TrønderEnergi AS

Kingdom of Norway, Utilities

Rating composition

Business risk profile		
Industry risk profile	BB+	BBB-
Competitive position	BBB	
Financial risk profile		
Credit metrics	A-	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	11.6x	7.4x	8.2x	10.4x
Debt/EBITDA	2.3x	3.5x	3.7x	2.9x
Free operating cash flow/debt	52%	-4%	11%	11%
Liquidity	657%	229%	97%	198%

Rating sensitivities

The upside scenario for the ratings and Outlook is:

- Further improvement in financial risk profile, exemplified by debt/EBITDA significantly below 2.5x on a sustained basis

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

- Deterioration in financial risk profile, exemplified by debt/EBITDA significantly above 3.5x on a sustained basis
- Loss of government-related entity status (remote)

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

Issuer

BBB+

Outlook

Stable

Short-term debt

S-2

Senior unsecured debt

BBB+

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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
• The production of hydro power is cost-efficient and profitable. It is also a clean source of energy (positive ESG factor).	• Limited geographical diversification across different pricing areas, and some asset concentration risk in power production
• Ownership stake in power grid distributor Tensio provides exposure to a monopolistic market with a stable source of dividends	• Power price volatility exposure and uncertainty of environmental factors affecting power production could raise leverage ratio going forward
• The issuer is a government-related entity through its 87% ownership by municipalities, who are also core partners in significant investments. This warrants a one-notch uplift for government-related entity status.	• The introduction of the ground rent or resource tax on hydro power (45%) and land-based wind power (25%) production has shifted willingness to invest in power production in Norway. These changes and recent discussions on power production regulation and taxation have increased political and regulatory risk.
• Strong profitability, average EBITDA margin of 47% and 10% ROCE (including minority stakes) over the last four years.	• Public owners may request higher dividend payments in the long term at the expense of deleveraging
• Ownership in wind, solar and energy efficiency solutions company Aneo expected to contribute dividends from 2030 and onwards	• Sustained lower power prices in the NO3 price area, leading to less revenue from power generation and a subsequent weakening of credit metrics

2. Rating Outlook

The **Stable Outlook** reflects our expectation that power prices in the NO3 zone will improve again above NOK 350/MWh into 2026 and beyond. We anticipate that this will translate into debt/EBITDA recovering to around 3.0x based on slightly decreasing debt levels, stable dividends from Tensio, no increase in shareholder remuneration and limited capital expenditures in line with our base case.

3. Corporate profile

Municipality owned renewable company

TrønderEnergi AS is a Norwegian utility company that operates and invests in the Trøndelag region of central Norway. It is owned by 19 regional municipalities (86.7%) and Norway's largest pension fund provider, KLP (13.3%). Through its subsidiary TrønderEnergi Kraft AS, the company owns and operates hydroelectric production facilities and holds a 40% stake in grid operator Tensio AS. TrønderEnergi also invests in other renewable energy initiatives, including wind and solar power, as well as energy efficiency solutions, through a joint-venture company called Aneo AS. Its partners in this venture include 19 regional municipalities, KLP, and the private equity investor Hitec Vision.

