Schouw & Co.

Denmark, Industrial Conglomerates

Rating composition

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

Key metrics

			Scope estimates	
Scope credit ratios*	**2023**	**2024**	**2025E**	**2026E**
Scope-adjusted EBITDA interest cover	6.9x	6.4x	7.7x	9.9x
Scope-adjusted debt/EBITDA	2.3x	1.9x	1.5x	1.4x
Scope-adjusted funds from operations/debt	33%	37%	48%	53%
Scope-adjusted free operating cash flow/debt	10%	29%	41%	22%
Liquidity	~200%	~200%	~200%	>200%

Rating sensitivities

The upside scenario for the ratings and Outlook is:

- Debt/EBITDA improving to around 1.5x on a sustained basis, e.g. through improved profitability or a sustained return to significantly positive FOCF.

The downside scenario for the ratings and Outlook is:

- Debt/EBITDA sustained at around 2.5x. This could be due to lower profitability or the aggressive use of liquidity e.g. for share buybacks or M&A transactions.

*All credit metrics refer to Scope-adjusted figures.

Issuer
BBB

Outlook
Stable

Short-term debt
S-2

Senior unsecured debt
BBB

Lead Analyst

Gennadij Kremer
+49 69 6677389 84
g.kremer@scoperatings.com

Related methodologies

General Corporate Rating Methodology, Feb 2025

Table of content

1. Key rating drivers

Positive rating drivers	Negative rating drivers
• Good financial risk profile with leverage of 1.9x in 2024 and around 1.5x expected in 2025-26 • Good diversification with regard to products and customers • Strong position in the global salmon feed market of Schouw's largest portfolio company, BioMar • Around 60% of EBITDA from businesses with low cyclicality • Proven track record of balance sheet recovery following the acquisition of companies	• Low operating profitability, with an EBITDA margin below 9% in 2022-24, which is also expected for 2025-27 • Heavy reliance on just two companies and BioMar's limited exposure to the fast-growing shrimp and prawn feed segment • Significant EBITDA contribution from companies that are largely regional players with relatively weak market power • Growth strategy focused on debt-financed M&A • Moderate and volatile cash flow cover, particularly driven by changes in net working capital

2. Rating Outlook

The **Stable Outlook** reflects our expectation that debt/EBITDA will improve further in 2025, moving towards the low end of the 1.5x-2.0x range (a range we consider the sustainable average for Schouw), supported by projected FOCF and the absence of large, debt-financed M&A. The Outlook also reflects the potential positive impact on Schouw's leverage from BioMar's IPO in 2026 – however, we believe this would only be temporary given the group's growth strategy.

3. Corporate profile

Schouw is an industrial conglomerate with a portfolio of six heterogenous companies

Schouw & Co. was established in 1878 and is headquartered in Aarhus, Denmark. It is a listed industrial conglomerate with 100% shareholdings in five companies – BioMar, Fibertex Personal Care, Fibertex Nonwovens, HydraSpecma and Borg Automotive – and an 80% shareholding in GPV. Schouw has a very long investment horizon.

BioMar: BioMar is one of the world's largest manufacturers of feed for all stages of fish and shrimp farming, with an annual capacity of 2.1m tonnes.

GPV International: GPV provides contract manufacturing services for electronic components and assemblies for original equipment manufacturers.

Borg Automotive: Borg Automotive is Europe's largest independent automotive remanufacturing company.

Fibertex Personal Care: Fibertex Personal Care produces spunbond/spunmelt non-woven fabrics for hygiene applications. The products are mainly used in baby nappies but also in period care and incontinence products.

Fibertex Nonwovens: The company produces fabrics/non-woven materials in particular for the European car industry for motor insulation, seating, wheel and underbody, furniture, mattress, carpet and medical technology companies.

HydraSpecma: HydraSpecma produces hydraulic components, including pumps, motors, valves, fittings, pipes and hoses. These products are used in the vehicles segment, for example for lorries, buses, construction equipment, wind turbines and other stationary equipment.

In 2024, the group had a consolidated revenue of DKK 34.7bn and consolidated EBITDA of DKK 2.9bn. Givesco is the main shareholder, with 28%, and is controlled by the Eskildsen family.

4. Rating history

Date	Rating action	Issuer rating & Outlook
9 Sep 2025	Affirmation	BBB/Stable
5 Sep 2024	Affirmation	BBB/Stable
5 Sep 2023	New	BBB/Stable

5. Financial overview (financial data in DKK m)

				Scope estimates		
Scope credit ratios	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**
EBITDA interest cover	14.2x	6.9x	6.4x	7.7x	9.9x	10.5x
Debt/EBITDA	2.6x	2.3x	1.9x	1.5x	1.4x	1.4x
Funds from operations/debt	31%	33%	37%	48%	53%	52%
Free operating cash flow/debt	-17%	10%	29%	41%	22%	21%
Liquidity	>100%	~200%	~200%	~200%	>200%	>200%
EBITDA						
Reported EBITDA	2,282	2,848	2,930	2,810	2,921	2,993
less: capitalised expenses						
add: share-based compensation expense	32	38	30	30	30	30
add: recurring dividends from associates	10	29	40	40	40	40
EBITDA	**2,324**	**2,915**	**3,000**	**2,880**	**2,991**	**3,063**
Funds from operations (FFO)						
EBITDA	2,324	2,915	3,000	2,880	2,991	3,063
less: interest	-164	-423	-467	-374	-301	-291
less: cash tax paid	-269	-452	-444	-404	-471	-495
Other non-operating charges before FFO[1]	-10	147	-14	0	0	0
Funds from operations	**1,881**	**2,187**	**2,075**	**2,102**	**2,219**	**2,277**
Free operating cash flow (FOCF)						
Funds from operations	1,881	2,187	2,075	2,102	2,219	2,277
Change in working capital	-1,548	-377	533	558	-146	-187
Non-operating cash flow						
less: capital expenditures (net)	-1,101	-859	-679	-574	-847	-887
less: lease amortisation	-240	-289	-301	-300	-300	-300
Free operating cash flow	**-1,008**	**662**	**1,628**	**1,786**	**926**	**903**
Interest						
Net cash interest per cash flow statement	136	389	452	359	286	276
add: capitalised borrowing costs	28	34	15	15	15	15
add: interest expenses, pensions						
Interest	**164**	**423**	**467**	**374**	**301**	**291**
Debt						
Reported financial (senior) debt	6,678	7,108	6,443	6,543	6,371	6,171
add: subordinated (hybrid) debt (net of equity credit)						
less: cash and cash equivalents	-712	-584	-892	-2,215	-2,284	-1,873
add: non-accessible cash	31	31	26	26	26	26
add: pension adjustment	24	39	39	39	39	39
add: other debt-like items[2]	70	0	0	0	0	0
Debt	**6,091**	**6,594**	**5,616**	**4,393**	**4,152**	**4,363**

