

The corporate issuer rating reflects Schibsted's business risk profile (assessed at BBB), supported by its market leadership in digital marketplaces and news media. Schibsted has a strong footprint in Scandinavia, which benefits from a portfolio of well-known brands in both its digital marketplaces and news media businesses. Over the past years, Schibsted has focused on not only expanding its online presence but also diversifying into new areas with strong growth prospects (e.g. financial services with Lendo). Schibsted's leading market positions are credit-positive, supporting the stability of revenues and thereby credit ratios. However, there is a high dependency on the Nordic region, though mitigated by the region's economic strength as well as Schibsted's presence in other markets via associated company Adevinta ASA. Schibsted's stable profitability also supports the rating (Scope-adjusted EBITDA margin of 19% at YE 2021 and projected to remain at around 18% in the medium term).

Schibsted's financial risk profile (assessed at BBB) ended 2021 slightly better than we last projected, mainly driven by a higher-than-projected Scope-adjusted EBITDA as Scope-adjusted debt (SaD) was NOK 900m above our projection. At year-end 2021, SaD/EBITDA was 2.8x (3.2x projected), driven by the acquisition of eBay Classifieds in Denmark. We expect deleveraging towards 2.0x in the medium term based on lower discretionary capex and cash flows remaining strong.

Our leverage projections are in line with the company's targets, with a NIBD/EBITDA of 1x-3x. We also note positively the additional financial flexibility through the shareholding in separately listed Adevinta, which provides a considerable buffer of about NOK 27bn. This is even with the NOK 20bn impairments of the stake's value at YE 2021, to reflect current market value, which we consider credit-neutral as it has no effect on cash or underlying performance.

Outlook and rating-change drivers

The Stable Outlook reflects our expectation of i) Schibsted's continued consolidation of its digital marketplaces operation, but at a slower pace than in recent years; ii) continued growth in the financial services and digital media offerings; and iii) the successful integration of recent acquisitions in Denmark.

A positive rating action could be warranted through more focus on organic growth rather than M&A that brings SaD/EBITDA below 2x on a sustained basis.

A negative rating action could be warranted through a further increase in leverage, possibly through new acquisitions, bringing SaD/EBITDA above 3x on a sustained basis.

Rating & Outlook

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

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Related Methodology

[Corporate Rating Methodology; July 2021](#)

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Positive 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
- 33% stake in listed Adevinta, currently valued at around NOK 27bn
- Strong record of shifting business model towards digital, which is necessary in fast-evolving media industry

Negative rating drivers

- Increased competition from new entrants and structural changes in news media and digital marketplaces
- 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 the countries' strong economies
- History of M&A and focus on strategic growth, implying considerable investments and some execution risk

Positive rating-change drivers

- SaD/EBITDA sustained below 2x

Negative rating-change drivers

- SaD/EBITDA sustained above 3x

Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
16 June 2022	Affirmation	BBB/Stable
23 August 2021	New	BBB/Stable

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 and is headquartered in Oslo. Turnover in 2021 was EUR 1.4bn. Employees number around 8,000. Activities are focused on Scandinavia, with exceptionally strong positions in Norway and Sweden. The company's four segments are Nordic Marketplaces, News Media, eCommerce & Distribution, and Financial Services & Ventures. The first two generate most of the company's profits (90%+ of consolidated EBITDA).

Nordic Marketplaces involves all the company's classified operations in the Nordics. It is the company's most profitable business area, generating Scope-adjusted EBITDA margins of around 40%. This is driven by the company's exceptional average revenue per user (ARPU) and leading market positions in Scandinavia (Finn in Norway, Blocket in Sweden, Tori and Oikotie in Finland, and DBA and Bilbasen in Denmark).

News Media is the largest segment by revenues but dilutes overall margins, with Scope-adjusted EBITDA margins of around 10%. The segment includes all media operations, with the cornerstone comprising market-leading newspapers VG and Aftenposten in Norway and Aftonbladet in Sweden as well as many well-regarded niche and local newspapers. The company has successfully navigated the reduced demand for traditional media by greatly increasing its digital presence.

