SCOPE | Ratings

TOMRA Systems ASA

Kingdom of Norway, Capital Goods

Issuer
A-

Outlook
Stable

Short-term debt
S-1

Senior unsecured debt
A-

Rating composition

Business Risk Profile		
Industry risk profile	BBB	BBB+
Competitive position	BBB+	
Financial Risk Profile		
Credit metrics	A	A
Liquidity	+/-0 notches	
Standalone credit assessment		**A-**
Supplementary rating drivers		
Financial policy	+/-0 notches	+/-0 notches
Parent/government support	+/-0 notches	
Governance & structure	+/-0 notches	
Peer context	+/-0 notches	
Issuer rating		**A-**

Key metrics

			Scope estimates	
Scope credit ratios	**2023**	**2024**	**2025E**	**2026E**
Scope-adjusted EBITDA interest cover	11.5x	13.0x	11.4x	13.0x
Scope-adjusted debt/EBITDA	1.8x	1.8x	1.7x	1.7x
Scope-adjusted funds from operations/debt	36%	41%	43%	45%
Scope-adjusted free operating cash flow (FOCF)/debt	1%	15%	12%	3%
Liquidity	>200%	>200%	>200%	>200%

Rating sensitivities

The upside scenario for the ratings and Outlook:

- Improved financial risk profile, exemplified by Scope-adjusted debt/EBITDA sustained below 1.0x

The downside scenarios for the ratings and Outlook (collectively):

- Failure to meet our expectation of an improving Scope-adjusted debt/EBITDA, with Scope-adjusted debt/EBITDA remaining close to 2.0x on a sustained basis
- FOCF/debt does not recover after the growth period

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Related methodologies

General Corporate Rating Methodology, Feb 2025

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1. Key rating drivers

Positive rating drivers	Negative rating drivers
• Strong market positions in particular in Collection and Recycling • Supportive industry dynamics, such as the legislative push towards increased circularity and sustainability and brand owners' commitments to meeting their sustainability goals (positive ESG factor) • High and relatively stable margins in Collection and Recycling, with reported EBITDA margins of over 20% for the past five years • Strong financial risk profile supported by historically prudent financial governance • Technological knowhow, global reach and financial flexibility to undertake large implementations	• Dilutive effect on overall profitability from historically low profitability of TOMRA Food • Limited diversification due to the relatively focused product offering around sorting machines and reverse vending machines and the limited diversification of end markets • Moderate to weak cash flow cover due to growth investments • Food is weakest aspect of TOMRA's overall market position: the size and variety of the global food market has led to a highly competitive and fragmented market, where different providers specialise in sorting one, or a few, food categories

2. Rating Outlook

The Stable Outlook reflects supportive industry dynamics, such as the going-live of the new deposit return system markets in 2025-26, which should drive TOMRA's revenue. It further reflects the expected improvement in TOMRA's Scope-adjusted EBITDA margin towards 20% after the restructuring of the Food segment in 2024 and thanks to operational leverage and ongoing efficiency measures. While we are seeing some pressure on the financial risk profile arising from growth capex, we expect this to be mitigated by higher revenues and enhanced profitability post-restructuring. As a result, we expect the leverage ratio, as measured by Scope-adjusted EBITDA/debt, to improve towards around 1.5x in the period to 2027.

3. Corporate profile

Established in 1972, a leading global supplier of sensor-based machines

Founded in 1972 and headquartered in Asker, Norway, TOMRA is a leading global supplier of sensor-based machines for the collection and sorting of beverage containers, food, waste, and minerals. The company's four segments are Collection, Recycling, Food and Horizon.

Collection is TOMRA's largest segment, contributing over 50% to revenue and over 60% to total EBITDA, respectively. Collection consists of the development, production, sale, lease, and service of reverse vending machines (RVMs) for the automated collection of used beverage containers.

Food provides sensor-based sorting and grading systems in the following food categories: potatoes, nuts and dried fruit, vegetables and fresh cut, protein, seeds and grains, citrus, blueberries, apples, kiwifruit, cherries, and avocados.

The Recycling segment provides sensor-based sorting solutions for the automation of valuable material recycling from waste streams. Such materials are primarily plastics, non-ferrous metals, paper, organics, e-waste, wood, textiles, and other recyclables.

Horizon is TOMRA's newly created platform for exploring new business areas and creating new business ventures that are adjacent to its three core divisions. Currently, TOMRA has three new business ventures: TOMRA Feedstock, TOMRA Reuse and c-trace.

TOMRA has more than 5,300 employees and 113,700 installations in over 100 markets worldwide. In 2024, the company had revenue of around EUR 1.35bn and Scope-adjusted EBITDA of about EUR 238m.

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
3 June 2025	Affirmation	A-/Stable
4 June 2024	Affirmation	A-/Stable
2 June 2023	Affirmation	A-/Stable