[1] Provisions and retirement benefit provision + other non-cash changes

[2] Factoring exposure with recourse

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

ESG-related factors have no impact on our credit risk assessment

ESG-related factors have no substantial impact on our overall assessment of credit risk.

In 2021, Schouw set a target to reduce Scope 1 and 2 market-based emissions by 35% in 2030 relative to the 2020 base year. In 2024, total Scope 1 and 2 emissions were cut by 5%, resulting in a total reduction of 21% since the 2020 base year. Schouw has not yet set a Scope 3 target but plans to do so in 2025.

We see moderate governance risk from the management of a very diverse portfolio of companies operating in various industries. This risk is mitigated by the fact that the daily business of each portfolio company is not managed centrally but at each individual company's level. The Schouw Board is composed of six shareholder-elected directors. We note that three of the directors cannot be considered independent. Kenneth Skov Eskildsen and Søren Stæhr are affiliated with the main shareholder Givesco A/S and Søren Stæhr has an affiliation with a law firm which acts as an adviser to Schouw.

Schouw now uses share buybacks more frequently in addition to dividends. However, we consider the interests of shareholders and creditors to be well balanced, as payments to shareholders do not have a sustained negative impact on Schouw's overall balance sheet.

In 2019, the Chilean branches of BioMar and its competitors Skretting, EWOS and Salmofood were accused of setting the sale prices of salmonid food between at least 2003 and 2015. In its 2024 annual report, Schouw stated that it is not currently possible to predict the outcome of the case or determine the probability or amount of a potential outcome. Accordingly, no provision has been recognised concerning the claim submitted at YE 2024, only a contingent liability. Based on the press, BioMar, Skretting and Salmofood face combined fines of up to USD 78.5m related to Chile's long-running salmon feed price collusion case. We do not believe that this investigation has any immediate relevance for the credit rating.

[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.

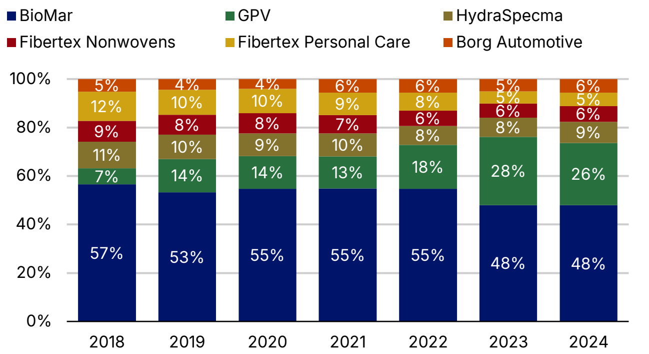
7. Business risk profile: BBB-

Schouw's business risks are largely mitigated by: i) the strong position in the global salmon feed market of its largest subsidiary, BioMar; ii) diversification with regard to products and customers; and iii) around 60% of EBITDA coming from businesses with low cyclicality. However, business risks are amplified by: i) relatively low overall profitability; ii) heavy reliance on just two companies; and iii) a significant EBITDA contribution from companies that are largely regional players with relatively weak market power.

Schouw is an industrial conglomerate with a portfolio of six wholly controlled and fully consolidated companies with operational and financing integration. BioMar remains the dominant portfolio company in terms of revenue and EBITDA contribution, followed by GPV. As Schouw's portfolio companies operate in different industries (including fish farming, automotive, period and incontinence care, wind power and medicine) with varying cyclicality, entry barriers and substitution risks, we assign a blended industry risk profile of BBB.

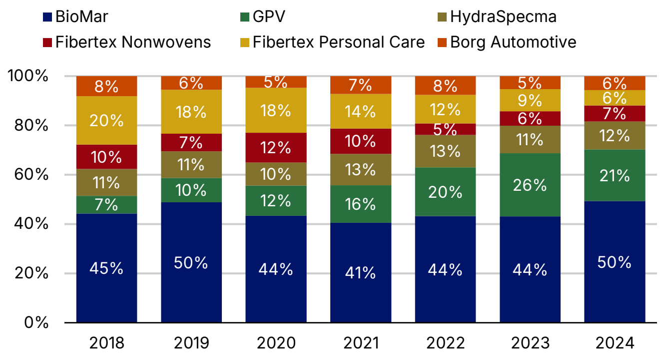
We assign a blended industry risk profile of BBB to the portfolio of six heterogenous companies

Figure 1: BioMar is Schouw's dominant subsidiary, both in terms of revenue...