The two last segments, eCommerce & Distribution and Financial Services & Ventures, include market-leading door-to-door service providers Helthjem and Morgenlevering as well as fintech companies Lendo and Prisjakt. Both segments saw good momentum through the pandemic but still contribute little to the company's overall performance.

In recent years, Schibsted has focused more on core activities within its core Nordic market. Therefore, in 2018 all non-Nordic operations were spun off into a separate listed company, Adevinta, with Schibsted as 33% owner. Adevinta has a current market capitalisation of around NOK 80bn and is one of the largest digital marketplaces companies globally, surpassing the likes of Axel Springer and Prosus.



Financial overview

	Scope estimates					
Scope credit ratios	2019	2020	2021	2022E	2023E	2024E
Scope-adjusted EBITDA/interest cover	16.9x	22.4x	13.4x	7.1x	15.7x	18.4x
SaD/Scope-adjusted EBITDA	2.2x	2.5x	2.3x	2.9x	2.5x	2.2x
Funds from operations/SaD	24%	18%	24%	24%	30%	34%
Free operating cash flow/SaD	3%	8%	26%	15%	17%	20%
Scope-adjusted EBITDA in NOK m						
EBITDA	1,977	2,126	2,740	2,710	2,914	3,217
Operating lease payments	0	0	0	0	0	X
Dividends from joint ventures and associates	41	23	16	0	0	0
Scope-adjusted EBITDA	2,018	2,149	2,756	2,710	2,914	3,217
Funds from operations in NOK m						
Scope-adjusted EBITDA	2,018	2,149	2,756	2,710	2,914	3,217
less: (net) cash interest paid	-90	-160	-389	-190	-186	-175
less: interest component, operating leases	0	0	0	0	0	0
less: pension interest	-25	-20	-16	-20	-20	-20
less: cash tax paid as per cash flow statement	-978	-819	-424	-372	-507	-647
Funds from operations	925	1,150	1,928	2,128	2,202	2,376
Free operating cash flow in NOK m						
Funds from operations	925	1,150	1,928	2,128	2,202	2,376
Change in working capital	382	1,043	195	-39	-76	-87
Non-operating cash flow	0	0	0	0	0	0
less: capital expenditure (net)	-895	-953	-936	-900	-900	-900
Free operating cash flow	411.7	1,239.9	1,186.4	1,189.1	1,225.6	1,389.4
Net cash interest paid in NOK m						
Net cash interest per cash flow statement	-65	-140	-370	-170	-166	-155
Interest expense pensions	-25	-20	-16	-20	-20	-20
Net cash interest paid	-90	-160	-389	-190	-185	-174
Scope-adjusted debt in NOK m						
Reported gross financial debt	5,817	3,768	6,866	6,618	6,592	5,992
less: cash and cash equivalents	-3,866	-1,306	-1,108	-1,081	-1,313	-1,134
add: non-accessible cash	0	28	62	0	0	0
add: leasing obligations	2,543.9	1,788.3	1,542.7	1,542.7	1,542.7	1,542.7
add: pension obligations	548.0	577.5	727.3	577.5	577.5	577.5
Scope-adjusted debt	5,043.3	4,855.4	8,089.8	7,657.4	7,399.8	6,978.4

Table of Content

Environmental, social and governance (ESG) profile..... 4
 Business risk profile: BBB 5
 Financial risk profile: BBB 7
 Long-term & short-term debt ratings.... 8

Environmental, social and governance (ESG) profile¹

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. These are not unique to Schibsted and are therefore credit-neutral, though we acknowledge these efforts.

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.

¹ 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

Leading player in digital marketplaces and news media in the Nordics

We have assigned a blended industry risk of BBB based on the risk profile of the media industry (medium cyclical, medium market entry barriers and low substitution risk) and the business services industry (medium cyclical, medium market entry barriers and medium substitution risk).

Schibsted's business risk profile benefits from its very strong market positions in the Nordic region and a 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 Bergends Tidende).

Nordic Marketplaces is a leader in digital marketplaces in almost all its countries of operation as well as across vertical markets (general, motor, jobs and real estate). This is reflected in the 977m monthly visits and about an 80% weekly digital reach in Norway and Sweden. Online general classifieds portal Finn is ranked first in Norway with a 96% brand awareness. Sweden's Blocket and Finland's Tori and Oikotie also hold top positions across verticals with a brand awareness of above 70%.