5. Financial overview (financial data in EUR m)

			Scope estimates		
Scope credit ratios	**2023**	**2024**	**2025E**	**2026E**	**2027E**
Scope-adjusted EBITDA interest cover	11.5x	13.0x	11.4x	13.0x	14.6x
Scope-adjusted debt/EBITDA	1.8x	1.8x	1.7x	1.7x	1.5x
Scope-adjusted funds from operations/debt	36%	41%	43%	45%	50%
Scope-adjusted FOCF/debt	1%	15%	12%	3%	1%
Liquidity	>200%	>200%	>200%	>200%	>200%
Scope-adjusted EBITDA					
EBITDA	198	256	283	325	401
less: capitalised development costs	-14	-20	-20	-20	-20
add: dividends from associates	1	1	1	1	1
Scope-adjusted EBITDA	**185**	**238**	**263**	**306**	**381**
Scope-adjusted funds from operations					
Scope-adjusted EBITDA	185	238	263	306	381
less: Scope-adjusted interest	-16	-18	-23	-24	-26
less: cash tax paid	-37	-35	-37	-44	-58
Other non-operating charges before FFO[1]	-11	-9	-8	-8	-8
Scope-adjusted funds from operations (FFO)	**121**	**176**	**196**	**231**	**289**
Scope-adjusted FOCF					
Scope-adjusted FFO	121	176	196	231	289
Change in working capital	-58	7	-13	-45	-57
Non-operating cash flow	43	14	0	0	0
less: capital expenditures (net)	-75	-97	-93	-135	-189
less: lease amortisation	-30	-36	-36	-36	-36
Scope-adjusted FOCF	**2**	**64**	**53**	**15**	**7**
Scope-adjusted net cash interest paid					
Net cash interest per cash flow statement	-16	-18	-23	-24	-26
add: interest expenses, pensions	0	0	0	0	0
Scope-adjusted net cash interest paid	**-16**	**-18**	**-23**	**-24**	**-26**
Scope-adjusted debt					
Reported financial (senior) debt	423	522	512	579	647
less: cash and cash equivalents	-104	-123	-89	-103	-108
add: non-accessible cash	6	6	6	6	6
add: pension adjustment	4	3	3	3	3
add: asset retirement obligations[2]	11	17	20	24	29
Scope-adjusted debt (SaD)	**340**	**424**	**452**	**509**	**576**

[1] Includes items such as the difference between pension expense and pension contribution paid and exchange rate effects

[2] 50% of warranty and service provisions for RVMs and sorters

6. Environmental, social and governance (ESG) profile[3]

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)

ESG factors: credit positive credit negative credit neutral

Favourable ESG-driven tailwind

We see opportunities in TOMRA's inherently environmentally friendly products. Megatrends like climate change, resource scarcity, a growing population, a growing middle class and increased urbanisation have led to a legislative push towards increased circularity and sustainability, particularly within plastics and packaging waste. In addition, market demand for high-quality recycled material is fuelled by commitments from brand owners to meeting their sustainability goals. As the current market leader with the technology, global reach and financial flexibility to undertake large-scale implementations when required, TOMRA is well positioned to benefit from this favourable ESG-driven tailwind, particularly in the waste sorting and plastics recycling business.

TOMRA’s activities are governed to a significant degree by legislation such as deposit legislation or legislation on packaging waste. We see this as an opportunity, as legal measures to reduce waste and reuse resources continue to be implemented and boost demand for TOMRA's products.

There is low governance risk. The TOMRA Board is composed of five shareholder-elected and three employee-elected directors (who are not part of senior management). All the five shareholder-elected directors are independent from management. However, Johan Hjertonsson, President and CEO of Latour AB, the largest shareholder in TOMRA, and Bodil Sonesson, President and CEO of AB Fagerhult, in which Latour AB is the largest shareholder, cannot be considered independent of major shareholders.

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[3] 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.

7. Business risk profile: BBB+

TOMRA's business risks are largely mitigated by: i) supportive industry dynamics, such as the legislative push towards increased circularity and sustainability; ii) its strong market positions, in particular in Collection; and iii) high and relatively stable margins in Collection and Recycling, with reported EBITDA margins of over 20%. However, business risks are amplified by: i) limited diversification due to the relatively focused product offering and the limited diversification of end markets; ii) dilutive effects on overall profitability from Food's lower profitability; and iii) the competitive and fragmented market in which Food operates.

Product portfolio is exposed to capital goods industry, with industry risk profile of BBB

TOMRA is a supplier of sensor-based sorting machines and RVMs. We therefore classify the company as a supplier of capital goods, with an industry risk profile rated BBB. The BBB industry risk profile is mitigated by positive dynamics in TOMRA's industries, as well as its strong profitability, thus supporting our BBB+ business risk profile assessment.

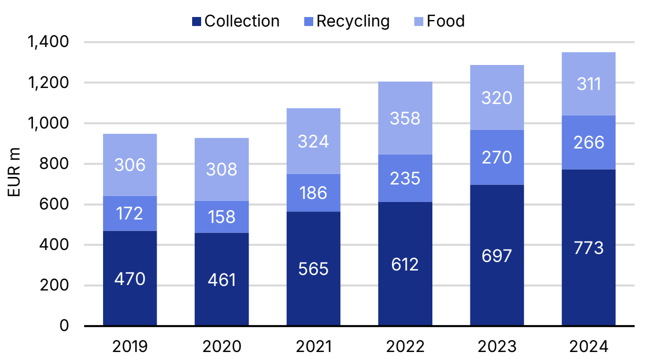
Regulation results in a steady stream of emerging DRS markets

Collection remains TOMRA's main revenue driver, generating record revenue again in 2024. This was supported by regulation, which aims to achieve higher plastic bottle collection rates by 2029 through the implementation of deposit return systems (DRS). Over the next two to three years, DRS will be launched in a number of new European markets, including very large markets: Poland (machine opportunity of around 10,000) and Greece (around 1,000) in 2025, as well as Portugal (around 1,000) and Spain (around 12,000) in 2026. The UK (around 17,000) is expected to follow in 2027. In addition, Uruguay and Singapore, the first regulated deposit market in Asia, will launch deposit systems in 2026.

TOMRA still a key beneficiary of new wave of upcoming DRS markets

Given its strong market position, we expect Collection to remain a key beneficiary of the new wave of upcoming DRS markets. Collection offers two types of models: i) sale and service (65% of the segment's revenue); and ii) throughput (20%). In terms of the sale/service model, Collection's size and geographic reach enable it to supply large grocery chains with sufficient numbers of machines and service infrastructure, giving it a significant competitive advantage over its smaller competitors. With around 87,000 RVM machines in over 60 markets and a global market share of over 50%, TOMRA is two to three times larger than its main competitors, the Dutch Envipco, the German Sielaff and the Swedish RVM System. The throughput model has become increasingly common in recent years. It requires a much higher investment than the sale/service model, as the suppliers act as the operators, investing and maintaining ownership of the machinery and receiving a fee for the volume collected through the installed infrastructure. TOMRA is one of the few suppliers with the financial capacity to deliver such a solution on a large scale.