Sources: Schouw, Scope

Figure 2: ...and EBITDA, followed by GPV

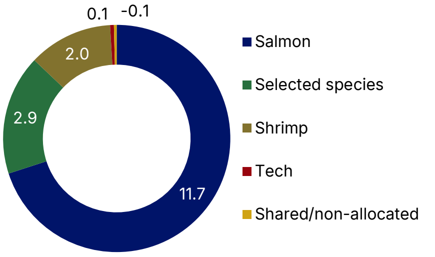


Sources: Schouw, Scope

Schouw's good overall market position is supported by the strong position of its largest subsidiary, BioMar (around 50% of the group's EBITDA in 2024), in the global market for salmon feed. Fish feed varies significantly from species to species, so there are many different submarkets in the global fish feed industry. Around 65% of volumes sold by BioMar (about 0.9m tonnes) consist of fish feed for salmon. The salmon feed market, estimated at around 4m tonnes per year, is essentially a triopoly, with the three largest players accounting for around 90% of the market. BioMar is the third largest global player, with a global market share of around 20%, behind Skretting and EWOS. As fish feed is voluminous, it must be produced regionally/locally to limit transport costs. As a result, the competitive situation varies significantly from market to market. BioMar has a leading market position in the Chilean and UK salmon feed markets. The company's market position is only weakened by its limited exposure to the fast-growing shrimp and prawn feed segment as well as its still-low presence in the large Asian market.

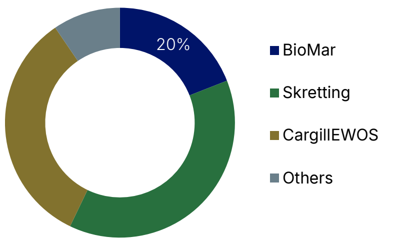
Good overall market position supported by BioMar's standing in the global market for salmon feed

Figure 3: Salmon feed is by far the largest business for BioMar in terms of revenue



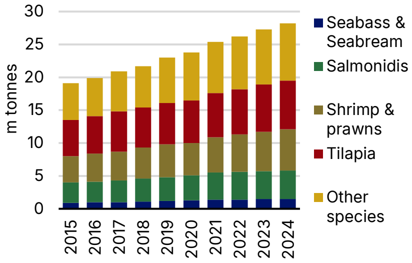
Source: Schouw, Scope

Figure 4: BioMar is the third-largest player in the triopolistic salmon market



Source: Schouw, Scope

Figure 5: Growing aquafeed market



Source: Schouw, Scope

Schouw's overall market position is restrained by the significant EBITDA contribution of companies that are primarily regional players with relatively limited market power. This is also true of GPV, which, despite growth following the Enics acquisition in 2022, remains a small player in the global EMS market, holding less than 1.0% of the market.

Significant EBITDA contribution of companies that are largely regional players is a restraint

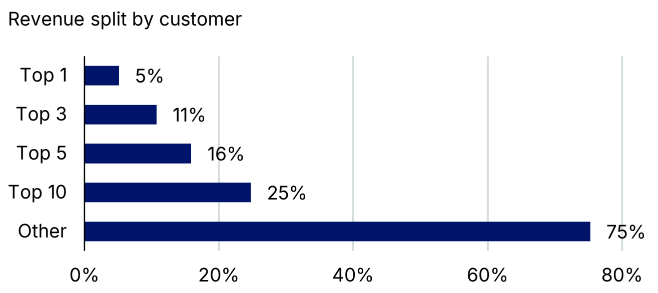
Schouw's good diversification in terms of products and customers is the main support for its business risk profile. The group offers a wide range of products and services through its heterogenous portfolio of six companies. However, its heavy reliance on BioMar and GPV, which together account for around 70% of its consolidated EBITDA, restrains its diversification somewhat. The reliance on BioMar is mitigated by the low cyclicality of the fish feed business. Historically, cycles in the salmon market have been driven by supply and demand rather than GDP. However, risks can arise from biological factors such as algal blooms, the loss of customers and the backward integration of BioMar's customers. Although there is a certain degree of dependence on single customers at the individual company level, no single customer accounts for more than 5% of the group's consolidated revenue.

Good diversification is somewhat restrained by heavy reliance on just two companies

We view Schouw's international presence as moderate due to some concentration within its subsidiaries. BioMar is focussed on Norway, Chile, Ecuador and Scotland (around 75% of its revenue) because salmon are mainly farmed in these countries. Other holdings are more broadly diversified geographically, but with a focus on Europe. At around 5.0% of total revenue (or around DKK 1.8bn), half of which is produced in the US itself, Schouw's US exposure, and thus its exposure to tariff risks, is relatively small.

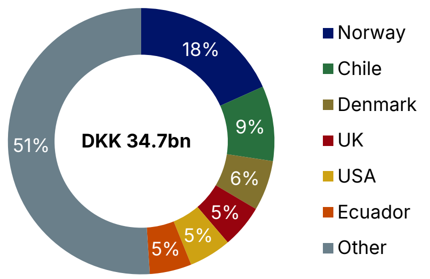
BioMar focuses on four countries, other portfolio companies are more geographically diverse

Figure 6: Relatively diversified customer base



Sources: Schouw, Scope

Figure 7: Broad geographical setup with some concentration within subsidiaries



Sources: Schouw, Scope

Schouw's moderate operating profitability, despite a slight improvement to 8.5% in 2024, up from 7.8% in 2023, still restrains its business risk profile. The group's overall profitability continues to be largely determined by that of BioMar, given its relative size (50% EBITDA share in 2024). However, the importance of GPV to Schouw's overall profitability (20% EBITDA share in 2024) has increased following the acquisition of Enics.

