Eviny AS
Kingdom of Norway, Utilities

A- POSITIVE

Key metrics

			Scope estimates	
Scope credit ratios	**2021**	**2022**	**2023E**	**2024E**
Scope-adjusted EBITDA/interest cover	26.8x	30.0x	16.1x	14.2x
Scope-adjusted debt/EBITDA	2.0x	0.8x	1.2x	1.4x
Scope-adjusted funds from operations (FFO)/debt	46%	91%	10%	36%
Scope-adjusted free operating cash flow (FOCF)/debt	25%	49%	-4%	4%

Rating rationale

The rating reflects a standalone credit assessment of BBB+ (up from BBB) and a one-notch uplift based on our assessment of parent support from Eviny's municipal majority owners. The stronger standalone assessment is driven by our view on Eviny's improved financial profile (upgraded to A-, from BBB+) which is likely to remain conservative for the near future. Eviny's adept and efficient hydropower capabilities will drive high profits from higher-than-historical power prices. This is likely despite projections of higher-than-historical tax payments, investments and dividends putting downwards pressure on cash flows. The business risk profile (maintained at BBB) continues to be supported by Eviny's monopoly-like market position within regulated power distribution and its position as one of Norway's largest generators of environmentally friendly hydropower (positive ESG factor). It is also supported by its above-average profitability for a vertically integrated utility company, as measured by both Scope-adjusted EBITDA and Scope-adjusted ROCE.

Outlook and rating-change drivers

The Positive Outlook reflects further potential ratings upside. This upside is driven by the possibility that Eviny will keep a strong financial risk profile over a prolonged time, should power prices remain elevated for some years. In addition, a stronger financial risk profile could be kept if Eviny does not spend its higher-than-historical cash flows on higher-than-expected capex and/or extra shareholder remuneration. In sum, we see good chances that Eviny will keep its conservative leverage, as exemplified by a Scope-adjusted debt/EBITDA close to 1.0x.

A rating upgrade could be warranted if credit metrics, as exemplified by a Scope-adjusted debt/EBITDA of around 1.0x or below, and a Scope-adjusted EBITDA margin of around 60% were sustained.

A negative rating action, revision to the Stable Outlook, could be triggered if expectations about leverage sustained around 1.0x and a Scope-adjusted EBITDA margin of around 60% became less likely, for instance, by significantly lower-than-expected power prices, substantial realised hedge losses, higher-than-expected capex and/or shareholder remuneration. Alternatively, a loss of GRE status could also warrant a ratings downgrade, although this is considered remote. Further ratings downside, such as a Negative Outlook or a ratings downgrade is deemed remote over the next 12-18 months.

Rating history

Date	Rating action	Issuer rating & Outlook
29 Sep 2023	Upgrade	A-/Positive
31 Mar 2023	Under-review placement	BBB+/Under review for a possible upgrade
29 Jun 2022	Outlook change	BBB+/Positive

Ratings & Outlook

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

Analysts

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Related Methodologies

General Corporate Rating Methodology; July 2022

European Utilities Rating Methodology; March 2023

Government Related Entities Methodology; July 2023

Related Research

European utilities: continued electricity price hedging promises producer gain, consumer pain, Apr 2023

Nordic utilities: north-south price gap benefits southern generators; TSOs also gain, Nov 2022

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Bloomberg: RESP SCOP

Rating and rating-change drivers

Positive rating drivers	Negative rating drivers
• Profitable and cost-efficient hydro power production (positive ESG factor), with assets in good locations with high precipitation • Strong market position across segments, but highlighted by monopolistic-like position within regulated distribution • Strong profitability, as measured by both Scope-adjusted EBITDA margin and Scope-adjusted ROCE • Long-term, supportive, and committed municipal owners, warranting a one notch uplift under Scope's GRE methodology • Strong current and projected financial flexibility despite expectations of ambitious capex programme and substantial shareholder remuneration	• Limited geographical diversification in different pricing areas and some asset concentration risk in power production • Power price exposure and the volatility of its unhedged power production • Excecution risk related to an ambitious capex programme in the medium term