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
27 Jun 2025	Affirmation	BBB+/Stable
27 Jun 2024	Upgrade	BBB+/Stable
27 Jun 2023	Outlook change	BBB/Positive
22 Jun 2022	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	20.6x	11.6x	7.4x	8.2x	10.4x	10.7x
Debt/EBITDA	2.8x	2.3x	3.5x	3.7x	2.9x	2.7x
Free operating cash flow/debt	10%	52%	-15%	4%	11%	12%
Liquidity	>200%	>200%	>200%	97%	198%	>200%
EBITDA						
Reported EBITDA	486	585	260	289	558	572
add: recurring dividends from associates	100	100	100	100	100	100
Other items (one-off hedging losses)	-	-	198	142	-	-
Other items	80	(73)	(34)	(23)	(44)	(73)
EBITDA	**666**	**612**	**524**	**509**	**614**	**615**
Funds from operations (FFO)						
EBITDA	666	612	524	509	614	615
less: interest	(32)	(53)	(71)	(62)	(59)	(58)
less: cash tax paid	(129)	(250)	(321)	(139)	(217)	(221)
Other non-operating charges before FFO	59	(15)	(17)	-	-	-
Funds from operations	**564**	**294**	**116**	**308**	**338**	**336**
Free operating cash flow (FOCF)						
Funds from operations	564	294	116	308	338	336
Change in working capital	(285)	472	(95)	(1)	3	1
less: capital expenditures (net)	(88)	(44)	(98)	(90)	(135)	(135)
Other items (one-off hedging losses)	-	-	(198)	(142)	-	-
Free operating cash flow	**191**	**722**	**(276)**	**74**	**205**	**202**
Interest						
Net cash interest per cash flow statement	26	53	70	62	59	57
add: 50% of interest paid on hybrid debt	5	-	-	-	-	-
add: other items	1	(0)	0	0	0	0
Interest	**32**	**53**	**71**	**62**	**59**	**58**
Debt						
Reported financial (senior) debt	2,995	2,697	2,398	2,398	2,339	2,281
add: subordinated (hybrid) debt (net of equity credit)	72	-	-	-	-	-
less: cash and cash equivalents	(1,238)	(1,319)	(558)	(506)	(547)	(598)
add: non-accessible cash	7	2	-	-	-	-
add: pension adjustment	4	-	-	-	-	-
add: asset retirement obligations	-	-	-	-	-	-
add: other debt-like items	-	-	-	-	-	-
Debt	**1,840**	**1,379**	**1,840**	**1,892**	**1,793**	**1,683**

6. Environmental, social and governance (ESG) profile[1]

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

TrønderEnergi's business as a hydropower producer and investor in renewable energy sources is a credit-positive ESG factor. Over the lifecycle of a hydropower plant, carbon emissions per unit of electricity produced are among the lowest of all energy sources, contributing positively to climate goals and sustainable development targets. This is highlighted by very efficient, low-cost power generation with an estimated carbon intensity of 20g CO2e/kWh compared to the European average of 210g CO2e/kWh in 2023. As opposed to CO2-intensive power generation sources, hydropower carries 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, TrønderEnergi'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 ownership of Tensio), TrønderEnergi is exposed to political and regulatory risk. 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

TrønderEnergi has a well-integrated ESG framework and publishes a sustainability report annually. In connection with the issuance of green bond loans in February 2021, TrønderEnergi established a green financing framework in collaboration with the Nordic bank SEB. 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.

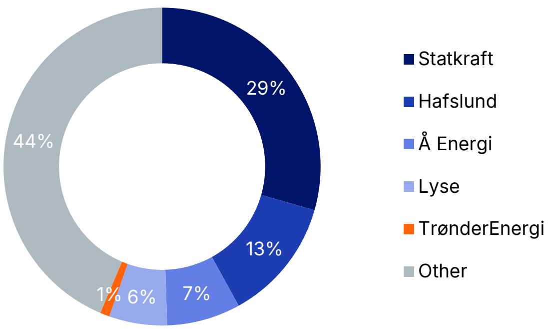
[1] These evaluations are not mutually exclusive or exhaustive as ESG factors may overlap and evolve over time. We only consider ESG factors that are credit-relevant, i.e. those that have a discernible, material impact on the rated entity's cash flow and, by extension, its credit quality.

7. Business risk profile: BBB-

TrønderEnergi has a vertically integrated business model with its core operations in hydropower production and investments in other renewables and grid distribution. Our industry assessment reflects a blended industry risk profile of BB+. Non-regulated power production is vulnerable to price volatility and is highly cyclical. Capital-intensive and long construction periods for new capacity leads to medium barriers to entry. In contrast, the network grid distribution industry has low cyclicality and high barriers to entry with monopolistic structures. Our blended assessment is based on normalised contributions to EBITDA of around 85% from non-regulated power production (industry risk: BB) and 15% from regulated grid distribution (industry risk: AA).

