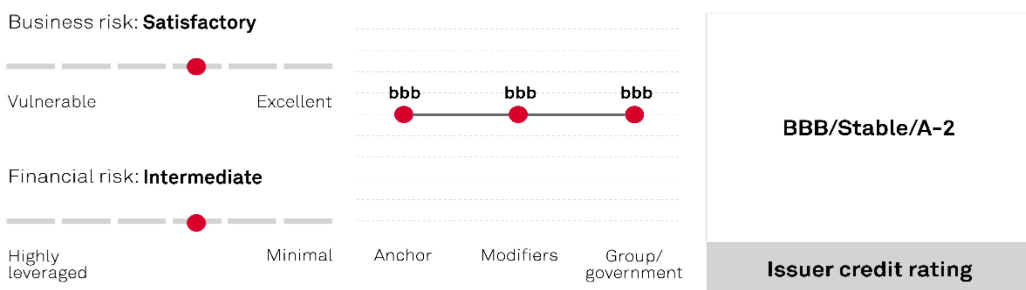
S&P Global Ratings

RatingsDirect®

Yara International ASA

December 5, 2023

Ratings Score Snapshot



Primary contact

Nikolaos Boumpoulis, CFA
London
44-20-7176-0771
nikolaos.boumpoulis@spglobal.com

Secondary contact

Paulina Grabowiec
London
44-20-7176-7051
paulina.grabowiec@spglobal.com

Credit Highlights

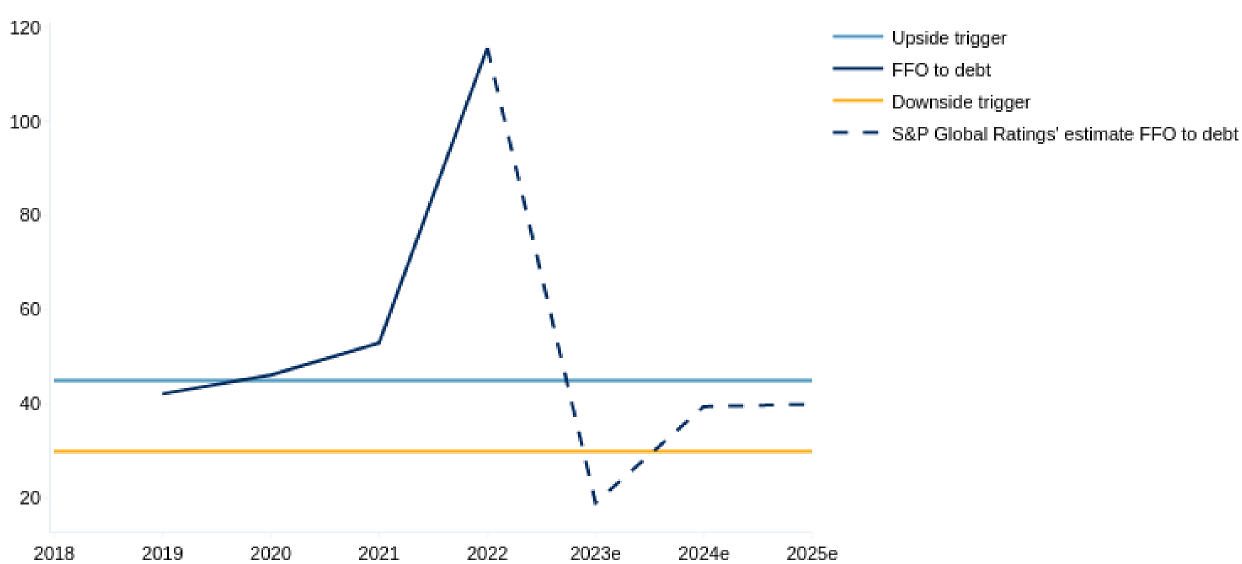
Overview

Key strengths	Key risks
World's largest distributor of fertilizer by volume, with good geographic diversity.	Profits anchored in the highly cyclical nitrogen fertilizer industry.
Joint ventures in areas where cost of gas is low, along with large, efficient production facilities.	The majority of its ammonia production (about 56% of global capacity) is in Europe, which exposes Yara to currently high and volatile gas prices.
Strong credit metrics, with funds from operations (FFO) to debt of 115% at year-end 2022, underpinned by high fertilizer prices.	Cash flow swings, reflecting cyclicality of the fertilizer industry.
Financial policy commitment to maintaining a 'BBB' rating.	Capital intensity and long lead time to add or expand capacity.

S&P Global Ratings expects Yara's credit metrics to normalize following an exceptional 2022. We forecast adjusted FFO to debt will decline to roughly 19% in 2023 from 115% in 2022, before improving to a rating-commensurate 40% in 2024. This is because the decline in fertilizer prices is more than offsetting lower energy costs. At the same time, we expect crop nutrition deliveries will remain broadly stable despite an increase in application rates and the fact that affordability for farmers has improved from the low 2022 levels. This is because we expect buyers will continue to display cautious behavior in an environment of declining fertilizer prices and--in certain regions--will build into their purchasing decisions the risk of drought from El Nino. As a result, fertilizer buying may be delayed closer to the application season, taking some purchases from 2023 into 2024. Our forecast FFO (which we define as adjusted EBITDA minus cash interest and cash taxes) also factors in the negative impact from a high cash tax outflow, which we estimate at about $0.5 billion in 2023, reflecting high profitability in 2022 and high tax prepayments in 2023, in the absence of which FFO to debt would be above 30%. In addition, in 2023 Yara's EBITDA is affected by a write-down of inventories and other position effects, following lower fertilizer prices, which we do not expect to have the same impact from 2024, given our expectation of broadly stable nitrogen fertilizer prices.