Profitability still only moderate despite recent improvements

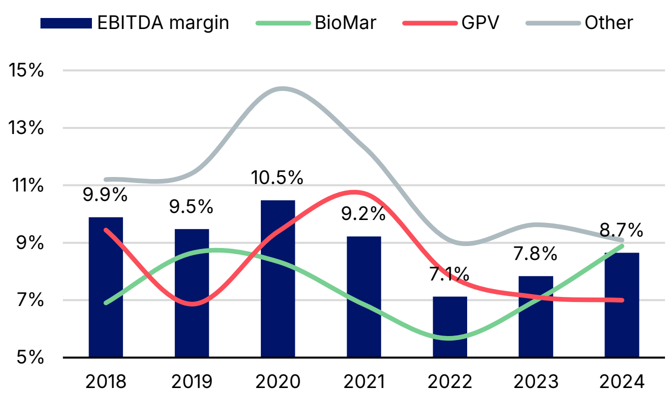
BioMar's commercial excellence programme has improved its profitability and helped to increase Schouw's EBITDA margin since 2022. The programme involves exiting unattractive tenders and contracts, particularly within the salmon division, to enhance the profit-to-volume ratio. While total salmon volumes decreased during the 2023–24 period, EBITDA per tonne nearly doubled between 2022 and 2024. This pushed the EBITDA margin for the salmon business up to 9.4% in 2024, compared to around 5% in 2021–22. BioMar's improved profitability in selected species could also halt margin erosion in other divisions.

BioMar's commercial excellence programme has improved overall profitability since 2022

In recent years, GPV's profitability has been affected by the integration costs of Enics' activities, rising component and material prices, and lower capacity utilisation due to reduced demand. Schouw is still targeting an EBITDA margin of 10% for GPV (currently 7.0%), backed by synergies from consolidating its factories in Slovakia and closing one in Malaysia. Achieving this target will require a significant recovery in volumes, which is not expected until 2027 at the earliest.

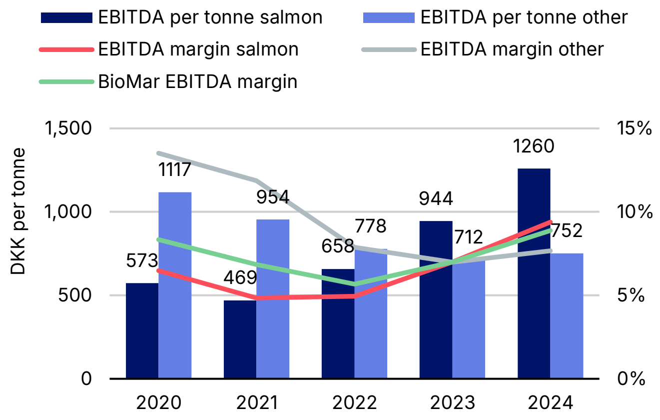
GPV needs volumes to recover in order to achieve target EBITDA margin of 10%

Figure 8: Schouw's overall margin increase in 2023-24 was driven by BioMar's growing profitability.



Sources: Schouw, Scope

Figure 9: Commercial excellence programme drove EBITDA per tonne in salmon and BioMar's margin growth

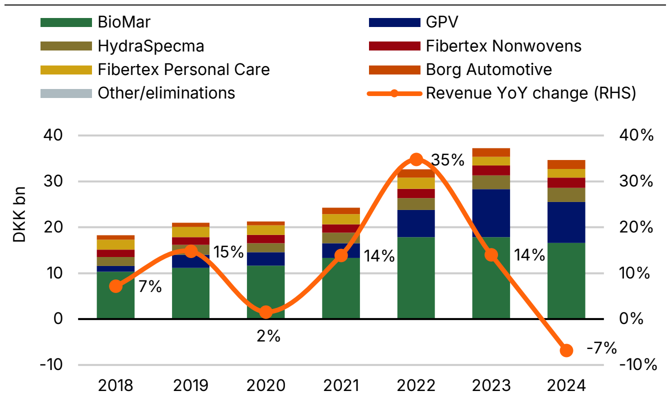


Sources: Schouw, Scope

BioMar and GPV are Schouw's main revenue drivers, making up around 75% of its revenue

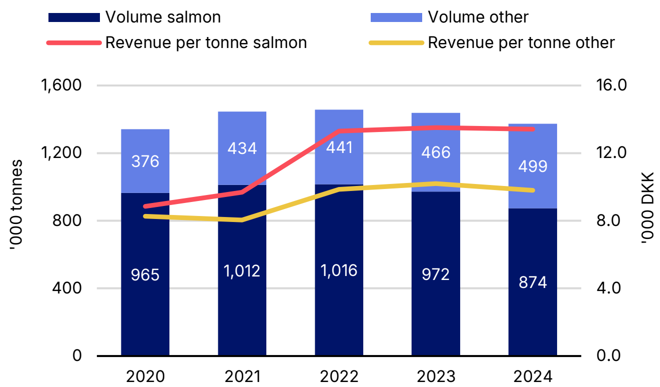
BioMar and GPV have an even greater impact on Schouw's revenue than on its EBITDA, as the two companies account for around 75% of the group's consolidated revenue. Schouw's revenue growth in 2022–23 was driven primarily by high fish feed prices in 2022, which raised revenue per tonne, as well as by GPV's acquisition of Enics in October 2022. In 2024, revenue at BioMar (down 7% YoY) and GPV (down 15% YoY) weighed on Schouw's revenue (down 7% YoY to DKK 34.7bn), while the remaining businesses all reported revenue above or on a par with 2023. BioMar's lower revenue is mostly due to a 5% YoY fall in volumes, with a 10% reduction in salmon and a 7% increase in other areas. The lower salmon volumes basically result from BioMar's commercial priorities. Lower material prices caused a 1% YoY decrease in revenue per tonne sold in the salmon business and a 4% YoY drop in other divisions, further exacerbating the pressure on revenue. GPV's revenue suffered from continued soft demand from customers. This was partially driven by market re-balancing, as inventories were adjusted following the normalisation of the materials supply situation.