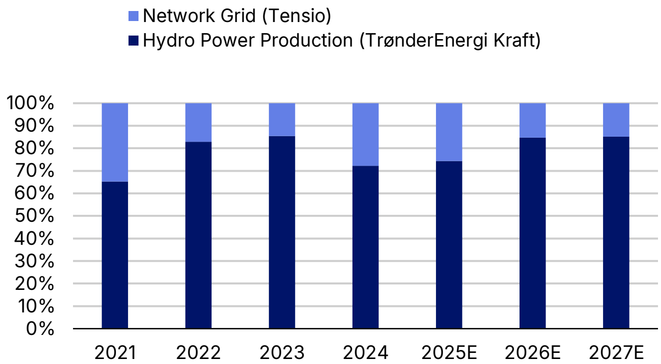
Blended industry risk profile: BB+

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



Source: Scope Research

Figure 2: Relative segment split[2]

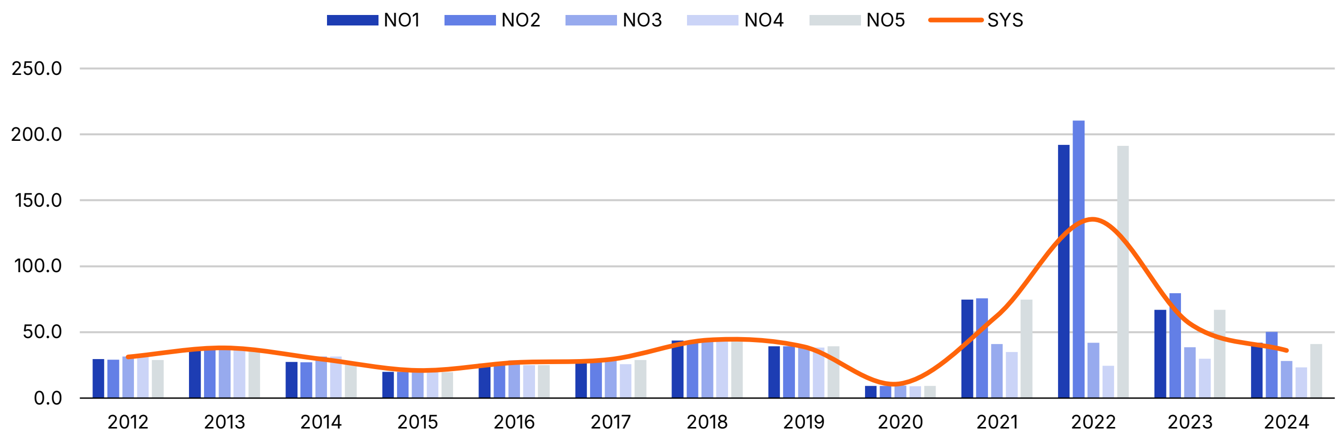


Source: TrønderEnergi, Scope

The Norwegian power market is separated into five pricing areas. Historically, area prices have been similar (see Figure 3). Price area NO3, where TrønderEnergi is located, is more stable, albeit at lower price levels than the other price areas in Norway. The price zones of NO1, NO2 and NO5 are more interconnected to other price areas, especially through sea cables to neighbouring countries in the EU and 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.

TrønderEnergi have operations in one price zone

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



Source: NVE, Scope

[2] Based on EBITDA contribution from hydro power production and dividends from ownership in Tensio network grid distribution, before other Scope adjustments