At the same time, we forecast that strong working capital inflow of about $1.4 billion in 2023 will support cash generation, notwithstanding our expectation that capex will normalize at about $1.3 billion. This is because lower feedstock costs reduce the cost of inventory and improving affordability for farmers could lead to less capital tied into accounts receivable. Accordingly, we forecast free operating cash flow (FOCF) will decline because of much lower EBITDA, but FOCF will remain solid at about $800 million in 2023.

Yara International ASA FFO to debt outlook



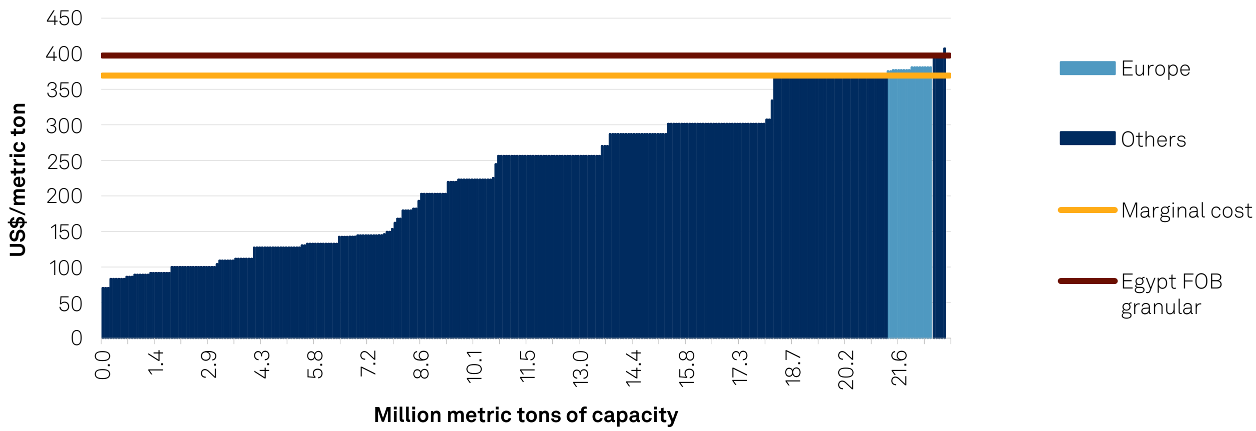
FFO--Funds from operations. e--Estimate. Source: S&P Global Ratings

In our view, Yara's financial policy commitment to the current rating will support its credit quality. While the company’s leverage will weaken below 30% in 2023, we anticipate Yara will continue to deliver shareholder returns in line with its policy of distributing 50% of the prior year's net income as dividends. While this has led to elevated distributions of about $3.9 billion in 2021-2023, we expect that Yara will not pay any meaningful dividends in 2024, which along with our expectation of improved profitability, underpins the improvement in credit metrics.

We anticipate nitrogen fertilizer prices will stabilize at current levels. Nitrogen fertilizer prices reached record highs in 2022, driven by high feedstock costs and supply constraints. Since then, prices have declined as--despite initial concerns--Russian exports were not disrupted but rather rerouted to countries such as Brazil and India, and capacity additions counterbalanced the curtailments or permanent closures in European production. Nevertheless, we don't expect the decline to continue. European producers remain the marginal (high-cost) producers since gas costs increased sharply in 2022, reaching a record-high US$69/million Btu (mmBtu) in August 2022, moving the European industry at the top of the cost curve. While gas costs have since decreased, we forecast that costs in Europe will in remain high at US$14/mmBtu in 2023 and 2024, for the Dutch Title Transfer Facility (TTF) benchmark. This means that European producers will continue to be the swing suppliers and influence the international price levels. Based on our TTF gas price assumptions, we estimate if urea prices were to decline to below $370, production would become uneconomic for European producers, especially for the less efficient operators. At the same time, a large amount of new capacity addition is largely behind us. Specifically, in the 2021-2023 period, excluding mainland China, S&P Commodity Insights estimates that urea capacity increased by approximately 14.2 million metric tons. Going forward, lower fertilizer prices and the high-interest-rate environment weaken the investment case to fund new projects, with limited new capacity being under construction and expected to come online between 2025 and 2030. In addition, following a temporary relaxation in third-quarter 2023, the Chinese government has decided to restrict fertilizer exports again in September 2023 by extending the duration of legal inspection, to ensure domestic availability and affordability of fertilizers. Against this backdrop of tightening supply, demand for nitrogen fertilizers is relatively inelastic. According to S&P Global Commodity Insights, apparent demand for potash declined by 13% in 2022 versus 2021, compared with 8% for phosphate and 2% for nitrogen.

To summarize, with limited capacity additions anticipated beyond 2024, reduced levels of Chinese exports, stable demand, and persistent high feedstock costs for the marginal European producers, we believe that nitrogen fertilizer prices will remain broadly stable at their current levels in 2024 and 2025.