Figure 1: Sustained revenue growth in Collection, with new record in 2024



Sources: TOMRA, Scope

Figure 2: New wave of upcoming DRS markets

Poland – 1 October 2025
In an amended act, Poland set a new commencement date for their deposit return system to 1 October 2025 (link).

Greece – 1 December 2025
In February 2025, secondary DRS legislation was signed into law by the Minister of Environment and the Minister of Economy (link). A system operator is yet to be assigned.

Portugal – 1Q 2026
Portugal has licensed SDR as system operator of the upcoming deposit return system, with effect from 1 January 2026, (link). A formal commencement date has not been set.

Singapore – 1 April 2026
In March 2023, the parliament passed legislation for a deposit return system. The system operator has been licensed with launch date 1 April 2026. (link).

Uruguay – (2026)
A deposit return system is in process of implementation. Originally planned to commence by the end of 2024 (link), an updated start date is yet to be announced (link).

Spain – November 2026
In November 2024, Spain announced that it will introduce a deposit return system within 2 years in accordance with its waste management law 'LRSCEC' (link).

United Kingdom – October 2027
In January 2025, the UK government passed a DRS law for England and Northern Ireland (link). Scotland is in process of aligning its legislation accordingly. On 6 May 2025, UK DMO was announced as the system operator (link).

Sources: TOMRA, Scope

Niche recycling player with strong addressable market position

Similar to Collection, regulation will be a key driver for the plastic recycling business in the coming years, in particular the EU Packaging and Packaging Waste Regulation (PPWR) adopted in 2024, which is designed to increase recycling rates from 2030. As a supplier of sensor-based sorting equipment to material recovery plants, scrap dealers and mining companies, Recycling operates in a very niche market with an accessible market value of around EUR 500m. Outside the market addressed by TOMRA are non-sensor-based sorting equipment (magnets, ballistics, eddy currents). In this market, Recycling has a strong position with a market share of 55%-60%. Recycling is somewhat cyclical due to its link to mining capex and dependence on commodity prices, such as polyethylene terephthalate (PET).

Food is weakest aspect of TOMRA's overall market position

TOMRA Food is experiencing headwinds in the short term. This is due to lower fresh food customer willingness to make new investments amid a combination of poor harvests and unfavourable macroeconomic conditions. However, the need for automation in food sorting processes, which are still largely manual, should support the business in the long term. The food processing and machinery market is by far the largest global market, but it is also the most fragmented, as there are different technologies for sorting, often divided into belt, chute and lane, and different applications/categories of food. The size and variety of technologies has led to a highly competitive and fragmented market, with suppliers specialising in sorting one or a few food categories. TOMRA Food has specialised in a sub-segment of sorting and grading machines with a market value of around EUR 800m. Here, TOMRA has a market share of around 40% in processed food and around 30% in fresh food.

Diversification continues to be a limiting factor

Diversification, especially the relatively focused product offering, continues to limit TOMRA's overall business risk profile. Around 30% of TOMRA's total revenue is realised through the sale and lease of sensor-based sorting machines at Food and Recycling. A further 35% is attributable to the sale and lease of RVMs.

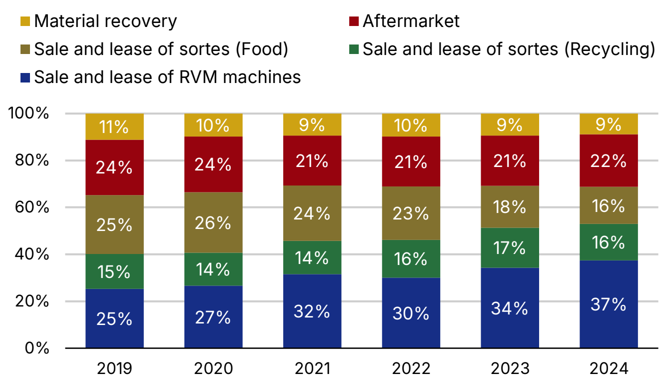
Installed base offers replacement opportunities

TOMRA's installed base of over 113,000 machines offers replacement opportunities (replacement sales start 7-10 years after the initial sale), upgrades of old technologies and aftermarket sales. At approx. 22% of total revenue, TOMRA has a solid aftermarket revenue stream. Collection has the highest absolute service revenue (EUR 149m in 2024), driven by an installed base of around 87,000 machines. Food’s share of services rose to 31% in 2024 due to the strategic focus on increasing services as part of the restructuring programme.

End-market concentration mitigated by relative resilience

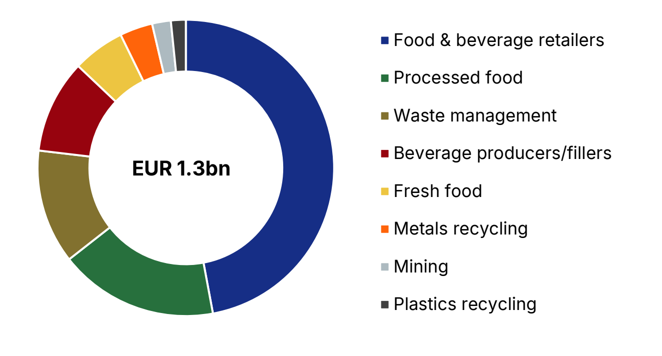
There is clear concentration in end-markets, with food retail chains accounting for around 50% of total revenues. However, this concentration risk is mitigated by the relative resilience of food retail chains, as food and beverage consumption tends to be stable across economic cycles. In addition, the regulatory push towards a more circular economy keeps demand intact.