Figure 10: Schouw's revenue is largely driven by BioMar and GPV since the Enics acquisition



Sources: Schouw, Scope

Figure 11: Commercial excellence programmes affected salmon volumes in 2024, revenue per tonne remained supportive



Sources: Schouw, Scope

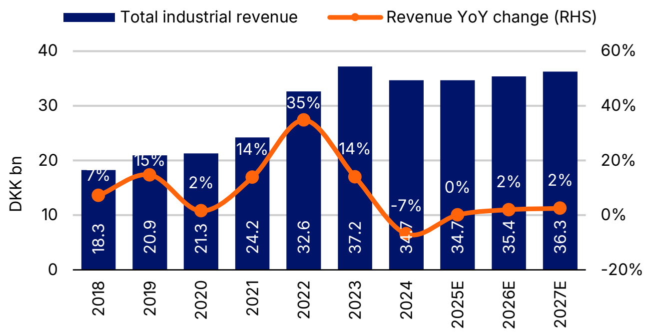
2025 expectation: revenue of DKK 34.7bn and EBITDA of DKK 2.9bn

Higher profitability more than offset the decline in revenue, resulting in a new EBITDA record of DKK 3.0bn in 2024. In view of BioMar's weaker profitability, evidenced by the H1 2025 results, we anticipate a slight decline in Schouw's EBITDA to around DKK 2.9bn in 2025. BioMar's salmon division experienced a significant decline in EBITDA per tonne in H1 2025, down to DKK 910m from DKK 1,282m in H1 2024, which resulted in a decrease in BioMar's EBITDA margin from 8.7% to 7.5%. This was because higher salmon volumes could only be sold at lower prices, as a result of lower material prices and the fact that sales to large customers could only be made at reduced prices. When comparing year-on-year figures, BioMar's EBITDA for H1 2024 was impacted by positive effects of a special nature of approximately DKK 65m. Our EBITDA expectation reflects fairly stable revenue of around DKK 34.7bn (down 0.7% YoY in H1 2025), with the anticipated increase in revenue at BioMar and HydraSpecma offset by decreases in other businesses. BioMar's revenue growth (up 1.9% YoY in H1 2025) is expected to be driven by higher volumes in both the salmon and other divisions, offsetting the lower prices of several raw materials used in salmon feed. HydraSpecma is poised to capitalise on an anticipated rise in demand from the Renewables Division, as well as from customers in the marine and defence sectors. GPV continues to experience challenges due to subdued customer demand. Given Schouw's relatively small exposure to the US market (around 5.0% of revenue, with a high local production share), we anticipate a minor direct impact from US tariffs.

2026 expectation: revenue of DKK 35.4bn and EBITDA of DKK 3.0bn

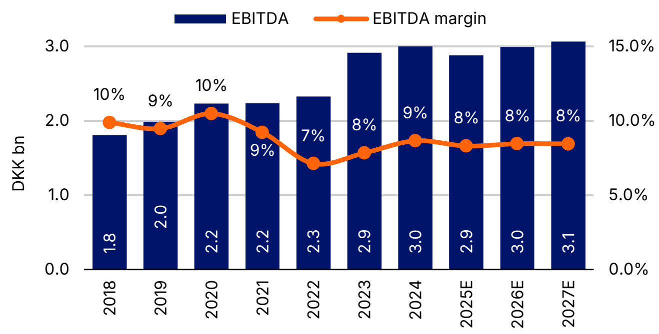
For 2026, we expect EBITDA of around DKK 3.0bn, driven by the higher projected revenue, up to DKK 35.4bn, and a slightly higher EBITDA margin. For 2026, the slight projected increase in revenue to around DKK 35.4bn (up 2.0% YoY), is mainly based on our assumption that BioMar's revenue will rise and that GPV revenue will stabilise in 2025. There is a risk that BioMar could lose some of its volume with Nova Sea, which has recently been acquired by Mowi. We consider the loss of this customer to be manageable, given that it accounts for less than 4% of BioMar's revenue.

Figure 12: Revenue fairly stable in 2025, followed by slight projected increases in 2026-27



Sources: Schouw, Scope (estimates)

Figure 13: Expected slight increase in EBITDA, driven by revenue, after a small dip in 2025



Sources: Schouw, Scope (estimates)

8. Financial risk profile: BBB+

Schouw's financial risk profile reflects a combination of strong leverage and debt protection, together with moderate cash flow cover, weighed down by volatile free operating cash flow (FOCF). It also reflects Schouw's growth strategy, with a focus on debt-financed M&A, mitigated by relatively disciplined capital allocation with an internal leverage cap of 2.5x as well as proven balance sheet recovery post M&A.

Improved balance sheet in 2024 thanks to no M&A activity and strong FOCF

. In 2024, Schouw was well on track to improve its balance sheet following the 2022 acquisition of Enics, accompanied by weak FOCF in 2022-23. Debt decreased to DKK 5.6bn at YE 2024, down from a peak EUR 6.6bn at YE 2023. This was thanks to no M&A activity and strong FOCF, partly offset by dividend payments (DKK 408m) and share buybacks (around DKK 245m). The debt/EBITDA ratio improved to 1.9x in 2024, down from 2.3x in 2023

We project a further improvement in leverage in 2025

A potential BioMar listing is not expected until the first half of 2026 and, based on our discussions with Schouw, substantial M&A is unlikely for the rest of 2025. We therefore anticipate a strong debt/EBITDA ratio of around 1.5x in 2025, supported by projected FOCF.

We would view an improvement in Schouw's leverage following an IPO as temporary

Schouw expects a potential listing of BioMar to take place in H1 2026 at the earliest, subject to market conditions and further analysis. Bloomberg recently reported that BioMar's valuation could be about USD 2bn (around DKK 13bn) in an IPO. Based on this figure, the IPO could bring in up to DKK 6.4bn for Schouw and have a significant positive impact on leverage. That said, we believe this positive effect would be temporary. Firstly, we understand that Schouw will not adjust its financial policy, particularly with regard to the leverage cap of up to 2.5x. Secondly, acquisitions are an integral part of Schouw's growth strategy. We would therefore expect the company to largely spend the IPO proceeds on bolt-on acquisitions for its existing businesses or to expand its portfolio. Even without IPO proceeds, Schouw has sufficient leeway to carry out acquisitions, with a reported leverage ratio of 1.8x at the end of 2024 (based on Schouw's calculations) and further improvement expected in 2025-26. Currently, we have only factored in the exercise of the buy option to acquire the remaining 20% stake in GPV from Ahlström Capital B.V. (valued at around DKK 480m at the end of 2024), which we expect for 2027. Negotiations on the takeover of Mowi's feed business are currently on hold, according to Schouw.

