Nord-Trøndelag Elektrisitetsverk AS

Kingdom of Norway, Utilities

Issuer
BBB

Outlook
Stable

Short-term debt
S-3

Senior unsecured debt
BBB

Rating composition

Business risk profile		
Industry risk profile	BBB-	BBB
Competitive position	BBB	
Financial risk profile		
Credit metrics	BBB-	BBB-
Cash flow generation	Good	
Liquidity	Adequate	
Standalone credit assessment		**BBB-**
Supplementary rating drivers		
Financial policy	+/-0 notches	+1 notch
Governance & structure	+/-0 notches	
Parent/government support	+ 1 notch	
Peer context	+/-0 notches	
Issuer rating		**BBB**

Key metrics

			Scope estimates	
Scope credit ratios*	**2023**	**2024**	**2025E**	**2026E**
EBITDA interest cover	20.4x	17.6x	4.4x	6.1x
Debt/EBITDA	0.8x	1.1x	4.6x	3.5x
Free operating cash flow/debt	42%	-20%	0%	7%
Liquidity	>200%	102%	105%	31%

Rating sensitivities

The upside scenario for the ratings and Outlook is:

- Improvement in the financial risk profile, exemplified by debt/EBITDA of 3.0x or below on a sustained basis

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

- Deterioration in the financial risk profile, exemplified by debt/EBITDA of around 4.5x on a sustained basis
- Loss of government-related entity status (remote)

**All credit metrics refer to Scope-adjusted figures.*

Analyst

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Related methodologies

General Corporate Rating Methodology, Feb 2025

European Utilities Rating Methodology, Jun 2025

Government Related Entities Rating Methodology, Dec 2024

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1. Key rating drivers

Positive rating drivers	Negative rating drivers
• Cost-efficient and environmentally friendly power generation fleet (positive ESG factor) • Ownership stake in power grid distributor Tensio (rated A-/Stable at Scope) providing exposure to a monopolistic market with a stable source of dividends • Diversified business model across non-correlated utility and telecom operations • Good overall profitability • Government-related entity status: long-term committed municipal owners with capacity and willingness to provide financial support if needed	• Exposure to volatile power prices for unhedged power generation volumes • Limited geographical diversification and some asset concentration in power generation • Relatively weak credit metrics following the debt-funded acquisition of the wind farms • Growth ambitions in renewable energy generation (e.g. wind power) increasing the likelihood of weaker credit metrics beyond forecast period

2. Rating Outlook

The **Stable Outlook** reflects our expectation that the recovery in power prices will support cash generation and deleveraging to some extent. We anticipate that this will translate into debt/EBITDA recovering to a range 3.0x-3.5x in the next couple of years based on a slight decrease in debt levels, stable dividends received from associates, no significant increase in shareholder remuneration, and capital expenditures in line with the rating base case.

3. Corporate profile

Nord-Trøndelag Elektrisitetsverk AS (NTE) is a utility company operating in central and northern Norway. Its activities mainly include power generation from hydro and wind, power supply, energy and telecom services as well as grid operations through its 40% stake in Tensio AS. NTE is fully owned by 19 regional municipalities.