Figure 3: Nearly 70% of revenue from the sale/lease of sorting and RVM machines



Sources: TOMRA, Scope

Figure 4: Food retail chains are by far TOMRA’s largest end market



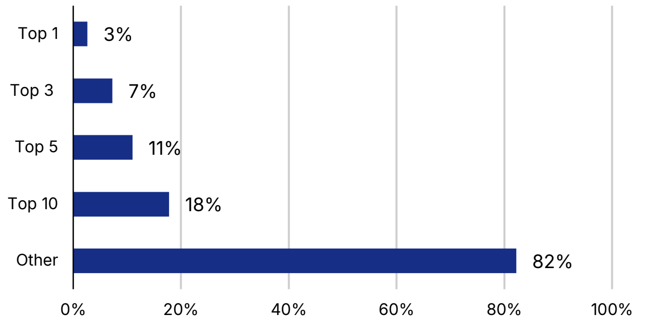
Sources: TOMRA, Scope

Relatively good customer granularity

Replacement by another supplier during an ongoing contract is possible in principle. However, this risk is mitigated by relatively good customer granularity, as no customer accounts for more than 5% of total revenue.

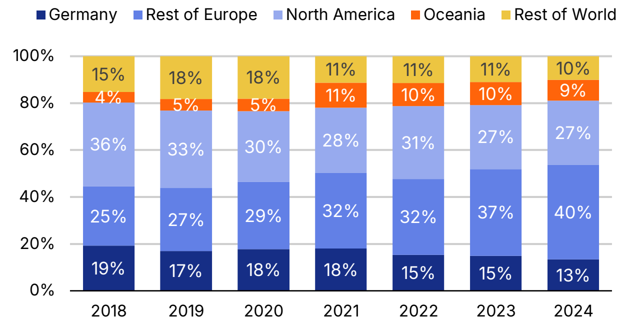
TOMRA's geographical presence is often a consequence of operating in markets where sustainable legislation is in place. As the EU has long been at the forefront of this process, it is natural that the EU is the largest regional market.

Figure 5: Relatively low customer concentration, with top ten customers representing less than 20% of TOMRA's revenue



Sources: TOMRA, Scope

Figure 6: EU is TOMRA's largest regional market



Sources: TOMRA, Scope

TOMRA's profitability, as measured by the Scope-adjusted EBITDA margin (including capitalised development costs), continues to support its business risk profile.

TOMRA's profitability supports its business risk profile

Historically, TOMRA's profitability has been supported by the profitability of Collections and Recycling, with reported EBITDA margins well above 20%, which we attribute to both the strong position of the divisions in their markets and to specific factors within the divisions. For example, Collection benefits from a high proportion of revenue from throughput and service business (around 40%), both of which have a higher margin than equipment sales. At around 20%, the share of throughput and service business in Recycling is lower than in Collection. However, the segment benefits from the very high-margin machine sales and the segment's lean organisation.

Collection and Recycling are the main pillars of TOMRA's overall profitability

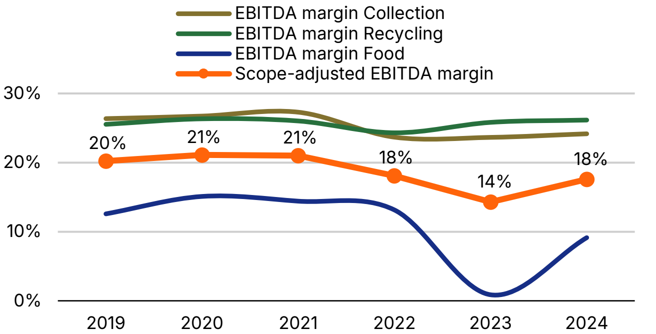
In contrast, the relatively low profitability of Food, with a reported EBITDA margin of less than 15%, has had a dilutive effect. This is mainly due to the lower profitability of Food's end markets, particularly in the fresh food sector (over 30% of segment revenue), where TOMRA supplies small farmers and packhouses, who are relatively price-sensitive given their low cash flow. The segment's profitability also reflects the product mix: the equipment Food sells is a combination of high value/margin sorters/graders with low-margin peripherals (steel frames, conveyer belts, etc.).

Food has a dilutive effect on TOMRA's overall profitability

In Q3 2023, TOMRA began restructuring the Food segment to adjust operations to lower demand, including headcount reductions and the consolidation of production sites. Total restructuring costs of around EUR 25m were recognised in 2023, weighing on Food's overall profitability. The restructuring programme was completed in 2024, with a 20%reduction in full-time equivalents and consolidation from four sites to two, the main one being shared with TOMRA Recycling in Slovakia. Overall, a EUR 30m run rate in savings has been achieved for the full year, improving the reported EBITDA margin to 9.1% in 2024 from 0.9% in 2023. However, Food's profitability remained well below pre-2023 levels, with Q1 2024 still impacted by restructuring.

Although improved, Food's profitability in 2024 still weighed down by restructuring costs

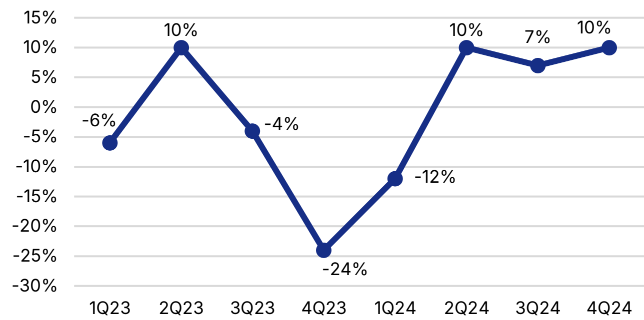
Figure 7: Collection and Recycling support overall profitability, while Food is dilutive