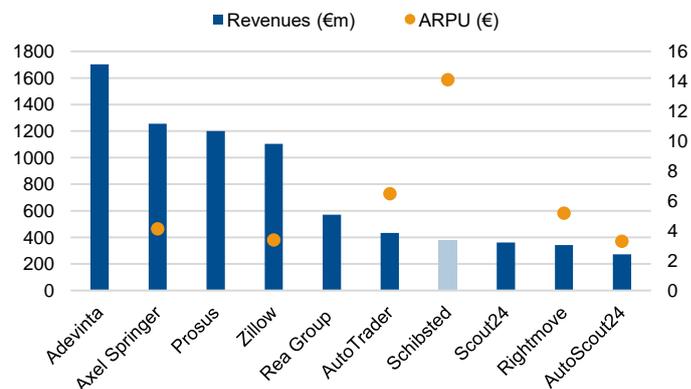
Nordic Marketplaces strengthened its market position through the pandemic, exemplified by a 17% adjusted growth² and an EBITDA margin of 43% for FY 2021. Coming out of the pandemic, the segment continues to drive the company's performance, fuelled by strong demand for job and travel verticals. We project this trend to continue and profitability to remain strong in the medium term. In addition to expected organic growth, the company intends to expand further through M&A, most recently in Finland and Denmark. In this sense, many of Schibsted's assets have potential for significant growth, through economies of scale and the replication of the business model in the less mature markets of Finland (Oikotie) and Denmark (eBay Classifieds).

Figure 1: Market positions Scandinavia



Sources: Schibsted, Scope

Figure 2: ARPU comparison



Sources: Schibsted (estimates), Scope

Owner of Norway's best-selling newspaper

News Media generates more than half of total revenues, supported by Norway's best-selling newspaper, VG. The company has successfully transitioned from traditional print to online, with its portfolio including primary online news destinations such as VG (43m daily visits) and Aftenbladet (40m daily visits). Of total News Media revenues, more than 50% came from digital platforms at YE 2021.

² Adjusted for exchange rate effects and acquisitions in 2020/2021.

1m digital subscribers surpassed in 2021

Limited geographic diversification after Adevinta spin-off

The segment has recurring income from a broad subscriber base of around 1.5m at year-end 2021. Of these, 1m were pure digital subscribers, a record high. This constitutes strong 19% growth in users compared to year-end 2020 (840,000). Of these digital subscribers, 55% were daily visitors, showing high engagement and positive for the longevity of these recurring revenues.

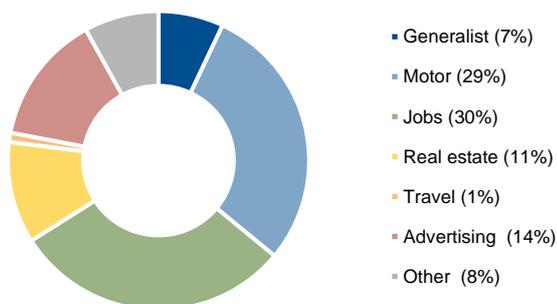
Schibsted activities focus on the Nordic region. Regarding 2021 revenues, Norway generated 61%, Sweden 34%, Finland 3% and Denmark 2%. This revenue dependency is somewhat mitigated by the region's economic strength and Schibsted's participation in other markets via Adevinta.

Historically, the company has pursued rapid internationalisation. However, in 2018 it decided to streamline operations and focus on core activities and markets. As a result, all non-Scandinavian classified assets were transferred to a new company, Adevinta, which was subsequently listed on the Oslo Stock Exchange. Adevinta's share price dropped in 2022 but it remains a world leader in digital marketplaces. Finally, Schibsted is one of Adevinta's largest owners with around 33% of shares (tied with eBay), with its stake currently valued at around NOK 27bn.

While this move limited Schibsted's geographical footprint, it also allowed a focus on mature markets with stable regulations and technologically savvy populations. This contributes positively to ARPU.