Municipality-owned integrated utility

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
22 Aug 2025	New	BBB/Stable

5. Financial overview (financial data in NOK m)

				Scope estimates		
Scope credit ratios	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**
EBITDA interest cover	>20x	20.4x	17.6x	4.4x	6.1x	6.8x
Debt/EBITDA	0.3x	0.8x	1.1x	4.6x	3.5x	3.0x
Free operating cash flow/debt	150%	42%	-20%	0%	7%	10%
Liquidity	>200%	>200%	102%	105%	31%	>200%
EBITDA						
Reported EBITDA[1]	1,542	1,247	899	791	1,056	1,153
add: recurring dividends from associates	110	114	123	120	120	120
Other items (change in provisions)	(5)	(39)	(45)	-	-	-
EBITDA	**1,647**	**1,322**	**976**	**911**	**1,176**	**1,273**
Funds from operations (FFO)						
EBITDA	1,647	1,322	976	911	1,176	1,273
less: interest	(31)	(65)	(55)	(205)	(193)	(188)
less: cash tax paid	(77)	(296)	(352)	(163)	(148)	(180)
Other non-operating charges before FFO	-	-	-	-	-	-
Funds from operations	**1,539**	**961**	**569**	**542**	**834**	**905**
Free operating cash flow (FOCF)						
Funds from operations	1,539	961	569	542	834	905
Change in working capital	(301)	243	118	(41)	(65)	(26)
Non-operating cash flow	241	(238)	(393)	-	-	-
less: capital expenditures (net)	(632)	(530)	(497)	(500)	(500)	(500)
less: lease amortisation	(5)	(5)	(5)	(4)	(4)	(4)
Free operating cash flow	**843**	**431**	**(207)**	**(3)**	**265**	**375**
Interest						
Net cash interest per cash flow statement	30	61	51	201	189	183
add: other items (interest on pensions)	1	4	4	4	4	4
Interest	**31**	**65**	**55**	**205**	**193**	**188**
Debt						
Reported financial (senior) debt	1,178	1,494	1,247	4,397	4,125	3,952
less: cash and cash equivalents	(685)	(566)	(263)	(308)	(190)	(281)
add: non-accessible cash	-	-	-	76	76	76
add: pension adjustment	69	97	58	58	58	58
add: asset retirement obligations	-	-	-	-	-	-
add: other debt-like items	-	-	-	-	-	-
Debt	**562**	**1,026**	**1,042**	**4,223**	**4,069**	**3,805**

[1] Reported EBITDA under our definitions does not include 'Profit/loss from associates and joint ventures' and 'Changes in value of derivatives'

6. Environmental, social and governance (ESG) profile[2]

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

Efficient, low-emission power generation

NTE's core business is the generation of clean, low-cost electricity, mainly from hydropower plants and wind farms (positive ESG factor). As opposed to CO2-intensive power generation sources, hydro and wind power carry low transition risks relating to decarbonisation. We believe this will support the utilisation of the company's power plants and generate long-term cash flow. Moreover, NTE's hydropower assets are required to be at least two-thirds publicly owned, which underscores the company's status as a government-related entity.

Political and regulatory risks

As a provider of profitable, critical public services such as power production and grid distribution (through the ownership of Tensio), NTE is exposed to political and regulatory risks. The unpredictable taxation framework for Norway's power producers in recent years is one example of this. Nevertheless, we consider the overall framework conditions for utilities in Norway to be sufficiently stable.

Strong third-party ESG rating

NTE has an ESG framework in place and publishes a sustainability report annually. The utility established a green financing framework in 2023. A second-opinion sustainability advisor, Cicero, assessed the financing purposes as "dark green" (highest outcome) and assigned a governance score of "good". According to Cicero, this indicates an alignment with a long-term view of a low-emission and climate-resilient future.

The company applies governance principles as recommended by Norwegian market standards.

[2] 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

Blended industry risk profile: BBB-

NTE's business risk profile reflects its integrated business model with operations in environmentally friendly and cost-efficient power production (positive ESG factor), power supply, energy and telecom services as well as grid operations through its 40% stake in Tensio AS.

We apply a blended industry risk profile to reflect the fact that NTE operates in different utility segments and telecoms, each of which are driven by different industry fundamentals. We derive the blended industry risk based on EBITDA contributions of around 65% from non-regulated power generation, 25% from telecoms and around 10% from regulated grids.

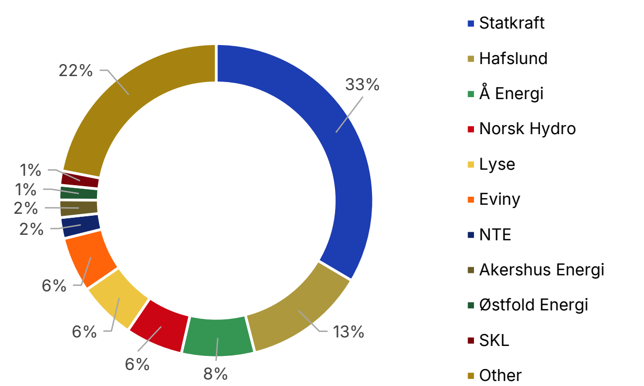
Table 1. Scope's industry risk profiles of relevance to NTE

	Non-regulated power generation	Regulated energy network/grids	Telecoms
Cyclicality	High	Low	Low
Entry barriers	Medium	High	Medium
Substitution risks	Low	Low to medium	Low to medium
Industry risk	**BB**	**AA**	**A**