Sources: TOMRA, Scope

Figure 8: Post-restructuring profitability improved in Food

EBITA margin in Food segment



Sources: TOMRA, Scope

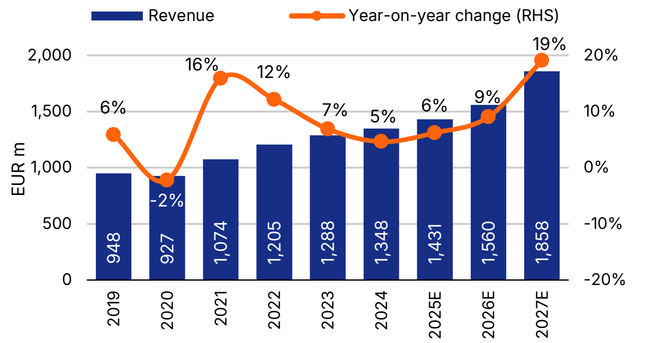
Lower personnel expenses and restructuring costs (around EUR 5m in 2024 compared to EUR 25m in 2023) led to an improvement in the Scope-adjusted EBITDA margin to around 17.6% in 2024 from 14.3% in 2023. Scope-adjusted EBITDA increased to EUR 238m in 2024, from EUR 185m in 2023. This was driven by higher revenue and higher profitability.

Higher profitability and revenue growth led to an increase in Scope-adjusted EBITDA in 2024

Overall revenue development in 2024 remained below previous years' levels. Growth of 5% YoY to EUR 1.35bn in 2024 from EUR 1.29bn in 2023, driven by another record year in Collection (up 11% YoY) was weighed down by lower revenues in Recycling (down 1.6% YoY) and Food (down 2.8% YoY). As in previous years, growth in Collection was driven by new DRS markets in Europe, such as the launches in Austria, Romania, Hungary and Ireland, as well as system expansions and upgrades in the USA and Australia. Recycling revenues of EUR 266m in 2024 were only slightly down on EUR 270m in 2023, thanks to the growth in services (up 12% YoY) and the strong Q4 in equipment sales (Q4 revenues up 37% YoY) due to the backend loaded timing of project deliveries. Despite the strong Q4, Recycling's equipment revenue for the full year was 4% down YoY. This was mainly due to persistently weak market sentiment in European plastics recycling in view of continued low raw material prices. Food's revenue was down 3% YoY to EUR 311m in 2024 from EUR 320m in 2023, weighed down by fewer large projects in fresh food categories in APAC. In contrast, revenue growth of 5% YoY in the Americas, Food's largest market, and 9% YoY growth in services (spare parts and upgrades) provided support.

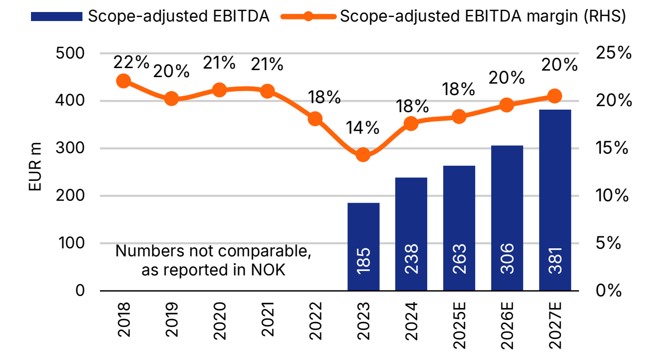
TOMRA's revenue growth in 2024 driven by another year of record revenue in Collection

Figure 9: Revenue growth in 2025-26 driven by Collection



Sources: TOMRA, Scope estimates

Figure 10: Higher overall margin level after Food restructuring



Sources: TOMRA, Scope estimates

TOMRA shared its assessment of the impact of tariffs on the business together with the publication of its results for the first quarter of 2025. Overall, Collection is largely unaffected as the US market is mainly a throughput market, with risks of order postponements arising primarily in Recycling and Food due to their revenue exposure.

~15% of TOMRA group revenues exposed to imports of goods to the US, Food particularly affected

We expect TOMRA's revenues to increase to around EUR 1.43bn in 2025 (up 6% YoY) and around EUR 1.56bn in 2026 (up 9% YoY), mainly driven by the upcoming DRS markets. As some markets are likely to be a mix of sales and service and throughput, actual revenue levels in 2025-26 will depend on the sales model chosen: with a sales and service model, revenue will be spread over the next two years; with a throughput model, revenue will increase over time as return rates increase. TOMRA recently revised its 2025 outlook for Recycling from mid-single-digit to low single-digit growth. This is because the company is currently seeing investment decisions postponed and waste management projects delayed in the US due to macroeconomic uncertainty exacerbated by the trade war.

We expect upcoming DRS markets to continue to drive TOMRA's revenues in 2025-26

As in 2024, TOMRA foresees double-digit growth in service and aftermarket sales in Recycling, driven by the 30% increase in the installed base between 2021 and 2023 combined with its strategy to increase service sales. TOMRA forecasts low single-digit growth for Food in 2025. In view of the revenue growth in Q1 2025 (up 16.7% YoY) and the strong order book at end-March 2025 (EUR 125m up from EUR 118m at end-March 2024), this relatively low guidance reflects the risk of orders being postponed in the coming quarters. We expect Horizon to contribute around EUR 35m to total group revenues (EUR 5m in Q1 2025), up from EUR 7m in 2024, driven by revenue contribution from C-trace, TOMRA's latest acquisition. Feedstock is also expected to commission its Norwegian plant this year (65% owned by TOMRA, through a joint venture with Plastretur), with ramp-up in H2 2025. The German brownfield plant is expected to start up in 2026.

In 2025, we expect a further improvement in the Scope-adjusted EBITDA margin to around 18.5%, on the back of the full-year impact of the restructuring measures in TOMRA Food and largely stable margin levels in Collection and Recycling. TOMRA foresees a maximum direct tariff effect of one percentage point on its gross margin. This estimate is based on a scenario in which EU tariffs rise to 20% and Chinese tariffs remain at 145%. Overall, in combination with our revenue forecast, we project Scope-adjusted EBITDA of around EUR 265m in 2025. In 2026, we expect a further improvement in the Scope-adjusted EBITDA margin to about 19.5%, driven by operational leverage and ongoing efficiency measures. Together with the assumption of higher revenue, this results in an increase in Scope-adjusted EBITDA to around EUR 305m.

