

Eidsiva Energi AS

Kingdom of Norway, Utilities


A- STABLE

Key metrics

Scope credit ratios	2022	2023	Scope estimates	
			2024E	2025E
Scope-adjusted EBITDA/interest cover	10.9x	8.5x	4.9x	4.6x
Scope-adjusted debt/EBITDA	3.8x	3.6x	4.3x	5.3x
Scope-adjusted free operating cash flow/debt	8%	5%	-3%	-4%

Rating rationale

Eidsiva Energi AS' (Eidsiva) issuer rating reflects a standalone credit assessment of BBB+ and a one-notch uplift based on our assessment of potential parent support from Eidsiva's municipal owners (GRE status).

Eidsiva's business risk profile ('A') remains driven by its high share of regulated activities, operating as the largest power distributor in Norway. This is combined with operations involving comparably higher business risks, such as non-regulated power generation through its 43.5% stake in Hafslund Kraft AS, district heating and telecoms.

Eidsiva's financial risks are higher than its business risks, with the financial risk profile ('BBB-') remaining unchanged. We expect Eidsiva's leverage to remain moderate over the next few years, reflecting a projected increase in investments and continued shareholder remuneration, which is likely to require partial debt financing.

Outlook and rating-change drivers

The Stable Outlook reflects our expectation that Eidsiva's leverage will temporarily weaken to above 5x in 2025 due to a large deficit in regulated distribution revenues, but that it will stabilise at around 4.5x thereafter. We also expect a stable business mix, with approximately two-thirds of EBITDA coming from regulated distribution revenues over the next few years.

The upside scenario for the ratings and Outlook is:

- Improved financial risk profile, with leverage sustained below 3.0x.

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

- Weakening of the financial risk profile, with leverage sustained above 5.0x or EBITDA interest coverage weakening below 5.0x on a sustained basis.
- Loss of GRE status (remote).

Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
23 Jan 2025	Affirmation	A-/Stable
24 Jan 2024	Upgrade	A-/Stable
25 Jan 2023	Affirmation	BBB+/Stable

Ratings & Outlook

Issuer	A-/Stable
Short-term debt	S-1
Senior unsecured debt	A-

Analyst

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Related Methodologies and Related Research

[General Corporate Rating Methodology; October 2023](#)

[European Utilities Rating Methodology; June 2024](#)

[Government Related Entities Rating Methodology; December 2024](#)

[ESG considerations for the credit ratings of utilities; April 2021](#)

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Rating and rating-change drivers

Positive rating drivers	Negative rating drivers
<ul style="list-style-type: none">• High share of EBITDA coming from regulated power distribution• Ownership of robust telecoms and district heating infrastructure• Strong merit order position and clean carbon footprint of the power generation portfolio in Hafslund Kraft (positive ESG factor)• Long-term committed municipal owners (GRE status) that could provide financial support if needed	<ul style="list-style-type: none">• Dividend income from Hafslund Kraft dependent on volatile power prices• Moderate leverage• Increasing investments and sustained dividend payments puts pressure on cash flows
Positive rating-change drivers	Negative rating-change drivers
<ul style="list-style-type: none">• Leverage sustained below 3.0x	<ul style="list-style-type: none">• Leverage sustained above 5.0x• EBITDA interest coverage sustained below 5.0x• Loss of GRE status (remote)

Corporate profile

Eidsiva is a regional utility and telecoms company with headquarters at Hamar, Norway. While Eidsiva's corporate history is very long, the group structure changed significantly in 2019 through an asset swap with domestic utility peer Hafslund. Today, Eidsiva primarily operates through three business areas:

- **Power Distribution (Elvia):** The segment consists of the wholly owned subsidiary Elvia, which became the largest Norwegian power distribution system operator through the merger of Eidsiva Nett and Hafslund Nett in 2019. With around 71,000km of power lines, it covers around one million connection points and approximately one-third of the domestic population.
- **Telecoms:** The segment includes Eidsiva Fiberinvest AS, owned fully by Eidsiva, which builds and owns fibre networks, and Eidsiva Bredbånd AS, owned 90.1% by Eidsiva, which is a regional provider of broadband services.
- **District heating:** The segment generates district heating from 15 wholly and partially owned plants.