Source: Scope

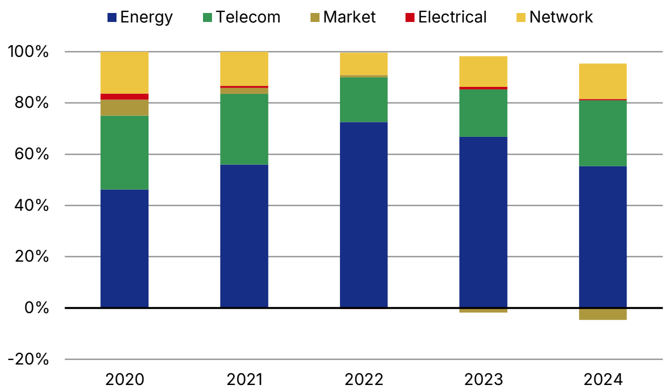
NTE's blended industry risk remains constrained by its exposure to non-regulated power generation, with a significant dependence on inherently volatile power prices. However, NTE's business mix could gradually change over the next few years due to expected growth in fibre-based services given the ongoing investment phase of the company's telecom segment.

Figure 1: Estimated market shares in Norwegian electricity generation, 2024



Source: Scope Research

Figure 2: Relative segment split[3]



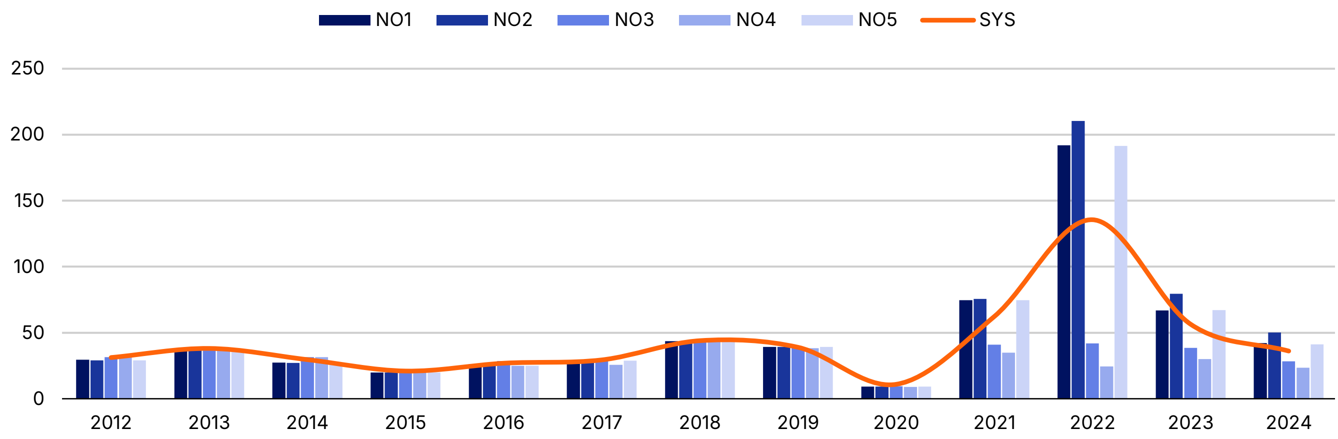
Source: NTE, Scope

The Norwegian power market is separated into five pricing areas, NO1 to NO5. Historically, area prices have been similar (see Figure 3). Price areas NO3 and NO4, where NTE is operating, is more stable, albeit has lower prices than the other price areas in Norway. The price zones of NO1, NO2 and NO5 are more connected to other price areas, especially through sea cables to neighbouring countries in the EU and the UK, which expose them to power markets in those countries. These zones have a larger grid transmission capacity than NO3 and NO4, and the ability to reduce hydro power production when prices are unfavourable creates a more dynamic pricing landscape.