We expect further Scope-adjusted EBITDA growth in 2025-26

8. Financial risk profile: A

TOMRA's unchanged financial risk profile reflects our expectation that leverage will improve towards 1.5x in the medium term. This should be driven by higher Scope-adjusted EBITDA on the back of the upcoming DRS pipeline and improved profitability post-restructuring in Food.

Gross debt of EUR 522m at YE 2024 largely comprises bonds (EUR 250m), bank loans (EUR 107m) and leases (EUR 164m). In order to calculate Scope-adjusted debt, we added: i) pensions of EUR 47m; and ii) 50% of the warranty provision for RVMs and sorters in the amount of NOK 119m at YE 2024 as asset retirement obligations. In addition, EUR 6m of the cash on balance is deemed trapped. Overall, we calculate Scope-adjusted debt of EUR 424m at YE 2024. The increase compared to EUR 340m at YE 2023 primarily reflects: i) cash outflows for M&A of EUR 81m (acquisition of c-trace GmbH and the remaining 49% of the shares in TOMRA Recycling Technology (Xiamen) Co. Ltd; ii) the exercise of call options on the remaining shares in TOMRA Holding OÜ (Baltics) and TOMRA Collection Holding OÜ (Latvia); and iii) dividend payments of EUR 50m. Scope-adjusted free operating cash flow (FOCF) of EUR 64m had a positive impact.

M&A cash outflows increased Scope-adjusted debt in 2024

We expect Scope-adjusted debt to increase to around EUR 450m at year-end 2025 and to about EUR 510m at year-end 2026. This is due to projected growth investments in Feedstock, as well as cash outflows for dividends and the exercise of the options for TOMRA Collection Australia Pty Ltd (80% owned by TOMRA), TOMRA Collection France SAS (70%), and c-trace GmbH (80%) in 2026.

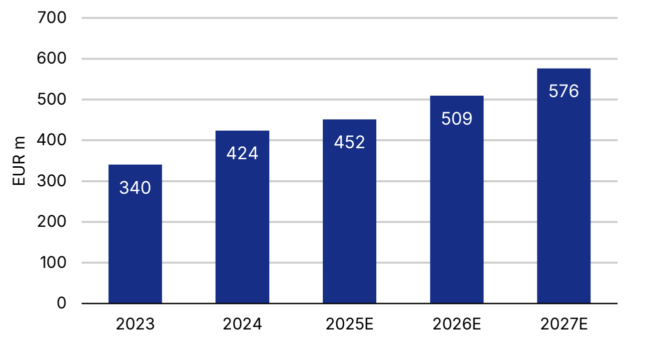
Scope-adjusted debt projected to increase

The debt maturity profile is well distributed. 2027 maturities consist of around EUR 42m of bonds and approx. EUR 75m of drawings under the revolving credit facility, which has a two-year extension option.

Well distributed debt maturity profile

Figure 11: Scope-adjusted debt is set to increase in 2025-26

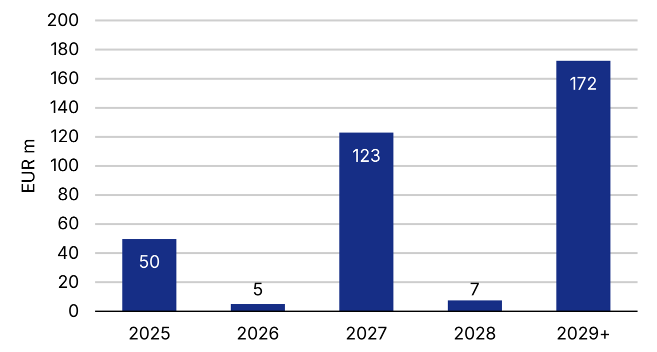
Scope-adjusted debt



Sources: TOMRA, Scope estimates

Figure 12: 2027 maturity includes EUR 75m RCF with a two-year extension option

Debt maturity profile



Source: TOMRA, Scope

Leverage, as measured by Scope-adjusted debt/EBITDA, remained stable at 1.8x in 2024, despite an increase in Scope-adjusted debt due to higher Scope-adjusted EBITDA. We expect the

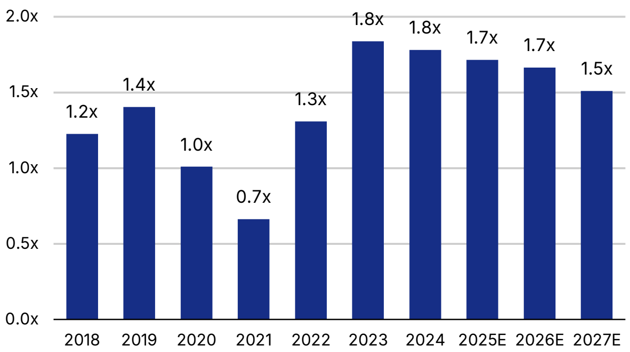
Improvement in Scope-adjusted debt/EBITDA towards 1.5x in the period to 2027 assumed higher Scope-adjusted EBITDA to dampen the increase in debt, resulting in a Scope-adjusted debt/EBITDA ratio improving towards 1.5x in the period to 2027.

We foresee continued strong FFO-based leverage in 2025-26

Scope-adjusted funds from operations (FFO)/debt has historically been comfortably in high investment grade territory. In 2024, Scope-adjusted FFO increased to around EUR 176m from EUR 121m in 2023, driven in particular by the recovery in profitability at Food. As a consequence, Scope-adjusted FFO/debt increased to around 41% in 2024 from around 36% in 2023. We expect higher Scope-adjusted FFO in 2025 and 2026 thanks to the anticipated rise in Scope-adjusted EBITDA, resulting in a strong Scope-adjusted FFO/debt ratio of 40%-50% in 2025-26.