In addition, Eidsiva has exposure to power generation through its 43.5% stake in Hafslund Kraft AS, which is Norway's second largest hydropower generator, with Eidsiva's stake corresponding to around 6.3 TWh of annual hydropower generation in a normal year.

Eidsiva is fully owned by Norwegian municipal entities, with Innlandet Energi Holding AS owning 49.4%, Hafslund Vekst AS owning 50.0%, and Åmot Municipality owning 0.6%.



Financial overview






				Scope estimates		
Scope credit ratios	2021	2022	2023	2024E	2025E	2026E
Scope-adjusted EBITDA/interest cover	7.6x	10.9x	8.5x	4.9x	4.6x	5.7x
Scope-adjusted debt/EBITDA	7.7x	3.8x	3.6x	4.3x	5.3x	4.7x
Scope-adjusted free operating cash flow/debt	-5%	8%	5%	-3%	-4%	0%
Scope-adjusted EBITDA in NOK m						
EBITDA adjusted for share of profit in associates	1,901	3,302	4,101	3,399	3,148	3,948
add: recurring associates' dividends received	384	1,194	722	950	850	850
Other items	(46)	(5)	(47)	-	-	-
Scope-adjusted EBITDA	2,239	4,491	4,776	4,349	3,998	4,798
Funds from operations (FFO) in NOK m						
Scope-adjusted EBITDA	2,239	4,491	4,776	4,349	3,998	4,798
less: Scope-adjusted interest	(294)	(413)	(559)	(879)	(873)	(842)
less: taxes paid	(250)	35	(37)	(170)	(173)	(97)
Other non-operating charges before FFO	(134)	(90)	(279)	-	-	-
FFO	1,561	4,023	3,901	3,299	2,951	3,859
Free operating cash flow in NOK m						
FFO	1,561	4,023	3,901	3,299	2,951	3,859
Working capital changes	100	131	(148)	(249)	-	-
Non-operating cash flow	-	-	-	-	-	-
less: Capex (net)	(2,477)	(2,635)	(2,812)	(3,500)	(3,750)	(3,750)
less: lease amortisation	(120)	(106)	(116)	(150)	(150)	(150)
Other items	-	-	-	-	-	-
Free operating cash flow	(936)	1,413	825	(600)	(949)	(41)
Scope-adjusted interest in NOK m						
Net cash interest per cash flow statement	294	413	559	879	873	842
Other interest	-	-	-	-	-	-
Scope-adjusted interest	294	413	559	879	873	842
Scope-adjusted debt in NOK m						
Reported financial debt	17,688	19,447	19,763	20,548	22,720	24,092
add: subordinated (hybrid) debt (net of equity credit)	-	-	-	-	-	-
add: shareholder loans (net of equity credit)	-	-	-	-	-	-
less: cash and cash equivalents	(557)	(2,673)	(2,876)	(1,761)	(1,684)	(1,715)
add: non-accessible cash	82	88	70	70	70	70
add: pension adjustment	-	-	-	-	-	-
add: operating lease obligations	-	-	-	-	-	-
add: asset retirement obligations	-	-	-	-	-	-
add: other debt-like items	-	-	-	-	-	-
Scope-adjusted debt (SaD)	17,213	16,862	16,957	18,857	21,106	22,447



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Environmental, social and governance (ESG) profile¹

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

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

Sustainable business mix

Eidsiva derives a high share of its earnings from activities that align with the EU taxonomy, mainly power distribution and renewable energy generation. We believe this business mix reduces the risk of facing long-term headwinds related to ESG developments.

Cost-efficient and clean hydropower generation

Eidsiva has a sizeable exposure to cost-efficient hydropower generation through recurring dividend income from its 43.5% stake in Hafslund Kraft AS. Unlike CO2-intensive technologies, hydropower has low transition risks related to decarbonisation, which we consider as a credit-supportive rating driver.

¹ These evaluations are not mutually exclusive or exhaustive as ESG factors may overlap and evolve over time. We only consider ESG factors that are credit-relevant, i.e. those that have a discernible, material impact on the rated entity's cash flow and, by extension, its credit quality.



Business risk profile: A

High share of power distribution supports business risks

The business risk profile continues to reflect our view that the company's business risks are low, supported by the high share (Figure 1) of Scope-adjusted EBITDA coming from power distribution. Given the natural monopoly and fully regulated financial performance of this business, we expect Eidsiva's grid subsidiary (Elvia) to remain a robust cash flow source for the company.