NTE has operations in two price zones

[3] Based on reported EBITDA contribution

Figure 3: Norwegian power prices by zone versus SYS (in EUR/MWh)



Source: NVE, Scope

Small power generation fleet but strong position in merit order

NTE's core focus is on hydropower with 19 fully owned plants in Trøndelag and Nordland complemented by its indirect ownership of 23 plants through a 22% stake in Salten Kraftsamband AS. The fully owned hydropower plants produce on average around 3.1 TWh yearly. In January 2025, NTE acquired Kvitfjell and Raudfjell wind farms, located in northern Norway, which together produce around 0.8 TWh yearly. Around 70% of wind power production is subject to a power purchase agreement on a pay-as-produced basis for the next ten years, with a solid counterpart. Hydro and wind power generation benefits from very low carbon intensity and a strong position in the merit order system.

Market position benefits from exposure to grid operations and telecom services

The company's market position is further strengthened by its stake in Tensio, which provides an exposure to a monopolistic market with a stable source of dividends, and by its fibre-based telecom services in the residential and business markets

Moderate business segmentation

While the exposure to non-correlated utility and telecom operations supports diversification, limited geographical presence and some asset concentration in power generation compared to larger and more diversified peers are constraints to the assessment.

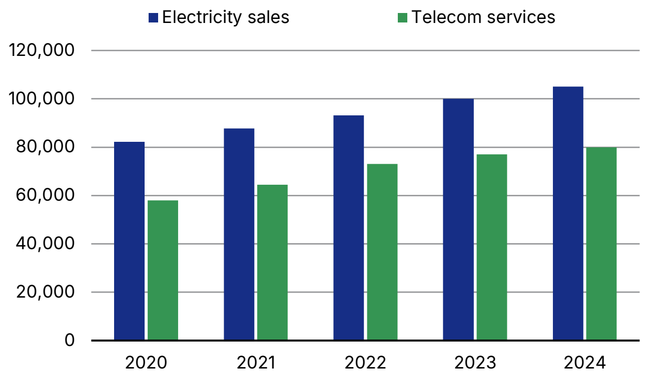
Some asset concentration in power generation

The three largest wholly owned hydro power plants account for around 40% of the power production. This poses moderate concentration risk for the company. The reliance on a small number of assets means that a shutdown in one or several of the larger plants could be material to NTE's operating and financial situation. However, the company has an insurance policy for this eventuality, which would cover up to 18 months of lost net production value.

Limited geographical diversification

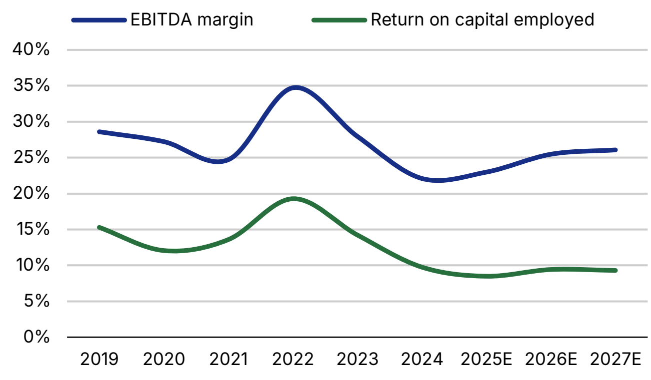
The geographical reach of the power generation business is limited in terms of demand, despite the ability to service electricity demand in adjacent service areas at times. NTE's cash flows are mainly dependent on the economic and market development of the NO3 and NO4 price areas and the Trøndelag and Nordland regions. This exposes the company to regional weather conditions, future demand, growth prospects and the regulatory environment, which is a credit weakness.

Figure 4: Development of the customer base



Source: NTE, Scope

Figure 5: EBITDA margin[4] and return on capital employed[5]



Source: NTE, Scope projections

Good overall profitability

The utility's overall profitability is good. Its EBITDA margin is typically between 20% and 30% and is supported by strong margins in power generation and good margins in telecom services. However, it is diluted by weak margins in power supply and energy services. Profitability as measured by the return on capital employed, including investments in associates, averaged around 14% in the recent past. We expect it to decrease to around 9%-10% going forward, considering the very capital-intensive nature of the acquired wind farms.