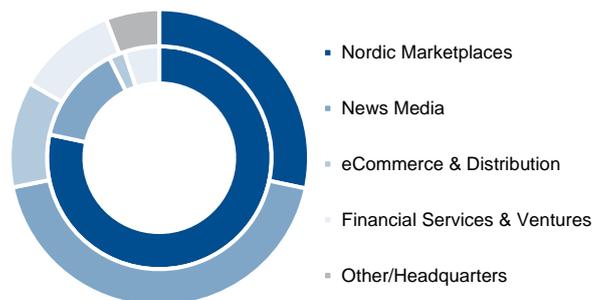
Lastly, Schibsted carried out several acquisitions in Finland and Denmark in 2020-2022. We believe these will further strengthen the company's market positions in these countries given the strategic opportunities they present. The company's good record on mergers also lessens execution risk.

Figure 4: Classified revenues by verticals, FY 2021



Sources: Schibsted, Scope

Figure 3 - Diversification per segment, revenues (outer ribbon) & EBITDA (inner ribbon), Q1 2022



Sources: Schibsted, Scope

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

Regarding revenues, News Media accounts for about 50% and Nordic Marketplaces for about 30%. However, Nordic Marketplaces dominates EBITDA, contributing more than 60%, owing to 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).

Schibsted also has growing operations within other areas, including door-to-door delivery services and fintech. However, these still contribute little to overall Scope-adjusted EBITDA.

Schibsted's historical performance is good, exemplified by an average Scope-adjusted EBITDA margin of 17.4% in the last four accounting years. Growth in recent years has been driven by Nordic Marketplaces, with its EBITDA margins of around 40%. News

Media has margins of around 10%. At group level, margins are stable due to the considerable investment to develop the online presence. Going forward, we expect Schibsted to keep focusing on business growth and rapid adaptation to industry developments.

Increased prices on financing and cost inflation had a negative impact on performance during Q1 2022. We also project the Scope-adjusted EBITDA margin in 2022 to be slightly below 2021 levels, based on the ongoing implementation of new transactional models and improvements to core offerings in key verticals. EBITDA margins will therefore remain under pressure in the short term, exacerbated by Covid effects (though subsiding) and rising inflation. However, we still expect EBITDA margins of 35%-38% for Nordic Marketplaces, which continues to contribute strongly to overall performance. We also project increased profitability in the medium term as the new transactional models will allow the implementation of a more sophisticated pricing model across all countries, thereby increasing ARPU.

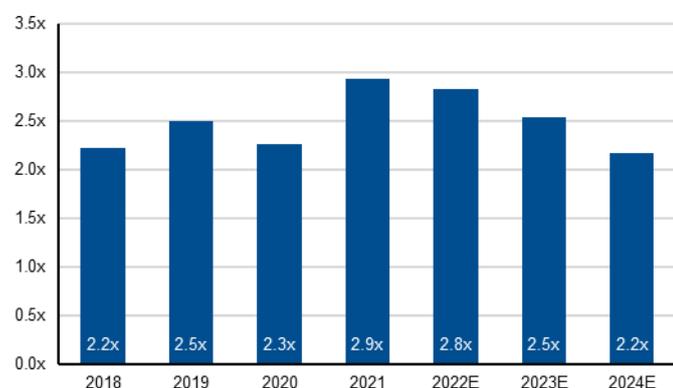
News Media's profitability has benefited from increased digital subscriptions revenue (record 1m digital users in 2021). This bodes well for online revenues and should largely offset any revenue decline in traditional print. The company also completed its cost savings programme in 2021, resulting in a year-end EBITDA margin of 12%, which is above the historical average. We expect EBITDA margins to remain above 10% and positively impact overall profitability into the medium term.