Positive rating-change drivers	Negative rating-change drivers
• Scope-adjusted debt/EBITDA of around 1.0x or below, and a Scope-adjusted EBITDA margin of around 60% sustained • Increasing share of stable and more efficient distribution business, which could improve the business risk assessment	• Outlook revision: Non-materialisation of leverage around 1.0x and a Scope-adjusted EBITDA margin of around 60% sustained

Corporate profile

Eviny AS (former BKK AS) is a Norwegian utility company operating in southwestern Norway. Most of its operations revolve around the production and distribution of hydro power. It also offers broadband services, district heating and other energy-related services, and is a minority shareholder in several other Norwegian utilities. Eviny also pursues adjacent ventures that are considered sustainable and where it can leverage its existing expertise. For instance, it is involved in four wind power plants that are currently under development, as well as a growing fast charging operation for electrical vehicles. In 2022, it opened its first fast chargers abroad and in Norway it has a 24% market share in fast chargers (ex. Tesla).

In 2022, Eviny reported a record high topline of EUR 1.2bn, an EBITDA of EUR 743m, a hydro production of 7,700 TWh and distributed 15,600 GWh of power to 268,000 end-customers through 22,000 km of regulated networks.

Eviny AS is majority owned by 17 municipalities (54.6%), which together constitute the company's primary market. The remaining shares are held by state-owned Statkraft AS (43.4%), Tysnes Kraftlag (1.7%) and Etne Elektrisitetslag (0.35%).

Financial overview

			Scope estimates		
Scope credit ratios	**2021**	**2022**	**2023E**	**2024E**	**2025E**
Scope-adjusted EBITDA/interest cover	26.8x	30.0x	16.1x	14.2x	13.9x
Scope-adjusted debt/EBITDA	2.0x	0.8x	1.2x	1.4x	1.4x
Scope-adjusted FFO/debt	46%	91%	10%	36%	40%
Scope-adjusted FOCF/debt	25%	49%	-4%	4%	20%
Scope-adjusted EBITDA in NOK m					
EBITDA	4,633	7,806	6,863	6,446	6,360
Other items[1]	0	324	550	350	250
Scope-adjusted EBITDA	**4,633**	**8,130**	**7,412**	**6,796**	**6,610**
FFO in NOK m					
Scope-adjusted EBITDA	4,633	8,130	7,412	6,796	6,610
less: (net) cash interest paid	-122	-202	-398	-416	-413
less: cash tax paid per cash flow statement	-133	-1,746	-6,094	-2,769	-2,417
less: pension interest	-51	-69	-62	-62	-62
Other non-operational cash flows	-24	44	0	0	0
FFO	**4,303**	**6,157**	**858**	**3,549**	**3,718**
FOCF in NOK m					
FFO	4,303	6,157	858	3,547	3,718
Change in working capital	-964	-956	1,254	-629	645
less: capital expenditure (net)	-915	-1,815	-2,400	-2,400	-2,400
less: lease amortisation	-96	-85	-85	-85	-85
FOCF	**2,328**	**3,301**	**-373**	**435**	**1,877**
Net cash interest paid in NOK m					
Net cash interest per cash flow statement	122	202	398	416	413
add: pension interest	51	69	62	62	62
Net cash interest paid	**173**	**271**	**460**	**478**	**475**
Scope-adjusted debt in NOK m					
Reported gross financial debt	12,798	11,108	11,833	12,225	12,417
less: cash and cash equivalents	-3,759	-4,465	-3,102	-2,613	-3,365
add: non-accessible cash	0	0	0	0	0
add: pension adjustment	220	131	192	192	192
Other items	0	0	0	0	0
Scope-adjusted debt	**9,259**	**6,774**	**8,923**	**9,804**	**9,244**

[1] Recurring dividends from long term associated companies included in Scope-adjusted EBITDA from 2022.

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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)	

Legend

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

ESG profile supportive of market position, profitability, cash flow and access to liquidity

As a hydropower producer, Eviny has a favourable ESG profile, highlighted by very efficient generation and far below-average carbon intensity of 28g CO_2e/kWh (vs. a European average of more than 250g CO_2e/kWh). Such a strong position should support future cash flow generation and access to funding through high utilisation of its hydro assets and lower the risk of headwinds from regulation and political interference.