Urea Cost Curve



FOB--Free on board. Source: S&P Global Commodity Insights.

We believe that Yara will pursue opportunities to optimize its production footprint. During the year, Yara announced plans to evaluate the feasibility of two blue ammonia projects in the U.S. Gulf Coast region, with BASF and Enbridge. The investment decision for either of these projects has not been reached and the funding remains unclear at this stage. Therefore, we do not currently factor any benefits from these projects into our assessment of Yara's business risk or our financial forecasts.

That said, we expect that Yara will continue to evaluate the optimization of its production footprint. European production facilities are at a structural cost disadvantage compared with peers operating in North America and the Middle East, due to the wide gas cost differential. At the same time, the Inflation Reduction Act in the U.S. offers incentives to invest in low-carbon projects, as the full cost of production can be well below the European cash cost, even at reduced natural gas prices and before factoring in the cost impact from the implementation of the Carbon Border Adjustment Mechanism (CBAM) in Europe from 2026. Moreover, Yara's midstream capabilities, including its fleet of 14 ships along with the terminal and storage infrastructure in most of its European plants, allows the company to source ammonia in a flexible manner from other Yara plants (including potential new blue ammonia plants in the U.S.) and from global trade (when it is more economic than producing it in its European plants). In our view, increased ammonia capacity in low-cost regions could further limit the effect of high gas prices in Europe on downstream fertilizer production and reduce the volatility in earnings.

Outlook

The stable outlook reflects our view that Yara will maintain adjusted FFO to debt of 30%-45% through the cycle, which we view as commensurate with the rating. While we expect that FFO to debt will temporarily decline to about 19% in 2023, partly due to the negative impact from a high cash tax outflow that we estimate at about $0.5 billion, we forecast that adjusted leverage will swiftly recover to a rating-commensurate 40% in 2024. This is based on our assumption that in 2023, Yara's adjusted EBITDA will amount to about $1.5 billion--reflecting reduced prices and lower crop nutrition deliveries that more than offset the lower feedstock costs--before improving to about $2.0 billion in 2024.

Downside scenario

We could lower the rating if Yara's adjusted FFO-to-debt ratio declined below 30%without near-term prospects of recovery. This could occur, in our view, if Yara's margins declined as a result of sustained pressure from European natural gas prices in conjunction with weaker nitrogen pricing, or if the company increased its capex, acquisitions, or shareholder distributions.

Upside scenario

Over time, upside potential could emerge and would depend on Yara being able to maintain adjusted FFO to debt of more than 45% through the cycle, and having a financial policy and growth strategy that would support a higher rating.

Our Base-Case Scenario

Assumptions

- EBITDA of about $1.5 billion in 2023, reflecting the declining fertilizer prices more than offsetting lower energy costs. In 2024, we assume adjusted EBITDA of about $2.0 billion, factoring in our assumption of broadly stable urea prices and sustained high prices of natural gas.
- Capex of $1.3 billion each year, of which about $900 million is maintenance capex.
- A material working capital inflow in 2023 amounting to $1.4 billion, followed by a $0.3 billion outflow in 2024.
- Total shareholder distributions of about $1.3 billion in 2023. We assume no meaningful dividends in 2024, in line with Yara's policy to distribute 50% of the previous year's net income.
- No acquisitions or disposals, beyond what has already been announced or completed.

Key metrics

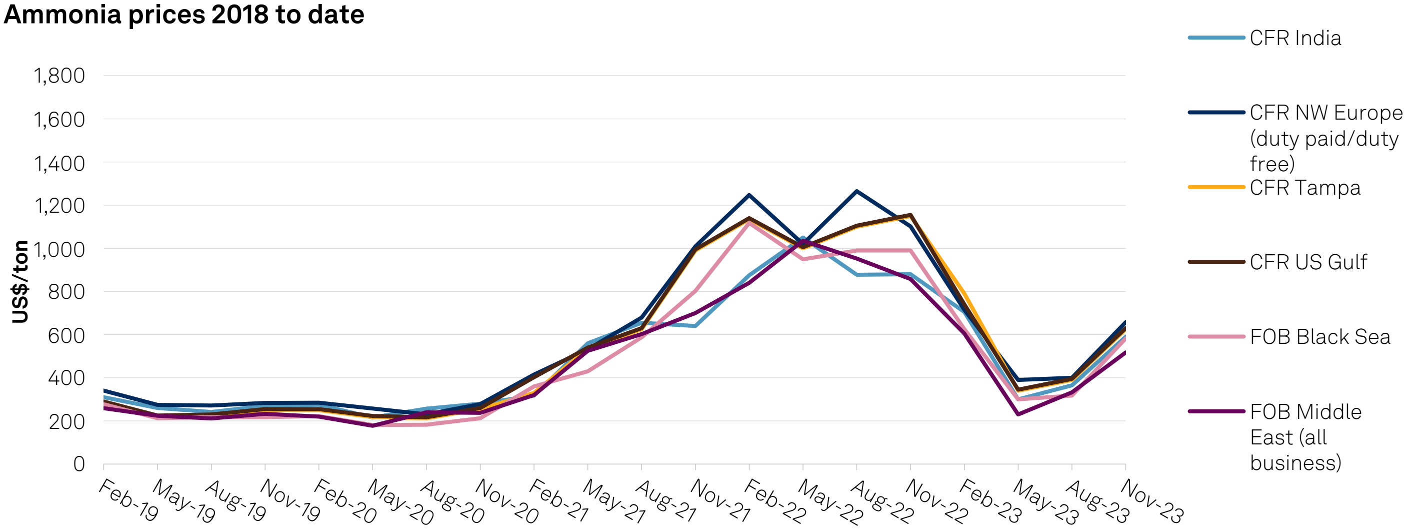
Yara International ASA--Forecast summary