Figure 13: Leverage of around 1.5x expected in 2025-26

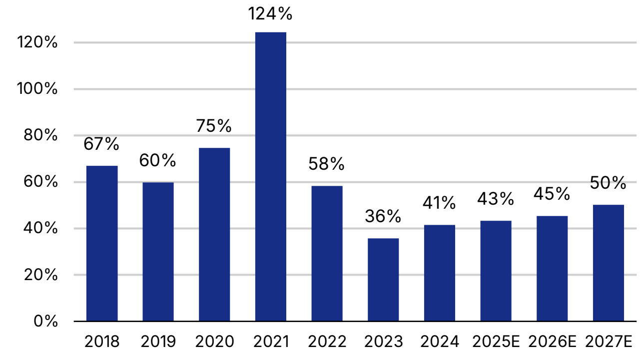
Scope-adjusted debt/EBITDA



Sources: TOMRA, Scope estimates

Figure 14: FFO-based leverage expected at above 40%

Scope-adjusted FFO/debt



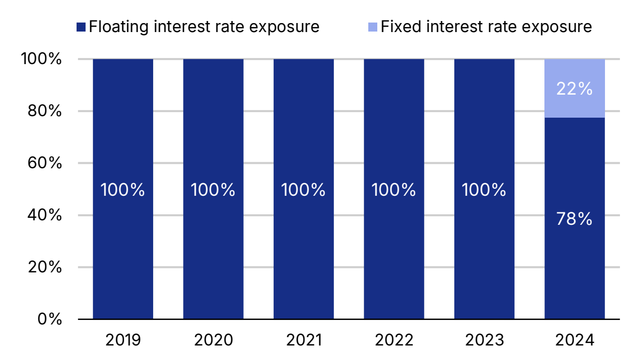
Sources: TOMRA, Scope estimates

TOMRA's group financial policy is to primarily follow a floating interest strategy. However, the share of fixed-rate debt grew in 2024 following the issuance of NOK 1bn of fixed coupon bonds. In addition, the interest rates for the revolving credit facility and the export credit line depend on TOMRA's NIBD/EBITDA ratio.

Historically very strong EBITDA interest cover expected to persist

EBITDA interest cover has historically been very strong, although it fell to over 10x in 2023-24 due to structural headwinds in Food, compared to over 30x in the years before 2023. Scope-adjusted interest rose slightly to EUR 18.2m in 2024 from EUR 16.0m in 2023 mainly due to the higher bond volumes. However, higher Scope-adjusted EBITDA improved this debt protection metric to 13.0x in 2024 from 11.5x. We anticipate that the higher expected debt level will cause interest to rise. Nevertheless, the parallel growth in Scope-adjusted EBITDA should keep interest cover very strong at over 10x in 2025-26.

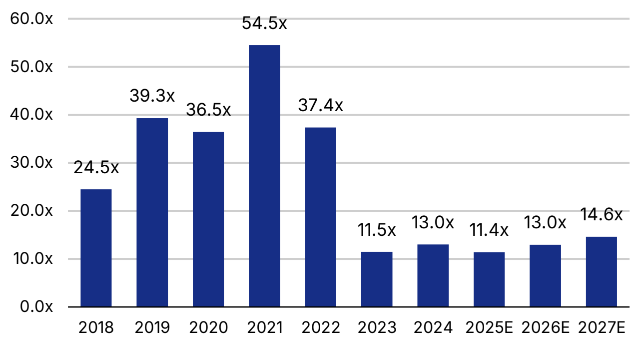
Figure 15: Mostly floating rate financing



Sources: TOMRA, Scope

Figure 16: Interest cover to remain above 10x

Scope-adjusted EBITDA/interest cover



Sources: TOMRA, Scope estimates

Scope-adjusted FOCF of EUR 64m in 2024 improved significantly vs. EUR 2m in 2023

Unlike Scope-adjusted FFO, Scope-adjusted FOCF weakened significantly in 2022-23 due to net working capital (NWC)-related outflows and higher capex, making cash flow cover the weakest credit metric. Supported by the recovery in Food's profitability and lower NWC, Scope-adjusted

FOCF increased to around EUR 64m in 2024 from about EUR 2m in 2023, translating into an improved cash flow cover of 15% in 2024 from 1% in 2023.

Expected increase in NWC due to higher business volume

The lower NWC reflects the reduction in inventories, both in absolute terms and as a percentage of revenue (to 16.7% in 2024 from 18.4% in 2023) due to the high activity in Recycling and large number of installations in Austria in Q4 2024. TOMRA also noted the normalisation following a period of supply chain disruptions and inflation shock in 2022 as well as the cyberattack in 2023. That said, we expect NWC to increase in 2025-26 due to the higher business volume.

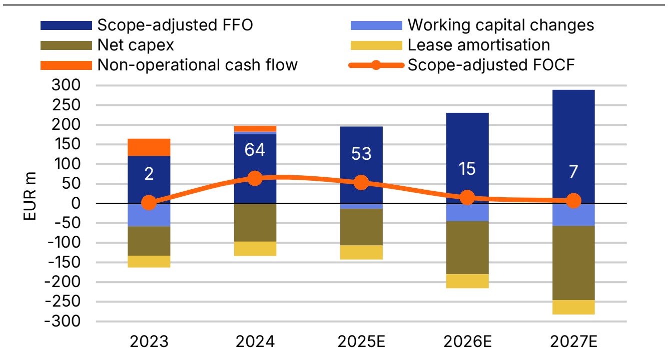
Capex is set to increase in 2025-26 due to growth investments in Feedstock

In 2024, capex (including capitalised R&D) increased significantly to EUR 118m (8.8% of revenue) from EUR 93m in 2023 (7.2% of revenue) mainly due to the investments in TOMRA Feedstock's plants in Germany and Norway. It also reflects higher capitalised R&D due to several projects now launched on the market, including the R2, RollPac, and the B5. We expect growth investments in in Feedstock to keep capex high and have factored in capex of around EUR 115m in 2025 and EUR 156m in 2026. Scope-adjusted FOCF in 2025-26 will also depend on the sales model chosen by customers. In general, the throughput model is more capital intensive than the sales and service model, as TOMRA acts as the operator of machines, requiring an upfront investment and subsequent maintenance of machinery ownership.