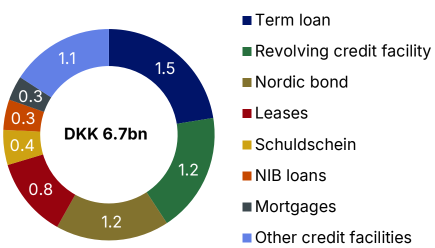
IPO would lead to adjustment of consolidated cash for BioMar's minority stake

Schouw currently has full access to consolidated cash, which is considered in full in our credit metrics. A potential IPO would lead us to adjust consolidated cash for BioMar's minority stake, which we would then consider 'trapped' due to economic and legal issues.

We see debt/EBITDA ratio of 1.5x to 2.0x as historical average for Schouw

While leverage fluctuates – decreasing in periods without M&A activity (as seen in 2024 and reflected in our numbers) and increasing due to M&A activity – our leverage assessment is based on a debt/EBITDA ratio of between 1.5x and 2.0x, which we consider to be the historical average for Schouw.

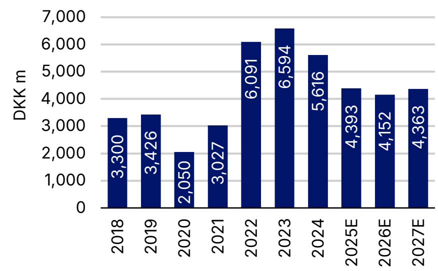
Figure 14: Debt structure at end-June 2025



Source: Schouw, Scope

Figure 15: Recovery of Scope-adjusted debt after peaking in 2023[4]

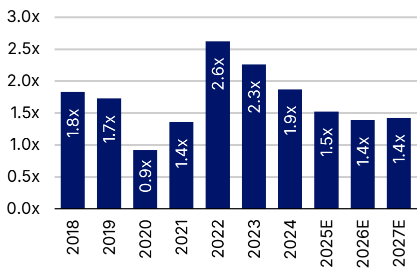
Scope-adjusted debt



Source: Schouw, Scope (estimates)

Figure 16: Debt/EBITDA around 1.5x in 2025-26

Debt/EBITDA



Source: Schouw, Scope (estimates)

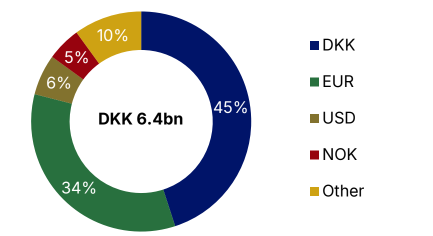
Good interest cover of 6x-7x in 2023-24

The interest coverage ratio has remained good but deteriorated slightly to 6.4x in 2024 from 6.9x in 2023. This reflected higher interests in 2024 due to negative forex effects. Around 55% of Schouw's consolidated interest-bearing debt is in currencies other than DKK. In addition, around 86% of Schouw's consolidated interest-bearing debt was variable rate at YE 2024 (all of Schouw's debt is at a floating rate, except for the leases and part of the 2019 Schuldschein). Schouw does not use interest rate hedging.

Expected strong interest cover at well over 7x in 2025-26

Given the current level of interest rates and the expected reduction in debt, we anticipate lower interests in 2025-26 than in 2024, and project strong interest cover of well over 7x in these years.

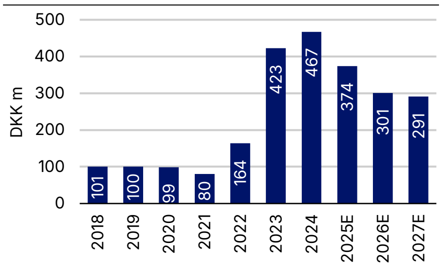
Figure 17: Around 55% of Schouw's debt is in currencies other than DKK



Source: Schouw, Scope

Figure 18: Scope-adjusted interest is projected to fall from its peak and…

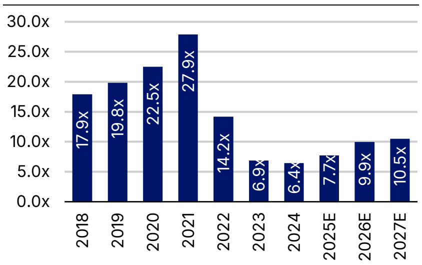
Interest



Source: Schouw, Scope (estimates)

Figure 19: …lead to improved interest cover in our base case

EBITDA/interest



Source: Schouw, Scope (estimates)

[4] The numbers do not include potential proceeds from the IPO of BioMar or any M&A-related cash outflows other than those assumed

Funds from operations remained positive throughout the period from 2018 to 2024, reaching DKK 2.1bn in 2024 (compared to DKK 2.2bn in 2023). Unlike funds from operations, Schouw's FOCF has proven to be quite volatile. There have been negative results in some years, mainly due to fluctuations in net working capital (NWC), particularly at BioMar and GPV, which constitute the bulk of Schouw's NWC. In 2024, FOCF increased significantly to DKK 1.6bn, up from DKK 0.7bn in 2023, thanks to an overall reduction in NWC, primarily due to the progress made by BioMar. This substantially increased Schouw's generally volatile cash flow coverage, which reached a strong 29% in 2024 (up from 10% in 2023).