Period ending	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025
(Mil. $)	2021a	2022a	2023e	2024f	2025f
Revenue	16,631	23,931	15,000-15,500	16,500-17,000	17,000-17,500
EBITDA	2,744	4,716	~1,500	1,900-2,000	2,000-2,200
Capital expenditure (capex)	850	956	~1,300	~1,300	~1,300
Free operating cash flow (FOCF)	548	1,433	~800	(100)-(50)	0-50
Debt	4,206	3,334	3,800-3,900	3,900-4,000	4,100-4,300
Adjusted ratios					
Debt/EBITDA (x)	1.5	0.7	2.5-2.7	~2.0	~2.0
FFO/debt (%)	53.0	115.6	18.0-20.0	39.0-40.0	~40.0
EBITDA margin (%)	16.5	19.7	~10.0	11.5-12.0	12.0-12.5

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. $--U.S. dollar.

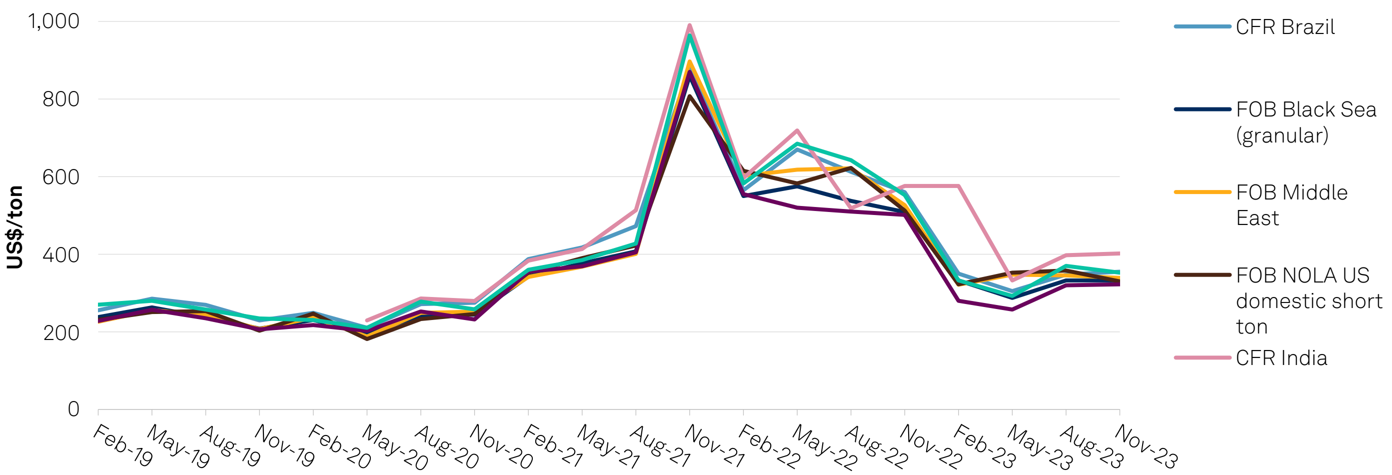
We forecast broadly stable nitrogen fertilizer prices. With limited capacity additions anticipated beyond 2024, reduced levels of Chinese exports and broadly stable demand, we expect that high feedstock costs for the marginal European producers underpin nitrogen fertilizer prices roughly at the current levels. In our base case, we assume urea (FOB Egypt) prices of $390-$410 per metric ton (/mt) in 2023-2025 from $750-$780/mt in 2022, and ammonia (CFR Northwest Europe) prices to decline to $500-$550/mt from $1,200-$1,300/mt in 2022, before improving in 2024.

Ammonia prices 2018 to date



Source: S&P Global Commodity Insights. CFR--Cost and freight. FOB--Free on board.

Urea prices 2018 to date



Source: S&P Global Commodity Insights. CFR--Cost and freight. FOB--Free on board.

We assume a sustained, high natural gas price in 2023. We expect that TTF natural gas will be $14 /mmBtu for the remainder of 2023 and $14/mmBtu on average in 2024, before decreasing to $12/mmBtu in 2025.

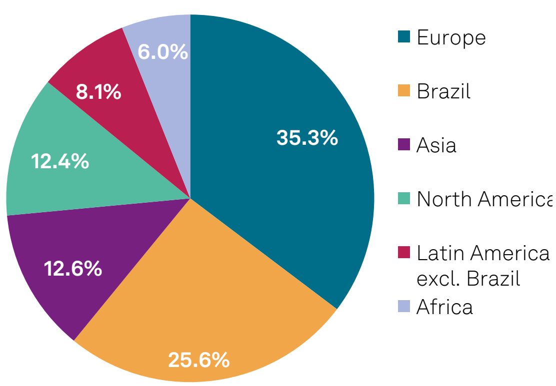
We forecast that Yara will report adjusted EBITDA of about $1.5 billion in 2023 and about $2.0 billion in 2024. In 2023, we anticipate a dilution in the EBITDA margin to about 10.0% from 19.7%

in 2022 due to sustained high natural gas cost and softening nitrogen fertilizer prices. Our EBITDA forecasts primarily factor in nitrogen fertilizer prices remaining at roughly the current levels underpinned by several factors, including still-high input costs for the swing European producers and export restrictions. In 2023, under our base-case scenario we forecast that cash inflows--due to the release of working capital of approximately $1.4 billion--will more than offset the $1.3 billion of capex, resulting in FOCF of about $800 million.