In addition, the Norwegian government relies heavily on regulated distributors to reach its stated climate goals[3] by 2030. This is because those goals rely heavily on new intermittent generation and the electrification of Norwegian industry, both of which will lead to an increased strain on power grids. Eviny has shown that it will honour its role in achieving these goals, as one of Norway's largest regulated power distributors, by investing heavily in its power grids over the medium term. We believe this also solidifies Eviny's status as a government-related entity (GRE).

Regulatory and reputational risks evident in 2022

Norwegian utilities generally have sustainable profiles but are still subject to regulatory and reputational risks. This became clear during 2022, when extraordinarily high electricity prices brought attention to Norway's publicly-owned power sector. It was further exemplified in September 2022, when the government imposed a temporary windfall tax because of the soaring prices and permanently raised the resource rent tax rate on hydro generation assets.

Satisfactory governance

Eviny has a well-integrated ESG framework and ambitions, including publication of taxonomy data in its 2022 accounts, despite it not being mandatory before next year. Beyond that, it applies the governance principles recommended in Norwegian market standards and we did not see any negative credit-relevant factors relating to corporate governance.

[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.
[3] www.regjeringen.no/en/aktuelt/norways-new-climate-target-emissions-to-be-cut-by-at-least-55-/id2944876/

Business risk profile: BBB

Blended industry risk profile: BBB-

Eviny is vertically integrated and horizontally diversified. Its EBITDA is therefore a combination of EBITDA from power generation, regulated distribution and telecoms/broadband (Figure 1).

Each of these segments have their own distinct industry risk fundamentals, and we therefore apply a blended industry risk profile for Eviny as a whole. Last year, we adjusted Eviny's industry risk down one notch, to BBB-, following increased EBITDA contribution from unregulated generation.

Using our updated normalised EBITDA contribution assessment, we see that this is still appropriate as unregulated generation still contributes the majority of current and projected EBITDA.

Segment	Industry risk	Normalised exposure
Unregulated generation	BB	74%
Regulated grid operations	AA	20%
Telecom / broadband	A	5%
Other ventures	BBB	1%
Blended industry risk	**BBB-**	

10-year mean production of 7.7 TWh at year-end 2022

Eviny's hydro power producing assets had a 10-year mean production of 7.7 TWh and an actual production of 7.7 TWh at year-end 2022. However, in H1 2023 its production was down compared to the same period last year and we expect a full year 2023 production below the 10-year mean.

Gross Norwegian hydropower production down to 146 TWh in 2022

The Norwegian hydropower system had a total production of 146 TWh in 2022. This is lower than in recent years, when production has been above 150 TWh. The main driver behind this was low reservoir levels going into 2022 and lower consumption in the face of surging power prices.

Regional player with 4.4% estimated market share

Excluding minority stakes,[4] its own production is estimated at 6.8 TWh. This translates to a 4.4% market share of Norway's total hydropower production in 2022 (Figure 2). This is slightly up from 4% last year. But we still consider Eviny to be a regional player. We also continue to note that when assessing the market position and credit quality of a producer, size is less important than the position and adeptness of its generating assets.

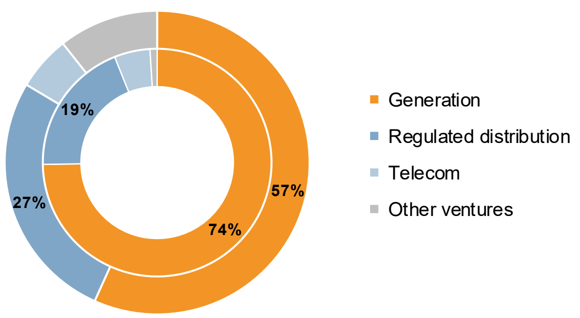
Low-emission, adept and favourably located assets considered a credit positive

Eviny's has 39 majority-owned power assets which are adept and hold favourable positions in the merit order system. The latter are exemplified by a carbon intensity of only 28g CO_2e/kWh (compared to the European average of more than 250g CO_2e/kWh). Further, the assets are favourably located for hydro power production, as the west coast of Norway generally sees above-average rainfall per year (~2,250 mm per year compared to a European average of ~650 mm). Eviny has a reservoir capacity of 28% of its mean production and can leverage this by optimising production towards times with high prices, such as peak-load hours. It also provides it with flexibility in its generation, during times of low rainfall. We consider this a credit positive aspect of Eviny's operation which could become increasingly beneficial in the longer-term as a growing share of intermittent production in the Nordics and Europe increases the value of flexible production capabilities.