Financial risk profile: BBB

Coverage down, but still above 7.0x for FY 2021

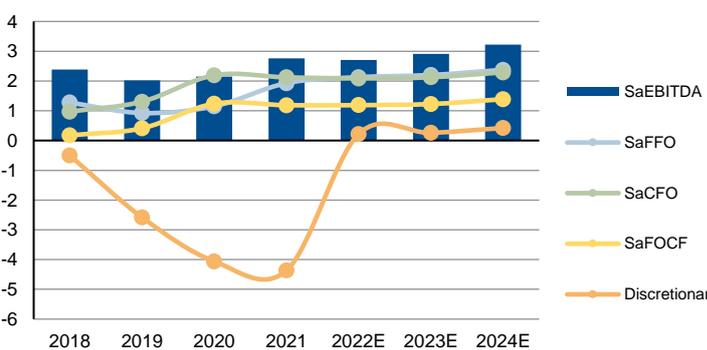
Debt protection, as measured by Scope-adjusted EBITDA/interest coverage, stood at 7.1x at year-end 2021. This was lower than our projection of 11.5x but not entirely unexpected as we expected the more expensive bridge loan associated with the 2021 eBay Denmark acquisition to put downward pressure on coverage. Still, coverage remained above 7x. We also project satisfactory coverage in the medium term after most of the bridge loan was refinanced through a new term loan. We also expect continued strong cash flows and less expansionary capex, both of which should increase coverage.

Figure 5: SaD/EBITDA (x)



Sources: Schibsted, Scope (estimates)

Figure 6: Cash flow generation



Sources: Schibsted, Scope (estimates)

Leverage spike following eBay Classifieds transaction

Schibsted's leverage as measured by SaD/EBITDA and Scope-adjusted funds from operations/SaD has been comfortably below 3.0x and above 20%, respectively, in previous years.

The increase in net financial debt in FY 2021 was mainly due to the financing of the eBay Denmark Classifieds acquisition. This resulted in SaD rising from around NOK 4.8bn in

Bridge loan refinanced, delaying deleveraging

2020 to NOK 7.7bn in 2021 and higher leverage. Our last review projected SaD/EBITDA of towards 3.2x for 2021, but better-than-expected operating performance resulted in leverage of below 3.0x.

The refinancing of NOK 2bn of the bridge loan used for the eBay Denmark transaction with a new term loan maturing in 2024 has made deleveraging slower than projected in our last review. Nevertheless, we expect deleveraging towards a SaD/EBITDA of 2.2x until 2024. This is based on a more turbulent and less growth-company-friendly market, which we believe will decrease discretionary capex in the medium term. We also project cash flows to remain strong, driven by Nordic Marketplaces.

Lastly, the company has financial leverage targets of NIBD/EBITDA of 1x-3x, which they have been adhering to. We expect the company to continue to adhere to targets and to deleverage to free up some buffer should strategic opportunities arise.

Substantial values in Adevinta ownership

We also note the substantial value of the Adevinta stake. Total gross debt at year-end 2021 could theoretically be repaid by selling 30% this stake, at the current lower share price.

M&A could squeeze free operating cash flow

Schibsted has shown positive Scope-adjusted free operating cash flow in the past years. This cash flow has been mainly absorbed by investments in organic growth and turned negative when adjusting for bolt-on acquisitions in the past. Although we expect lower M&A in the short term, we expect attractive companies to be acquired should the opportunity arise. However, our base case assumes no major transactions.

For the next few years, we anticipate positive internal cash flow (Scope-adjusted EBITDA, Scope-adjusted funds from operations and Scope-adjusted free operating cash flow), driven by a higher focus on efficiency and profitability, mainly through streamlining the pricing models across marketplaces but also from initiatives in other operational areas.

Adequate liquidity

Liquidity is adequate, with cash of NOK 1.3bn available at end-March 2022, further enhanced by NOK 3bn in unutilised, committed credit lines and projected positive free operating cash flow. Moreover, liquidity could also be derived from its Adevinta stake (currently worth more than NOK 27bn).

We forecast liquidity to remain adequate for the next few years despite increased interest costs caused by higher debt. 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	2021	2022E	2023E
Unrestricted cash (t-1)	1278	1278	1081
Open committed credit lines (t-1)	3021	3021	3051
Free operating cash flow	1186	1189	1226
Short-term debt (t-1)	678	3274	2309
Coverage	810%	170%	230%

Long-term & short-term debt ratings

Senior unsecured debt rating: BBB

As of June 2022, NOK 4.8bn of senior unsecured bonds are outstanding. Schibsted ASA is the issuer of all outstanding bonds. 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 3.1bn as at Q1 2022), positive cash flow generation, strong access to capital markets, and Schibsted's long-term issuer credit rating.



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