Company Description

Yara is the world's largest nitrogen fertilizer producer and fertilizer distributor. The group's network includes more than 200 terminals, warehouses, and blending plants in more than 60 countries across the globe. Yara distributes and markets standard and differentiated fertilizers from its wholly and partly owned (through joint ventures) production plants, as well as from third parties. Yara is also a major supplier of nitrogen chemicals for industrial markets.

Yara International ASA revenue by region



Source: Yara Annual Report 2022; S&P Global Ratings.

Norway, through the Ministry of Trade, Industry, and Fisheries, is Yara's largest shareholder, with a 36.2% stake as of Dec. 31, 2022, and the Norwegian Government Pension Fund accounts for a further 6.56%. We view Yara's shareholder structure as stable and anticipate no major changes at present. Yara's market capitalization was about Norwegian krone (NOK) 95.03 billion (about $8.81 billion) on Nov. 20, 2023, down from about NOK109.7 billion on Dec. 31, 2022.

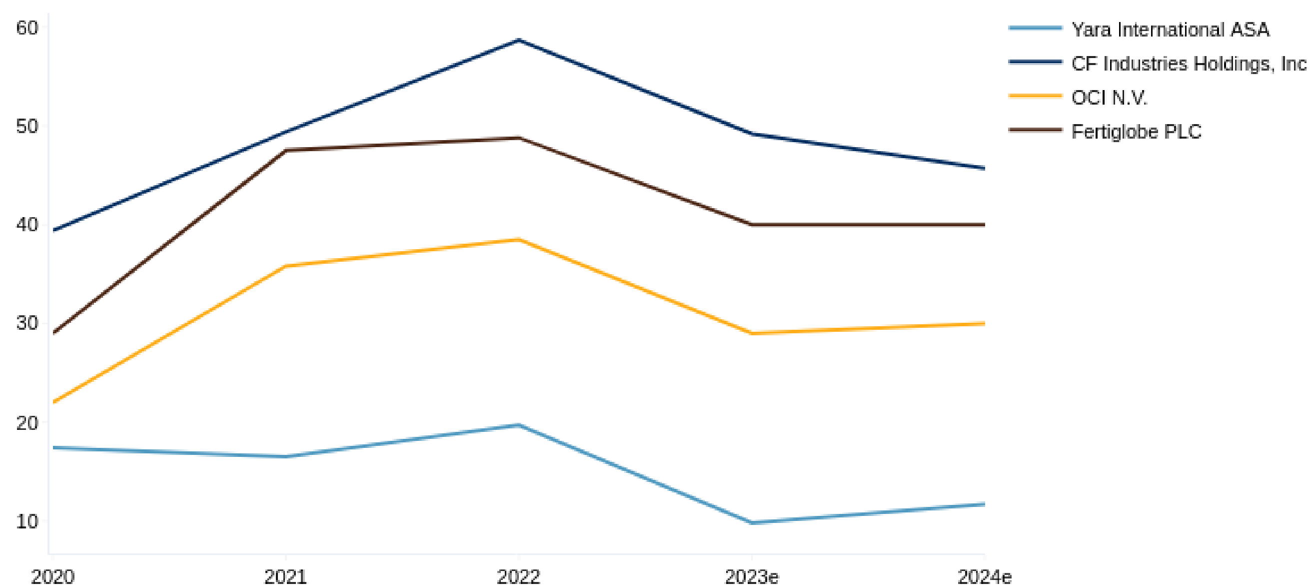
Peer Comparison

We compare Yara with companies that operate in the fertilizer business, such as U.S.-based nitrogen producer CF Industries; Netherlands-headquartered producer of nitrogen-based fertilizers, methanol, and other commodity products OCI N.V.; and UAE-based nitrogen fertilizer producer Fertiglobe PLC.

The structural cost disadvantage of Europe-based nitrogen producers versus those in North America or the Middle East is clearly visible in the profitability gap within the peer group. Yara's EBITDA margins, even when accounting for third-party product activities, are lower than peers', notably CF Industries and Fertiglobe that benefit from access to cost advantaged feedstock in the U.S. and the Middle East, respectively. Similarly, OCI's margins are supported by its access to low-cost natural gas feedstock in the U.S. and a very competitive long-term gas supply in North Africa.

One of Yara's key strategic priorities is to close the profitability gap by promoting sustainable solutions through the increased sales of premium products such as nitrogen, phosphorus, and potassium, differentiated nitrates, calcium nitrates, fertigation products and Yara Vita, which represented about 50% of Yara's total fertilizer sales in 2022.