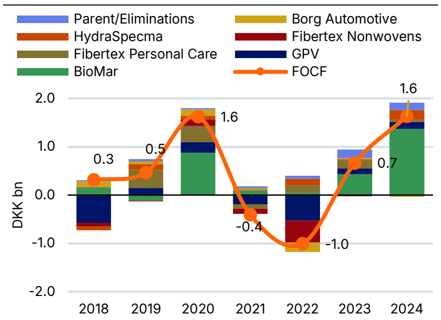
Volatile cash flow cover improved in 2024 along with FOCF

BioMar's reduced NWC was due to: i) lower inventories YoY from a structural decrease in stock levels coupled with the positive impact of lower raw material prices; and ii) increased trade payables. Schouw has indicated that both BioMar and GPV came under pressure from large customers regarding financing terms: the percentage of trade receivables to total revenue increased to 18.5% in 2024 from 15.8% in 2023. To offset the growing pressure for extended credit terms from customers, Schouw extended credit terms with raw materials suppliers and increased its supply chain financing facilities (DKK 939m at YE 2024 vs. DKK 764m at YE 2023).

In 2024, capex decreased YoY to DKK 692m, down from DKK 867m in 2023. This was due to lower investments across the subsidiaries and had a positive impact on FOCF. We expect capex to remain moderate in 2025, as indicated by the H1 2025 results, before increasing gradually in 2026.

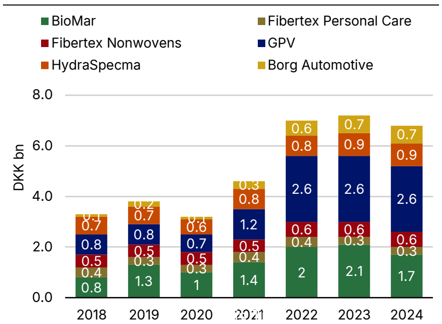
Capex fell further from its 2022 peak, with a higher level expected in 2026

Figure 20: BioMar has been the main driver of Schouw's overall FOCF



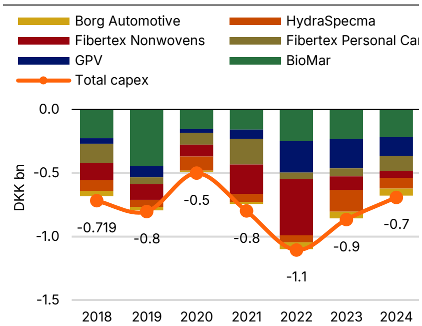
Source: Schouw, Scope

Figure 21: BioMar and GPV constitute the bulk of Schouw's NWC



Source: Schouw, Scope

Figure 22: Lower capex after investments in Fibertex Nonwovens

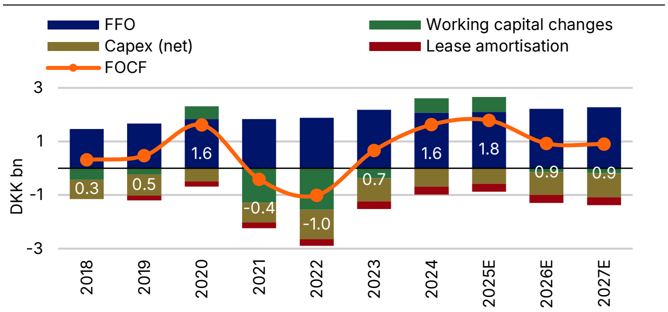


Source: Schouw, Scope

We see FOCF increasing to around DKK 1.8bn in 2025 from DKK 1.6bn in 2024. This is based on the YoY growth in reported free cash flow in H1 2025, largely due to a lower NWC impact, in particular at GPV (which was responsible for around 60% of Schouw's total reported H1 2025 free cash flow). Reduced interest, taxes and capex also had a positive impact. In 2026, we have factored in a decrease in FOCF to around DKK 0.9bn, mainly due to expected increases in NWC and capex in line with the expected upturn in operations. Despite the anticipated improvement in 2025–26, we continue to assess cash flow cover as moderate, given its historical volatility and the fact that likely M&A activity has not been reflected in this figure.

Positive FOCF and moderate overall cash flow cover expected in 2025-26

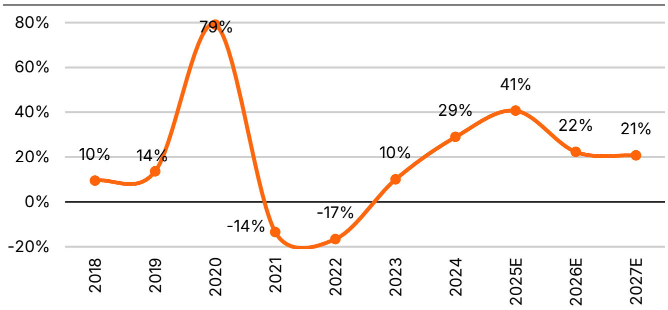
Figure 23: Our base case anticipates positive FOCF, provided there are no significant fluctuations in NWC



Sources: Schouw, Scope (estimates)

Figure 24: Cash flow cover remains volatile in our forecast

FOCF/debt



Sources: Schouw, Scope (estimates)

Adequate liquidity

We consider Schouw's liquidity profile to be adequate. Available liquidity sources, in particular cash on the balance sheet, undrawn credit lines under the syndicated bank facility and projected FOCF, cover upcoming cash uses in the next 12-18 months by well over 150%.

We have quantified liquidity risk by considering BioMar's use of reverse factoring of DKK 939m at YE 2024 (2023: DKK 764m), which is recognised in the balance sheet under trade payables.