Well positioned for the future

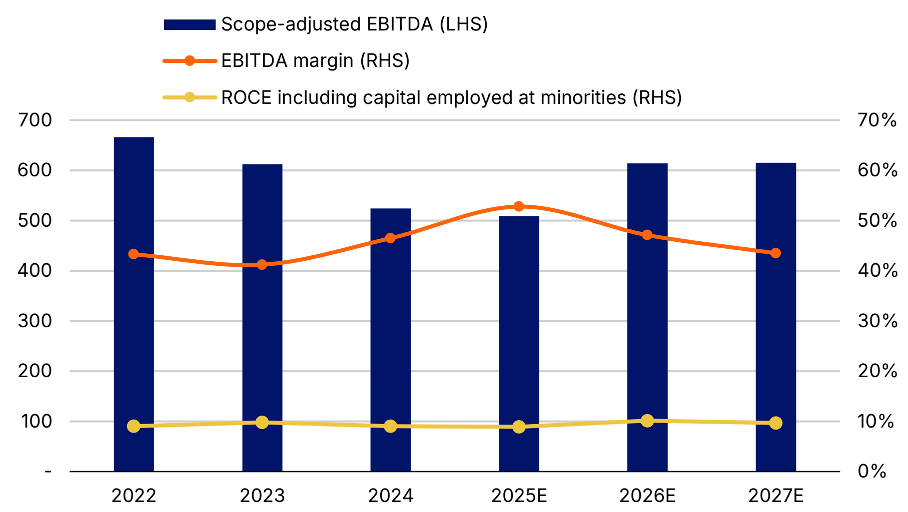
TrønderEnergi has a small but strong presence in the power generation market. It is roughly the 10th largest producer in Norway, with a favourable position in the merit order system thanks to the low cost of hydroelectric power. The company has a strong market position in the Trøndelag region of central Norway. It benefits from being a significant regional player in the NO3 price area, within its core business of renewable energy generation and grid operations. TrønderEnergi's presence in this region is supported by its long-standing relationships with municipalities and local stakeholders, providing a stable operating base.

TrønderEnergi's hydropower production facilities are a reliable base load for electricity supply to commercial and residential users. The NO3 price area currently has a 67% reservoir capacity, and the active and timely management of forward contracts allows the company to optimise production and sales in accordance with favourable price conditions. In 2024, TrønderEnergi achieved a 36% higher average price premium at NOK 442/MWh compared to NOK 327 /MWh for the general market area NO3.

Moderate diversification

TrønderEnergi's diversification is moderate. With 17 hydro power plants, the company is concentrated in the NO3 price zone. These are wholly or partly owned hydro power plants, of which three account for 50% of the power production and subsequent revenue. This poses moderate concentration risk for the company. The reliance on a small number of assets means that a potential shutdown in one or several of the larger plants could be material to TrønderEnergi's operating and financial situation. However, the company has an insurance policy for this eventuality, which would cover the difference from assumed income lost for a period of up to 24 months. 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. TrønderEnergi's cash flows are dependent on the economic and market development of the NO3 price area and the Trøndelag region. This exposes the company to regional weather conditions, future demand, growth prospects and the regulatory environment, which is a credit weakness. The investments in Tensio and Aneo are favourable, as vertical integration and horizontal diversification benefit overall diversification.

Figure 4: EBITDA, EBITDA-margin[3] and ROCE[4]



Source: TrønderEnergi, Scope

[3] Scope-adjusted EBITDA-margin is calculated without the dividend contribution from Tensio.

[4] ROCE is calculated including investments in associates as capital employed.

Strong profitability

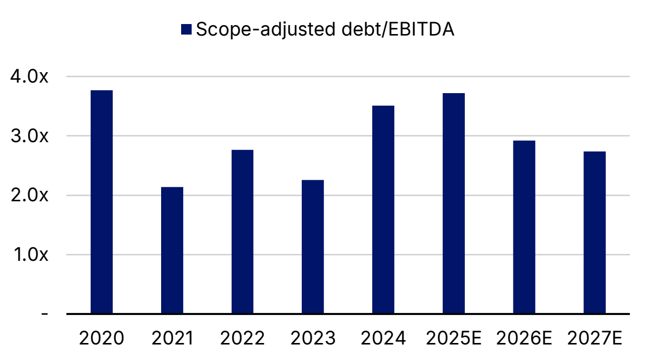
TrønderEnergi has above-average profitability and efficiency for its peer group of integrated European utilities as measured by the EBITDA margin. Despite exposure to volatile power prices, the company has relatively stable EBITDA patterns, supported by low, volume-dependent operating costs. The median EBITDA margin for the period 2020–2024 is a strong 43%, and we expect an EBITDA margin of around 48% for the period 2025–2027. However, ROCE hinders our assessment of profitability, as we calculate it by including investments into associates of about 10% to reflect TrønderEnergi's capital structure. The latter is below average for peers and is heavily impacted by the capital employed at Aneo, which currently does not contribute to TrønderEnergi's EBITDA. Excluding the capital employed in minority stakes in Tensio and Aneo, the median Scope-adjusted ROCE was 23% for the same period.