Yara International ASA--Adjusted EBITDA margin peer comparison (%)



e--Estimate. Source: S&P Global Ratings

Yara International ASA--Peer Comparisons

	Yara International ASA	CF Industries Holdings Inc.	OCI N.V.	Fertiglobe PLC
Foreign currency issuer credit rating	BBB/Stable/A-2	BBB/Stable/--	BBB-/Stable/--	BBB-/Stable/--
Local currency issuer credit rating	BBB/Stable/A-2	BBB/Stable/--	BBB-/Stable/--	BBB-/Stable/--
Period	Annual	Annual	Annual	Annual
Period ending	2022-12-31	2022-12-31	2022-12-31	2022-12-31
Mil.	$	$	$	$
Revenue	23,931	11,186	7,199	5,028
EBITDA	4,716	6,565	2,773	2,452
Funds from operations (FFO)	3,853	4,518	2,460	2,162
Interest	234	174	203	83
Cash interest paid	236	271	188	72
Operating cash flow (OCF)	2,389	3,944	2,013	2,477

Yara International ASA--Peer Comparisons

Capital expenditure	956	459	336	116
Free operating cash flow (FOCF)	1,433	3,485	1,677	2,362
Discretionary cash flow (DCF)	378	1,190	279	810
Cash and short-term investments	1,010	2,323	971	1,361
Gross available cash	1,010	2,323	971	1,361
Debt	3,334	1,124	2,018	0
Equity	8,600	7,853	4,340	3,168
EBITDA margin (%)	19.7	58.7	38.5	48.8
Return on capital (%)	33.3	66.8	37.2	69.8
EBITDA interest coverage (x)	20.2	37.7	13.7	29.5
FFO cash interest coverage (x)	17.3	17.7	14.1	31.0
Debt/EBITDA (x)	0.7	0.2	0.7	0.0
FFO/debt (%)	115.6	401.8	121.9	NM
OCF/debt (%)	71.6	350.7	99.8	NM
FOCF/debt (%)	43.0	309.9	83.1	NM
DCF/debt (%)	11.3	105.8	13.8	NM

Business Risk

Our assessment of Yara's business risk is supported by the company's position as one of the world's largest producers and distributors of fertilizers, with a strong and geographically extensive marketing network. The wide geographic diversification protects the company from region-specific shocks in demand and exposes Yara to different planting calendars, which smooth the effects of seasonality in earnings. In addition, Yara's downstream operations broaden the product mix and enable the company to adapt to supply and demand dynamics better than other industry participants , by reducing third-party sourcing if needed. We also consider the contribution of the industrial segment as a source of earnings quality. Yara's Industrial Solutions segment provides important end-market cash-flow diversity, due to the less-than-perfect correlation between agricultural and industrial demand. We expect that Yara will continue to evolve its product mix and end-market diversification, in line with its strategic focus on sustainability. For example, in 2021 the company launched Yara Clean Ammonia, to capture growth opportunities with shipping fuel and other applications.

Yara's production is geographically diverse. It directly operates large plants in Europe and Canada, and its joint ventures also have efficient assets and access to lower cost, natural gas feedstock. Its well-invested asset base translates into efficiency gains that lower energy consumption and result in both a bottom line and a climate benefit.

We consider Yara's strategic positioning as a source of business strength. Of the three fertilizer markets--nitrogen, phosphate, and potash--Yara's primary focus is nitrogen fertilizers, which forms the largest of these markets by far. Farmers tend to consider nitrogen fertilizers indispensable, leading to greater volume stability. This is due to their short-term effect on crop yields, and the need for annual application because nutrient value is consumed during each growing season. Yara derives a large share of profits from premium, higher-margin fertilizers as opposed to commodity products such as ammonia and urea--the profits of which depend not on selling prices but on the spread between selling and feedstock prices. The premium generally translates into more resilient profits and provides important margin support during peaks in natural gas prices.

Our assessment of Yara's business risk is constrained by the highly cyclical and fragmented nature of the nitrogen fertilizer industry. This cyclicality reflects the industry's changing supply-demand balance, which is difficult to predict as it depends on fertilizer price expectations, harvests, the crop mix, farmers' earnings (which depend on crop prices), the weather, and inventory levels. New supply depends on the speed with which projects come on stream or higher cost capacities are curtailed. Political decisions also influence supply and demand dynamics, through export allowances, or taxes and subsidies in various core markets, especially India and China. In addition, Yara's European production facilities are at a structural cost disadvantage compared with peers operating in North America and the Middle East, due to the wide gas cost differential. This could lead to production curtailments when natural gas prices are high relative to the price of nitrogen fertilizers, leading to more volatile earnings.

Financial Risk

Our assessment of Yara's financial risk reflects our expectation that its adjusted FFO to debt will remain above 30%, through the cycle, and FOCF to debt will remain above 15% in 2023. Yara's credit metrics strengthened noticeably over 2019-2022 but have since weakened. In the first nine months of 2023, Yara's EBITDA (excluding special items, as defined by the company) was 70% lower at about $1.1 billion, compared with the record $3.8 billion in the same period of 2022, largely due to lower nitrogen fertilizer prices and still-high feedstock costs that affect its European production. Although we expect FFO to debt will temporarily decline below our 30%-45% rating threshold in 2023, we believe that the improvement in profitability we forecast in 2024, along with Yara's supportive financial policy, will allow credit metrics to recover.