Power distribution supplemented with higher-risk activities

Compared to utilities solely focused on power distribution, Eidsiva's business risk profile is constrained by its exposure to less robust sources of cash flow. This refers to its activities in telecoms, district heating and power generation. We note Eidsiva's 43.5% stake in the power generator Hafslund Kraft AS, which derives most of its earnings from non-regulated hydropower revenues. Eidsiva's dividend income from this stake is expected to account for around one fifth of Scope-adjusted EBITDA over time, thus making credit metrics partially dependent on inherently volatile power prices.

Good profitability

Eidsiva's profitability (as measured by EBITDA margin) remains good with an average of around 35% in 2020-2023. We note that profitability has been volatile in recent years, ranging from 22% (2021) to 42% (2023), clearly impacted by high volatility in Elvia's costs for grid losses and use of overhead grids. While we note the current challenges with profitability in Eidsiva's district heating area, this is not detrimental to the group's profitability given the comparatively small size of this exposure.

Figure 1: Historical exposure of Scope-adjusted EBITDA based on 2020-2023 average

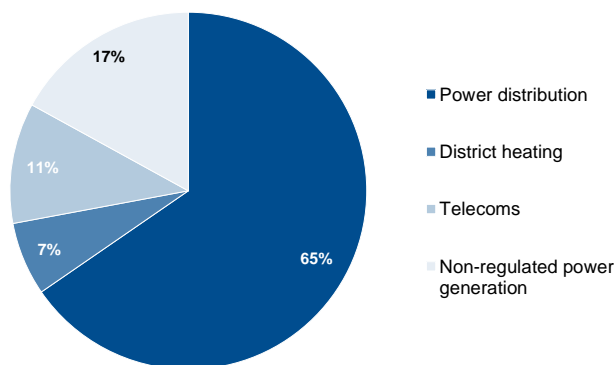
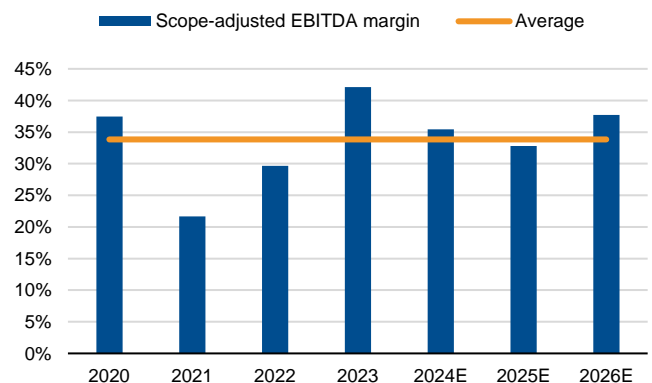


Figure 2: Profitability



Sources: Eidsiva, Scope

Sources: Eidsiva, Scope estimates

Business mix to remain stable

Investments are expected to increase over the next few years in line with Eidsiva's growth strategy and the required development of Elvia's power grid. Specifically, we project investments of around NOK 3.5bn-4.0bn per year in 2024-2026, up from NOK 2.5bn-3.0bn per year in 2020-2023. Given the expected allocation of investments, with an overweight in Elvia, the business mix is likely to remain fairly stable, assuming no significant M&A activity.

Financial risk profile: BBB-

Unchanged financial risk profile

Eidsiva's unchanged financial risk profile remains the primary constraint of the rating, with our updated base case showing a reduced headroom to the downside scenario.

Key adjustments

In terms of key adjustments, note that:

- Scope-adjusted EBITDA excludes the share of profit in associates reported under the operating result. Conversely, it includes the recurring cash inflows from



associates' dividends, mainly coming from Eidsiva's 43.5% stake in Hafslund Kraft AS.