8. Financial risk profile: BBB+

TrønderEnergi's financial risk profile reflects good credit metrics, despite weaker financial results in 2024. Debt increased to NOK 1,840m in 2024 (2023: NOK 1,380m), mainly driven by repayment of NOK 144m in hybrid debt and a lower cash position due to a significant drop in free operating cash flow to NOK -276m (vs NOK 722m in 2023) driven by lower volumes and prices in H2 2024, working capital swings and one-off hedging losses of NOK 198m. Total interest-bearing debt levels will remain flat throughout the forecast period at around NOK 2.3- NOK 2.4bn. In 2025-2027, we expect steady annual dividends to owners of NOK 150m, capex in the range of NOK 90m-NOK 135m, and no M&A activity.

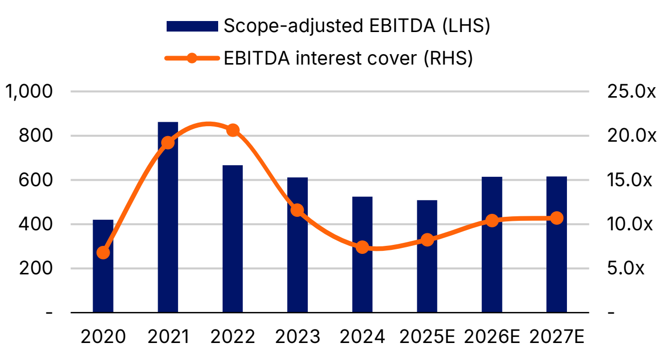
EBITDA is expected to remain relatively unchanged in 2025 (2024: NOK 524m) based on a continuation of lower price levels for H1 2025 and expectations for the rest of the year, while we assume a power production of 2'000 GWh, well above annual mean production. The hydrological situation indicates high water levels in reservoirs in the NO3 price area due to more snow melting and rain than in a normal year. This will most likely put pressure on price levels for the remainder of the year. We adjust Scope-adjusted EBITDA for the hedging losses assumed by TrønderEnergi as part of the Aneo spin-off transaction, as we consider these to be one-off in nature and not reflective of current operations. These hedges were closed in 2022 and spring 2023, resulting in realised losses of NOK 198 million and NOK 142 million on the company's cash flow in 2024 and 2025, respectively. For 2026 and 2027, we expect EBITDA to increase to around NOK 615m. This is mainly due to expected rises in price levels to NOK 360/MWh for 2026 and NOK 390/MWh for 2027 and given an expected return to annual mean production of 1,827 GWh for both years.

Figure 5: Leverage



Source: TrønderEnergi Scope

Figure 6: EBITDA/interest cover



Source: TrønderEnergi, Scope

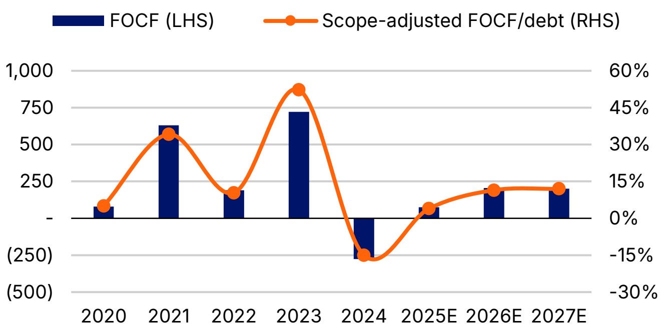
We note that the debt/EBITDA ratio increased to 3.5x in 2024, up from 2.3x in 2023. This was primarily due to lower prices achieved for hydropower production. Cash flows and net debt levels were also affected by one-off hedging losses (as explained above). We expect an even lower average power generation price of around NOK 230/MWh in NO3 for the current year, compared to NOK 327/MWh in 2024. This translates into expected leverage of 3.7x in 2025, with net debt once again burdened by the second part of the one-off hedging losses. Excluding these adjustments, calculated EBITDA would be at depressed levels for 2024 and 2025, with leverage ratios climbing to 5.6x and 5.2x respectively. However, we do not believe that these alternative ratios accurately reflect the company's underlying operations.