Our assessment is underpinned by Yara's balanced financial policy and commitment to maintain a 'BBB' rating, with target leverage (as calculated by management) at 1.5x-2.0x (net debt to EBITDA), and net debt to equity below 60%. While we note that Yara has distributed about $3.9 billion in the form of dividends and buybacks to its shareholders over 2021-2023, we note the company's policy to distribute roughly 50% of the prior year's net income. As such, we anticipate no meaningful dividend distributions in 2024 and only modest payouts in 2025.

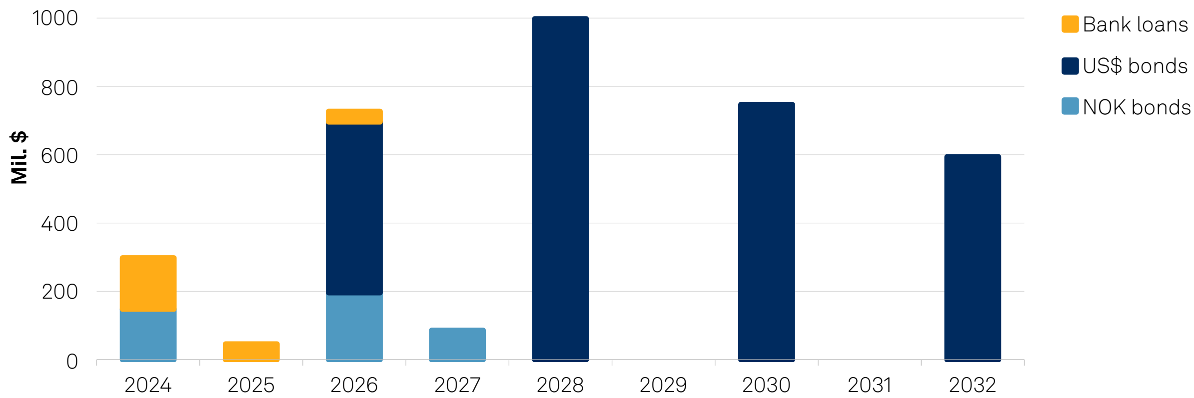
Our financial risk assessment is constrained by the significant swings in cash flow generation and working capital volatility as a result of industry cyclicality. To mitigate this, in times of significantly low demand, we expect an inflow of working capital. In addition, Yara's profitability remains sensitive to fluctuations of natural gas cost. This creates periods of margin compression when natural gas prices are high and fertilizer demand is weak, resulting in producers being unable to pass through higher feedstock costs to their customers.

Debt maturities

We think that Yara has a well-staggered debt maturity profile as a result of proactive funding management.

Yara International ASA--Debt maturity profile

As per third-quarter 2023



Source: Yara Investor Relations website. NOK--Norwegian krone.

Yara International ASA--Financial Summary

Period ending	**Dec-31-2017**	**Dec-31-2018**	**Dec-31-2019**	**Dec-31-2020**	**Dec-31-2021**	**Dec-31-2022**
Reporting period	2017a	2018a	2019a	2020a	2021a	2022a
Display currency (mil.)	$	$	$	$	$	$
Revenues	11,359	12,959	12,885	11,595	16,631	23,931
EBITDA	1,335	1,558	2,071	2,016	2,744	4,716
Funds from operations (FFO)	1,048	1,261	1,767	1,620	2,228	3,853
Interest expense	165	226	221	165	150	234
Cash interest paid	91	187	169	132	166	236
Operating cash flow (OCF)	825	803	1,852	2,026	1,398	2,389
Capital expenditure	1,270	1,276	1,011	718	850	956
Free operating cash flow (FOCF)	(445)	(473)	841	1,308	548	1,433
Discretionary cash flow (DCF)	(766)	(713)	572	73	(1,030)	378
Cash and short-term investments	544	202	300	1,363	394	1,010
Gross available cash	544	202	300	1,363	394	1,010
Debt	3,184	4,726	4,191	3,504	4,206	3,334
Common equity	9,504	8,910	8,909	8,220	7,116	8,600
Adjusted ratios						
EBITDA margin (%)	11.8	12.0	16.1	17.4	16.5	19.7
Return on capital (%)	1.1	5.0	8.4	9.4	16.0	33.3
EBITDA interest coverage (x)	8.1	6.9	9.4	12.2	18.3	20.2
FFO cash interest coverage (x)	12.5	7.7	11.5	13.3	14.4	17.3
Debt/EBITDA (x)	2.4	3.0	2.0	1.7	1.5	0.7
FFO/debt (%)	32.9	26.7	42.2	46.2	53.0	115.6

Yara International ASA--Financial Summary

OCF/debt (%)	25.9	17.0	44.2	57.8	33.2	71.6
FOCF/debt (%)	(14.0)	(10.0)	20.1	37.3	13.0	43.0
DCF/debt (%)	(24.0)	(15.1)	13.6	2.1	(24.5)	11.3