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

	2025E	2026E	2027E
Unrestricted cash (t-1)	866	2,189	2,258
Open committed credit lines (t-1)	2,052	2,052	2,052
FOCF (t)	1,786	926	903
Short-term debt (t-1)	2,484	2,258	1,345
Liquidity	**~200%**	**>200%**	**>200%**

Sources: Schouw, Scope (estimates)

Cash sources

Principal cash sources comprised:

- DKK 1.1bn of cash on the balance sheet at end-June 2025. Of this cash, around DKK 25m is trapped in Russia. The holding company has full access to consolidated cash.
- Schouw has a syndicated bank facility with a total facility line of DKK 3.3bn, of which DKK 2.1bn were still available at end-June 2025. DKK 40m of this facility are not accessible due to guarantee commitments in Australia. The facility expires in April 2026, with the option to extend to April 2027 at Schouw's discretion.
- Expected FOCF of around DKK 1.8bn in 2025 and around DKK 0.9bn in 2026.

Cash uses

We expect the following cash uses:

- In H1 2025, Schouw repaid DKK 1.5bn of Schuldschein debt by establishing DKK 1.5bn in term loans. We expect Schouw to repay approx. DKK 45m of the Nordic Investment Bank loan in H2 2025. A Schuldschein tranche of EUR 11m (DKK 82m) and Nordic Investment Bank loan of DKK 90m mature in 2026. A syndicated bank facility with a total facility line of DKK 3,275m, of which DKK 1.2bn were drawn at end-June 2025, expires in April 2026, with the option to extend to April 2027 at Schouw's discretion. Schouw is in negotiations with banks and the structure will also depend on BioMar's IPO.

Full covenant compliance expected going forward

There are two covenants in place. The first requires Schouw to have net debt/EBITDA of below 3.25x (+0.5x M&A step-up) and the second to maintain an equity ratio of at least 30% on a consolidated basis. Both covenants apply to all debt instruments and are reviewed quarterly. In 2024, Schouw complied with its covenants with ample headroom, which we believe will continue to be the case. We understand that the covenant requiring net debt/EBITDA to be below 3.25x (+0.5x M&A step-up) might be adjusted to provide better terms after the IPO.

9. Supplementary rating drivers: +/- 0 notches

Neutral view on capital allocation

Supplementary rating drivers are credit-neutral. We assess peer context and governance as neutral. We also have a neutral view of Schouw's capital allocation, supported by its commitment to net debt/EBITDA of less than 2.5x (Schouw's calculation). The key elements of Schouw's financial policy are as follows:

- The group aims to have net debt/EBITDA in the 1.0x to 2.5x range (Schouw's calculation). Immediately after a (major) acquisition, however, gearing may exceed 2.5x. At YE 2024 net debt/EBITDA stood at 1.8x, down from 2.2x at YE 2023.
- Schouw aims to pay stable or growing dividends, always with due consideration for the group's earnings and any potential major investments or acquisitions. In recent years, the payout ratio has been 35%-40%.
- In recent years, Schouw has pursued a more shareholder-friendly capital allocation policy, launching a second consecutive share buyback programme of up to DKK 120m in May 2025 to be executed by YE 2025. We see this as a pure reflection of the group's liquidity situation and

cash flow, which we understand to be the main determinants of share buybacks. We also note that programmes are usually small, primarily due to the relatively low free float. Our base case foresees further limited share repurchases.

- Acquiring new businesses is an intrinsic part of Schouw's growth strategy, with a focus on bolt-on acquisitions for existing businesses. The group may also expand its portfolio by an acquisition in the future.

10. Debt ratings

There are currently cross-guarantees between Schouw and its six subsidiaries

The group's debt is currently managed centrally apart from leasing debt and other credit lines. Subsidiaries are mostly financed at holding company level by way of a structure of intra-group loans through cash pools. There are cross-guarantees (Schouw and six companies) for centrally managed debt.

Schouw's senior unsecured debt at end-June 2025 comprises:

- A syndicated bank facility with a total facility line of DKK 3,275m. DKK 1.2bn were drawn under this facility at end-June 2025. The facility is set to mature in April 2026, with an option to extend until April 2027 at Schouw's discretion.
- Schuldschein debt amounting to EUR 48m (DKK 358m), with maturities in 2026 (EUR 11m), 2028 (EUR 32m) and 2030 (EUR 5m).
- In June 2024, Schouw issued a new bond for NOK 1.3bn (DKK 850m) in the Norwegian market. In September 2024, the bond issue was increased by a tap issue of an additional NOK 500m, bringing the total amount to NOK 1.8bn (DKK 1.2bn). The bond has a maturity of five years and has a floating rate (3m NIBOR + 1.45%). This bond is cross-guaranteed (Schouw and six other companies).
- Term loans of DKK 1.5bn maturing in April 2027.
- DKK 311m seven-year loan with the Nordic Investment Bank maturing in December 2028.
- DKK 1.1bn of money market loans and other credit facilities.

Senior unsecured debt rating: BBB

We affirm Schouw's rating for senior unsecured debt at BBB, in line with the issuer rating.

Short-term debt rating: S-2

We have also affirmed the S-2 short-term debt rating, based on adequate liquidity and the BBB/Stable issuer rating. We consider Schouw's standing, particularly in the Nordic capital market, to be adequate given its long-term presence on the capital market. We also view Schouw's banking relationships as adequate. The group mainly raises funds from four major banks, Danske Bank, DNB, Nordea, and HSBC.

BioMar likely to establish its own financing without any guarantees from Schouw

Following a potential IPO, we expect BioMar to establish its own financing without any guarantees from Schouw for debt issued by BioMar. In this case, all debt category ratings would refer only to debt issued by Schouw.

Scope Ratings GmbH

Lennéstraße 5, D-10785 Berlin
Phone: +49 30 27891-0
Fax: +49 30 27891-100
info@scoperatings.com

Scope Ratings UK Limited

52 Grosvenor Gardens
London SW1W 0AU
Phone: +44 20 7824 5180
info@scoperatings.com

in
Bloomberg: RESP SCOP
Scope contacts
scoperatings.com

Disclaimer