A normalisation of power prices to NOK 360/MWh in 2026 and beyond, with an expected production of 1,827 GWh, as per the company's annual mean production, will result in an expected deleveraging of debt/EBITDA to 2.9x in 2026 and 2.7x in 2027.

Finally, debt protection remains strong. EBITDA interest coverage is expected to increase again to exceed 10x during the forecast period, rising from 7.4x in 2024.

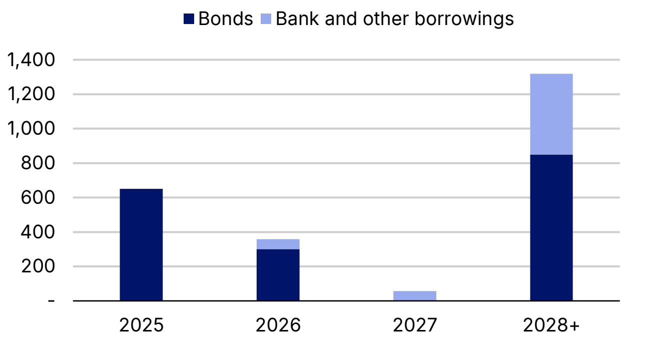
Looking ahead, capital expenditure plans are limited and will primarily focus on maintaining existing hydropower plants at an expected average of NOK 135m per year. We expect the dividends received from the 40% stake in Tensio to remain stable at NOK 100m throughout the forecast period. This will ensure that the company's free operating cash flow remains positive, reflecting TrønderEnergi's solid internal financing capacity.

Figure 7: Cash flow profile



Source: TrønderEnergi Scope

Figure 8: Debt maturity profile



Source: TrønderEnergi Scope

Adequate liquidity

Liquidity ratios have been well above 200% historically. Available cash and cash equivalents at end-2024 were NOK 558m and forecasted free operating cash flow in 2025 is NOK 74m, balancing uses of cash of NOK650m from an upcoming bond maturity in September 2025. We therefore expect a liquidity ratio of 97%, which is manageable given good access to external financing, supported by solid credit quality and a proven ability to access diverse funding from both banks and capital markets. For 2026, the liquidity ratio should normalise at around the 200% level again, mainly based on our expectations of increased cash generation.

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

	2025E	2026E	2027E
Unrestricted cash (t-1)	558	506	547
Open committed credit lines (t-1)	-	-	-
FOCF (t)	74	205	202
Short-term debt (t-1)	650	359	59
Liquidity	**97%**	**198%**	**>200%**

Source: TrønderEnergi, Scope

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. The government-related entity status is based on full public ownership by 19 municipalities in central Norway and the essential public service provided by the company, most critically power production by hydropower assets 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 sponsor's 'high' capacity and 'medium' willingness to provide support. 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.

One-notch uplift to the standalone credit assessment

No adjustments have been made for financial policy. The company aims to pay stable, progressive dividends of NOK 150m annually until 2027. We regard positively management's target of sustaining a minimum credit rating of BBB and therefore its implicit awareness of the credit metrics needed for that rating level.

Stable financial policy

10. Debt ratings

We have affirmed the BBB+ rating on senior unsecured debt issued by TrønderEnergi AS, in line with the issuer rating.

Senior unsecured debt rating: BBB+

We have affirmed the rating on the short-term debt issued by TrønderEnergi at S-2. The rating is based on the underlying BBB+/Stable issuer rating and reflects better-than-adequate liquidity cover as well as adequate access to bank funding and the capital markets.

Short-term debt rating: S-2

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