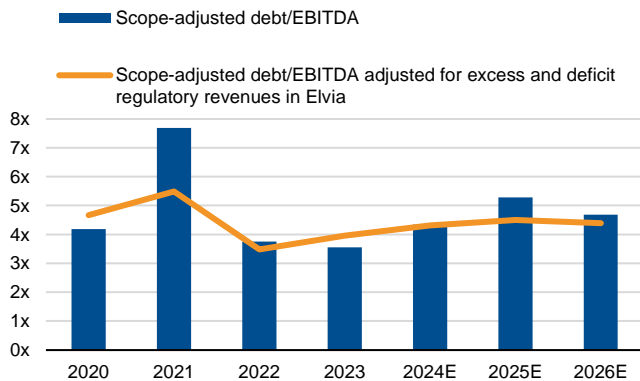
Moderate leverage

Based on our expectations for Eidsiva's investment and dividend plans, we expect debt to gradually increase over the next few years (Figure 6). This is expected to result in leverage (Scope-adjusted debt/EBITDA) of 4.0x-4.5x in 2024, up from 3.6x in 2023, when EBITDA was boosted by NOK 0.5bn of excess regulatory revenues in Elvia. Thereafter, Scope expects leverage to rise above 5.0x in 2025, mainly driven by our expectation that Elvia will refund around NOK 1.0bn of accumulated excess regulatory revenues to customers over the next few years, with the bulk in 2025. This will have a negative, albeit temporary, impact on EBITDA. As a result, we have placed less emphasis on the spike in 2025 in our assessment and currently consider a normalised leverage to be around 4.5x for the company.

Interest cover to drop in 2024-2025

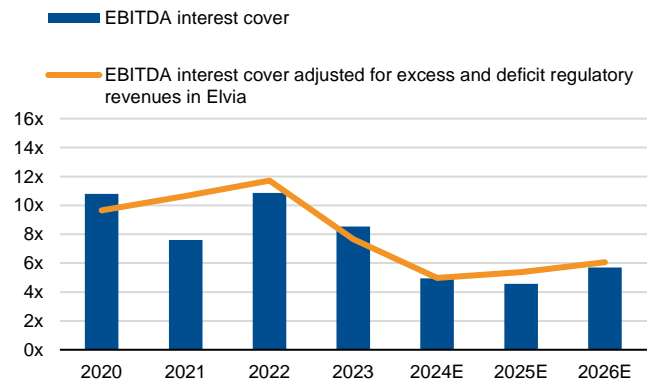
Eidsiva's interest cover is expected to deteriorate from a level of 8.5x in 2023 to a likely trough of slightly below 5x in 2024-2025. This is due to less EBITDA on the one hand. On the other hand, the company sees higher interest payments due to growing debt and higher interest rates, which is only partly mitigated by its exposure to fixed-rate debt (around 50% on 31 December 2023). In 2026, we expect interest cover to improve to around 6x, driven by a moderate reduction in interest rates as well as an expected recovery in EBITDA due to a lower shortfall in Elvia's regulatory revenues compared to 2025.