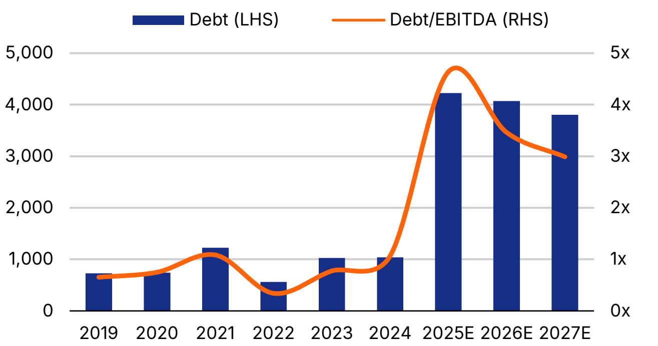
8. Financial risk profile: BBB-

NTE's financial risk profile reflects good credit metrics and cash flow generation despite weaker financial results in 2024 and 2025.

Significant increase in debt in 2025

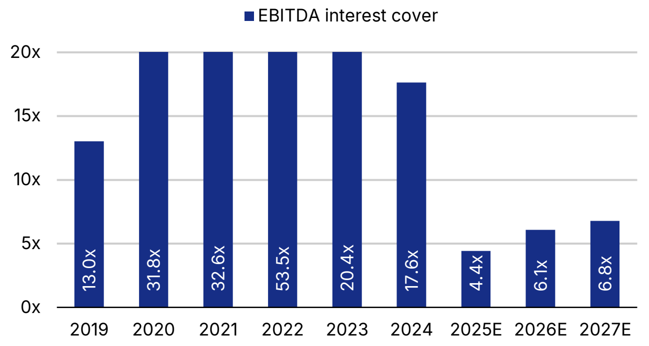
We note that the strong historical credit metrics are not representative of the credit profile considering the large debt-funded acquisition of the wind farms in 2025. Debt increased significantly from around NOK 1.0bn in the recent past and is expected at around NOK 4.0bn for the next couple of years. The additional debt mainly consists of a NOK 2.1bn bridge loan to fund the acquisition and around NOK 1.2bn of existing debt at SPV level.

Figure 6: Debt (in NOK m) and leverage



Source: NTE, Scope estimates

Figure 7: EBITDA/interest cover



Source: NTE, Scope estimates

Leverage projected in a 3x-4x range

Following strong results in 2022 and 2023 supported mainly by above-average power prices, EBITDA, which includes associate dividends received, moderated to around NOK 1.0bn in 2024. EBITDA will likely decrease to around NOK 0.9bn in 2025, driven by unusually low power prices, depressed by high water reservoir levels, and despite additional earnings from the recently

[4] Scope-adjusted EBITDA-margin is calculated without the dividend contribution from associates.

[5] Scope-adjusted ROCE is calculated including investments in associates as capital employed.

acquired wind farms. In the next couple of years, we expect EBITDA to recover to around NOK 1.2bn-1.3bn, supported by the gradual normalisation in power prices. As a result, leverage – as measured by debt/EBITDA – is likely to peak at around 4.5x in 2025 before improving to around 3.0x-4.0x in 2026-2027.

Good interest cover going forward

The net interest burden is projected to increase to around NOK 200m from around NOK 60m in the recent past. This will be mainly driven by the significant amount of new debt. Interest cover is likely to weaken to around 4.5x in 2025 before recovering to 6x-7x in the next couple of years.

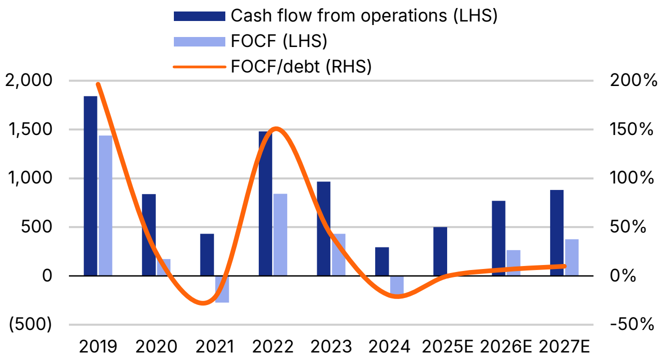
Solid internal financing capacity

We project the utility's capex at around NOK 500m a year, similar to levels in the recent past. The issuer's investment programme is mainly focused on the rehabilitation and maintenance of existing hydropower plants, growth investments in the telecoms business and investments in solar production on industrial rooftops in 2025. We believe that NTE's operating cash flow can cover this level of spending on average, indicating solid internal financing capacity.