Scope-adjusted FOCF of around EUR 55m in 2025 and EUR 15m in 2026

Overall, we project Scope-adjusted FOCF of around EUR 55m in 2025 and EUR 15m in 2026, resulting in a moderate to weak ash flow cover in the range of 0%-15% in 2025-26.

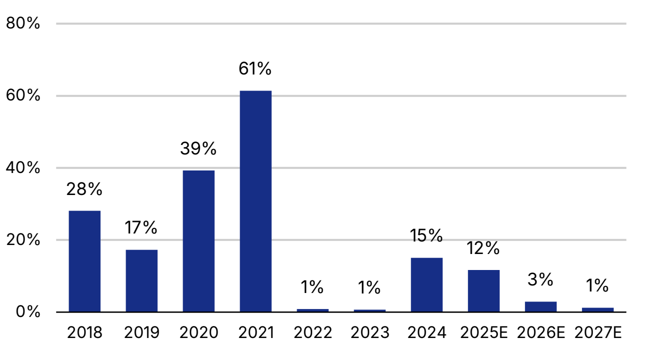
Figure 17: FOCF and its drivers



Sources: TOMRA, Scope estimates

Figure 18: Moderate to weak cash flow cover

Scope-adjusted FOCF/debt



Sources: TOMRA, Scope estimates

Adequate liquidity

TOMRA's liquidity profile is adequate. Available liquidity sources, in particular cash on the balance sheet, undrawn credit lines and projected Scope-adjusted FOCF, cover upcoming cash uses over the next 12-18 months by well over 200%.

Table 1. Liquidity sources and uses (in EUR m).

	2024	2025E	2026E
Unrestricted cash (t-1)	98	117	84
Open committed credit lines (t-1)	57	109	109
Free operating cash flow (t)	64	53	15
Short-term debt (t-1)	54	50	5
Liquidity	**>200%**	**>200%**	**>200%**

Sources: TOMRA, Scope estimates

Principal cash sources comprised:

Cash sources

- Bank balances amounted to EUR 123m at year-end 2024 (EUR 91m at end-March 2025), of which EUR 6m is trapped cash.
- EUR 109m in undrawn funds (EUR 143m at end-March 2025): EUR 75m under the EUR 150m revolving credit facility due in December 2027 with extension options for up to two one-year periods; EUR 10m under the EUR 40m export credit line maturing in 2029; and EUR 24m under the overdraft facility
- Expected Scope-adjusted FOCF of around EUR 55m in 2025 and EUR 15m in 2026

We expect the following cash uses:

Cash uses

- Dividend payments of around EUR 55m in 2025 and EUR 60m in 2026
- M&A-related payout of around EUR 10m in 2025 and EUR 5m in 2026
- Share buybacks of EUR 5m in 2025
- Debt repayments of EUR 50m in 2025 and around EUR 5m in 2026. We expect TOMRA to refinance upcoming maturities by tapping the bond market.

Full covenant compliance expected going forward

The company's revolving credit facility and the credit line provided by Export Finance Norway (Eksfin) are conditional upon an equity covenant of at least 30% of total assets, measured at the end of each quarter. With an equity ratio of 38% at year-end 2024, TOMRA complied with the covenant in 2024. However, the headroom to the covenant has narrowed in recent years due to increased debt as a result of weakened Scope-adjusted FOCF in 2022-23 and the higher M&A activity in 2024. We expect the headroom to gradually increase following the restructuring in Food.

9. Supplementary rating drivers: +/- 0 notches

Credit-neutral financial policy

TOMRA's financial policy is credit neutral, supported by its commitment to an investment grade credit rating and a strong balance sheet, as reflected in Scope-adjusted debt/EBITDA sustained below 2.0x (1.8x in 2024).

Although dividends of 40%-60% of earnings are relatively high, they tend to be covered by Scope-adjusted FOCF.

We note that TOMRA does not buy back shares in order to distribute cash to shareholders. All past share buyback programmes have focused solely on facilitating the annual employee share purchase programme within the company.

TOMRA is not actively looking for M&A but may make bolt-on acquisitions or even larger acquisitions if opportunities arise, especially in complementary technologies or in the food market.

10. Debt ratings

Senior unsecured debt rating: A-

We affirm TOMRA's rating for senior unsecured debt at A-, in line with the issuer rating. In total, TOMRA had committed credit lines of EUR 469m at year-end 2024, of which EUR 359m were utilised. Utilised debt includes five tranches of corporate bonds with a total amount of EUR 254m (NOK 500m due in November 2025; NOK 500m due in November 2027; NOK 750m due in April 2029; NOK 250m due in April 2031; and NOK 1.0bn due in October 2034), funds of EUR 75m drawn under the revolving credit facility (EUR 150m), as well as funds of EUR 30m drawn under the export credit line of EUR 40m established in November 2023 and funded by Eksportfinansiering Norge.

All debt is issued centrally by TOMRA Systems ASA with no cross guarantees from subsidiaries. It is senior unsecured and ranks pari passu.

Short-term debt rating: S-1

We continue to rate TOMRA's short-term debt at S-1. This is based on TOMRA's A-/Stable long-term issuer rating, supportive internal and external sources of liquidity (e.g. access to credit facilities and cash on hand), positive cash flow generation, and strong access to capital markets.

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