Reconciliation Of Yara International ASA Reported Amounts With S&P Global Adjusted Amounts (Mil. $)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	Dec-31-2022									
Company reported amounts	3,808	8,587	24,048	4,826	3,827	228	4,716	2,391	1,055	958
Cash taxes paid	-	-	-	-	-	-	(627)	-	-	-
Cash interest paid	-	-	-	-	-	-	(236)	-	-	-
Cash interest paid: other	-	-	-	-	-	-	2	-	-	-
Lease liabilities	410	-	-	-	-	-	-	-	-	-
Postretirement benefit obligations/ deferred compensation	-	-	-	3	3	4	-	-	-	-
Accessible cash and liquid investments	(978)	-	-	-	-	-	-	-	-	-
Capitalized interest	-	-	-	-	-	2	(2)	(2)	-	(2)
Dividends from equity investments	-	-	-	8	-	-	-	-	-	-
Asset-retirement obligations	94	-	-	-	-	-	-	-	-	-
Nonoperating income (expense)	-	-	-	-	133	-	-	-	-	-
Noncontrolling/ minority interest	-	13	-	-	-	-	-	-	-	-
Revenue: other	-	-	(117)	(117)	(117)	-	-	-	-	-
EBITDA - Gain/(loss) on disposals of PP&E	-	-	-	(4)	(4)	-	-	-	-	-
D&A: Impairment charges/ (reversals)	-	-	-	-	35	-	-	-	-	-
Total adjustments	(474)	13	(117)	(110)	50	6	(863)	(2)	-	(2)
S&P Global Ratings adjusted	**Debt**	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Operating cash flow**	**Dividends**	**Capital expenditure**
	3,334	8,600	23,931	4,716	3,877	234	3,853	2,389	1,055	956

Liquidity

We assess Yara's liquidity as adequate, based on our view that liquidity sources will cover uses by more than 2.0x over the 12 months started Oct. 1, 2023. We note the company's track record of refinancing well ahead of time and good access to banks and capital markets.

Principal liquidity sources

- Available unrestricted cash and cash equivalents of roughly $0.7 billion as of Oct. 1, 2023;
- Cash FFO of about $1.3 billion;
- Availability of $1.35 billion under a committed revolving credit facility (RCF) due in August 2026 (of which $1,050 million due July 2026, $50 million due in 2025 and $250 million due in 2024);
- Working capital inflow of $125 million.

Principal liquidity uses

- Short-term debt of $184 million;
- Capex of about $1.3 billion;
- No meaningful dividend distributions in 2024.

Covenant Analysis

Compliance expectations

Comfortable headroom under a financial covenant is incorporated in Yara's RCF, which stipulates that net debt to equity in the consolidated accounts must be at most 1.4x at the end of each quarter (the ratio was about 0.45x as of the end of the third quarter of 2023).

Environmental, Social, And Governance

Environmental factors are a moderately negative consideration in our credit rating analysis of Yara. Producers of nitrogen-based fertilizers have higher environmental exposure than the broader chemical industry, and face tightening regulations regarding greenhouse gas (GHG) emissions as well as increasing carbon costs. However, our moderately negative assessment reflects our expectation that any transition to greener ammonia will take time and that substitution risks will remain low because fertilizers will continue to be critical to meeting growing food needs globally. Yara has nearly halved its GHG emissions over the past 15 years, mostly by installing nitrous oxide catalysts that removed about 90% of nitrous oxide emissions from its plants. Still, ammonia production remains a major source of CO_2 emissions, with a scope 1 GHG intensity of 0.994 tonnes of CO_2 per million US$ of revenues generated in 2021. In this respect, Yara's ambition is to reduce its scope 1 and 2 emissions by 30% by 2030. It recently announced several pilots aimed at the transition to green ammonia production (fueled by renewable energy rather than natural gas).

Issue Ratings--Subordination Risk Analysis

Capital structure

Yara's capital structure consists primarily of:

- $500 million bond due 2026;
- $1.0 billion bond due 2028;
- $750 million bond due 2030;

- $600 million green bond due 2032;
- NOK1.6 billion bonds due 2024;
- NOK2.15 billion bond due 2026;
- NOK1.0 billion bond due 2027; and
- Various local lines.

All notes are unsecured and unsubordinated obligations of the issuer, ranking equally with each other. Liquidity is supported by a $1.35 billion RCF due July 2026 (of which $1,050 million due July 2026, $50 million due in 2025, and $250 million due in 2024), which has the same seniority as Yara's current and present obligations.

Analytical conclusions

With no material priority obligations ranking ahead of the company senior unsecured obligations, we rate Yara's senior unsecured bonds at 'BBB', in line with the issuer credit rating.

Rating Component Scores

Foreign currency issuer credit rating	BBB/Stable/A-2
Local currency issuer credit rating	BBB/Stable/A-2
Business risk	Satisfactory
Country risk	Intermediate
Industry risk	Moderately High
Competitive position	Satisfactory
Financial risk	Intermediate
Cash flow/leverage	Intermediate
Anchor	bbb
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Satisfactory (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	bbb

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017

- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- S&P Global Ratings Has Raised Its Henry Hub Natural Gas Price Assumptions For 2024 And 2025, Nov. 7, 2023
- The Russia-Ukraine War Is Reshaping The Fertilizer Industry, Sept. 12, 2022
- The Hydrogen Economy: Green Hydrogen May Transform The Fertilizer Industry, April 22, 2021

Ratings Detail (as of December 05, 2023)*

Yara International ASA	
Issuer Credit Rating	BBB/Stable/A-2
Senior Unsecured	BBB
Issuer Credit Ratings History	
20-Nov-2015	BBB/Stable/A-2
30-Sep-2013	BBB/Positive/A-2
16-Nov-2010	BBB/Stable/A-2

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.