Higher than forecast investments or dividends could impact the rating

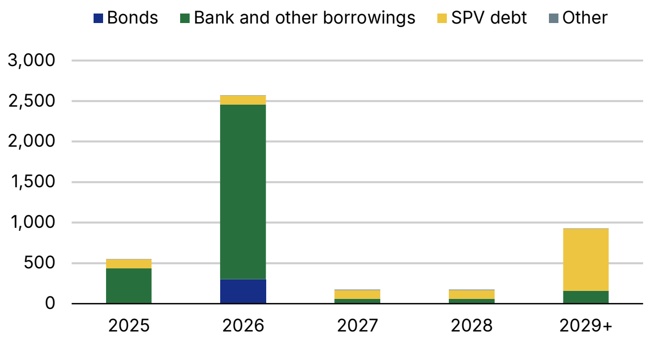
Dividends distributed to NTE's owners is forecast at around NOK 110m-120m a year, levels which allow for some deleveraging. However, we note that investments or dividends could still be much higher than those in the rating base case, in which case we would reassess the utility's financial risk profile and issuer rating.

Figure 8: Cash generation (in NOK m) and cash flow cover



Source: NTE, Scope estimates

Figure 9: Debt maturity profile (in NOK m)



Source: NTE, Scope

Front-end-loaded debt maturity profile

NTE's debt maturity profile is frontloaded, mainly driven by the regularly used overdraft facilities, with NOK 0.5bn due in 2025, as well as a NOK 2.1bn bridge loan and a NOK 0.3bn bond, both due in 2026 (considering the six-month extension option for the bridge loan).

Table 2. Liquidity sources and uses (in NOK m)

	2025E	2026E	2027E
Unrestricted cash (t-1)	263	232	113
Open committed credit lines (t-1)[6]	312	300	-
Free operating cash flow (t)	(3)	265	375
Short-term debt (t-1)	546	2,568	168
Liquidity	**105%**	**31%**	**>200%**

Source: NTE, Scope estimates

Adequate liquidity

NTE's liquidity is adequate, with good liquidity ratios historically. Available cash and cash equivalents of NOK 0.3bn and committed unused bank facilities of NOK 0.3bn at YE 2024 cover debt maturing in 2025 of around NOK 0.5bn considering forecasted free operating cash flow at around breakeven. To cover debt maturities in 2026 of around NOK 2.6bn, NTE has to rely on external funding. The utility plans to refinance these maturities through the issuance of new bonds

[6] The credit line power management of EUR 40m (around NOK 0.5bn) is not included in our liquidity calculations, as it cannot be used to cover upcoming debt repayments.

or bank loans. We believe that NTE will not have any material issues with addressing the near-term maturities given its good relationships with banks and overall credit quality.

9. Supplementary rating drivers: +1 notch

The issuer rating incorporates a one-notch uplift to the standalone credit assessment of BBB-, resulting in an issuer rating of BBB, to reflect the company's status as a government-related entity.

One-notch uplift to the standalone credit assessment

The government-related entity status is based on the full public ownership by 19 municipalities in central Norway and the essential public service provided by the company, the most critical of which are its hydropower production and grid distribution. We have applied a bottom-up approach using the framework outlined in our Government Related Entities Rating Methodology. The one-notch uplift reflects the public sponsors' 'high' capacity and 'medium' willingness to provide financial support if needed. The rating uplift is in line with other Scope-rated Norwegian utilities with majority or full public ownership but no explicit guarantees on their debt or financial support.

We have made no adjustment for financial policy, as this is already reflected in the financial risk profile, but we highlight the recent large debt-funded acquisition, the policy of paying out stable, progressive dividends and the management's target of achieving and maintaining an investment grade credit rating.

Credit-neutral financial policy

10. Debt ratings

The senior unsecured debt issued by Nord-Trøndelag Elektrisitetsverk AS is rated at BBB, in line with the issuer rating.

Senior unsecured debt rating: BBB

The short-term debt issued by Nord-Trøndelag Elektrisitetsverk AS is rated at S-3. The rating is based on the underlying BBB/Stable issuer rating and reflects adequate liquidity cover as well as adequate access to bank funding. The lower of the two possible short-term debt ratings is mainly due to the pending refinancing of the substantial bridge loan, as well as the fact that the utility does not frequently issue capital market debt.

Short-term debt rating: S-3

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