Figure 3: Leverage



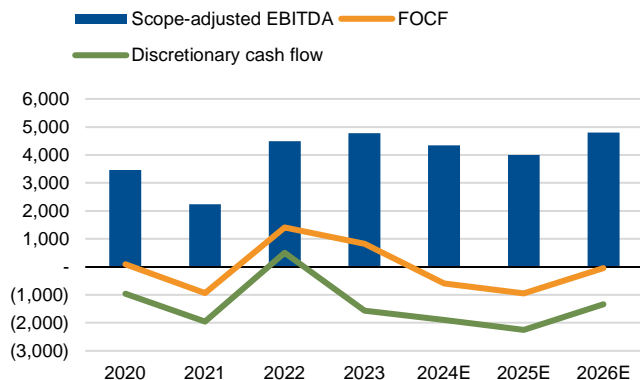
Sources: Eidsiva, Scope estimates

Figure 4: Debt protection



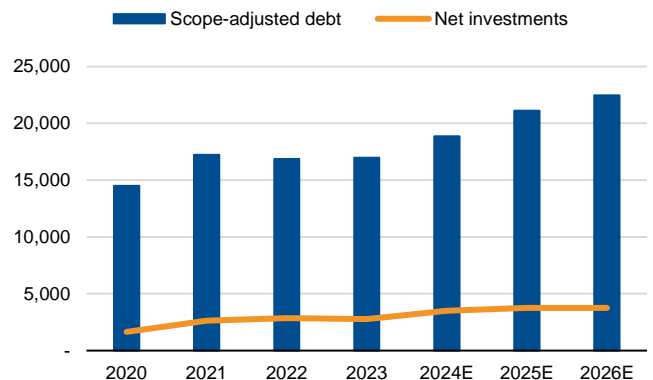
Sources: Eidsiva, Scope estimates

Figure 5: Cash flows, NOK m



Sources: Eidsiva, Scope estimates

Figure 6: Indebtedness and net investments, NOK m



Sources: Eidsiva, Scope estimates



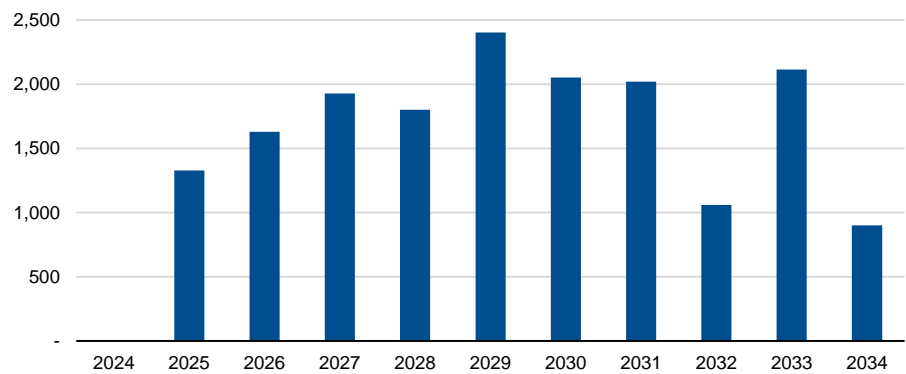
Adequate liquidity

The company’s outstanding gross financial debt (excluding lease liabilities) amounted to NOK 17.2bn as of 30 September 2024. It mainly comprises NOK bonds and bank loans at the parent level (Eidsiva Energi AS) with a relatively balanced maturity schedule (Figure 7).

The company has repaid NOK 1.8bn of short-term debt maturities during the first nine months of 2024. The NOK 1.3bn of debt maturing in 2025 is well covered with a liquidity ratio of above 200%. This is backed by Eidsiva's cash holdings and the company's liquidity also benefits from a committed (undrawn) credit line of NOK 2.5bn maturing in September 2026.

Given their maturities in the second half of 2025, we have excluded the two NOK 0.5bn credit lines added by Eidsiva in Q2 2022. Both credit lines were added to manage accelerating grid losses amid the exceptional surge in power prices during 2022. However, they have remained largely unused following the subsequent transfers of extraordinary congestion revenues from the Norwegian transmission system operator (Statnett).

Figure 7: Debt maturity profile (excluding lease liabilities) as of 30 September 2024, NOK m



Sources: Eidsiva, Scope

Balance in NOK m	2023	2024E	2025E
Unrestricted cash and cash equivalents (t-1)	2,585	2,806	1,691
Open committed credit lines (t-1)	3,500	3,500	2,500
Free operating cash flow (t)	825	(600)	(949)
Short-term debt (t-1)	2,362	1,815	1,328
Coverage	>200%	>200%	>200%

Supplementary rating drivers: +1 notch

We define Eidsiva as a government-related entity under our rating methodology for government-related entities. This is based on the essential public services provided by Eidsiva and the ultimate ownership by municipal entities, which include the City of Oslo and the County of Innlandet. Applying the bottom-up approach of our Government Related Entities Methodology, our view of the public owners' capacity ('high') and willingness ('medium') to provide financial support is unchanged. As a result, we retain a one-notch uplift to the standalone credit assessment for Eidsiva, which is in line with

One-notch uplift based on GRE status



other Scope-rated Norwegian utilities with majority or full public ownership but no explicit guarantees on their debt or financial support.

No adjustment for financial policy

Eidsiva's financial policy requires no rating adjustment. The dividends paid by Eidsiva, while substantial, are considered predictable and therefore adequately reflected in the financial risk profile. We also note potential M&A risk given Eidsiva's ambition for growth. However, we still assess Eidsiva's appetite for debt-financed investments as credit-neutral, based on its track record and management's commitment to maintain an investment-grade rating through stated financial policies.

Senior unsecured debt rating: A-

Long-term and short-term debt ratings

The rating for Eidsiva's senior unsecured debt has been affirmed at A-, the same level as the issuer rating.

Short-term debt rating: S-1

Eidsiva's short-term debt rating is affirmed at S-1. This is based on the company's A-/Stable issuer rating and reflects a strong liquidity position with better-than-adequate short-term debt coverage. We also note that Eidsiva has several well-established banking relationships and a strong standing in domestic capital markets, sufficing the company's funding needs.



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