[4] Mainly from its 38.4% share in generator Sunnhordland Kraftlag AS

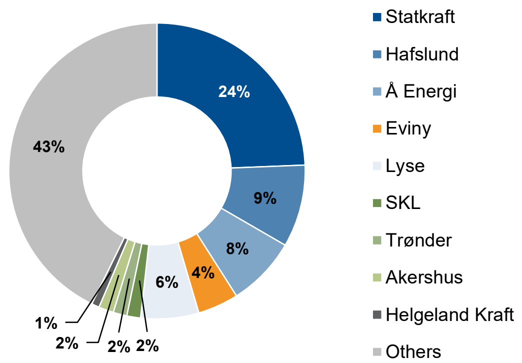
Lastly, we note some concentration risk in Eviny's hydro power production assets. With a total generation capacity of about 1,500 MW the top three largest plants contribute over 43%. Further, looking at the five largest, the figure increases to 58%. Albeit unlikely, this means that a potential stand-still in any of these plants would have a material impact on Eviny's cash flows.

Figure 1: Business segment normalised revenue (outer ring) and EBITDA contribution (inner)



Sources: Eviny, Scope

Figure 2: Adjusted market shares, Norwegian hydro power producers, FY 2022



Sources: Eviny, Scope

22,000 km of regulated distribution networks on Norway's west coast

Despite being smaller in terms of EBITDA contribution, the company's regulated distribution greatly benefits Eviny's market position. Through subsidiary BKK AS, Eviny has a monopoly-like position as one of Norway's largest regulated distributors. As of 2022 it had an estimated market share of 9% (based on ~3m connection points). Further, its concession area of Vestland County has over 600,000 inhabitants and includes Norway's second largest city, Bergen. This is considered favourable in terms of both population and economic growth. The customers are also favourably split with approximately 55% being private households and 45% corporations. This makes demand less cyclical, as private households are not likely to reduce consumption to the same extent as corporations, should prices increase. The company has a well-diversified supplier and customer base, although we note some concentration risk for generated volumes sold through long-term industry contracts. At the same time, if these contracts would be cancelled, the volumes could be sold to spot prices which likely will limit any negative cash flow effect.

We note, but do not overemphasise, that Eviny's grid operation is limited to its regulated concession area on Norway's west coast. As Eviny enjoys a state-regulated monopolistic market position for its distribution, geographical outreach is not as crucial as for other corporates.

Regulated distribution, a stabilising force for the overall business

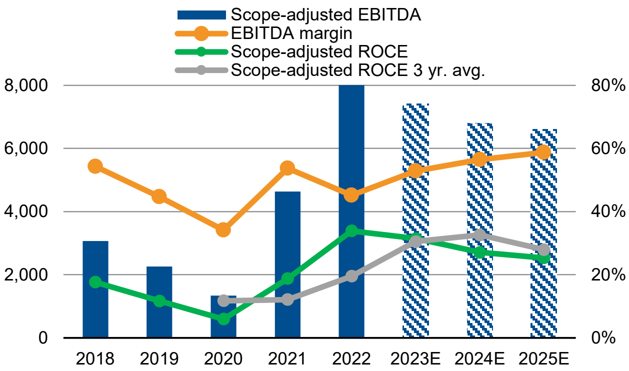
The regulatory framework for power distribution in Norway allows for timely cost coverage. This means that underlying profitability and cash flow are dictated by state-set tariffs rather than short-term market fluctuations. Eviny's distribution is therefore considered a stabilising force and a robust source of cash flow for the overall business.

Eviny's operations are growing within telecoms, district heating and fast chargers for electrical vehicles. Whilst telecoms have grown to contribute 5% of Eviny's normalised EBITDA, district heating and fast charging are still minor compared to the overall operation. We favourably note this increased diversification, but do not place great weight on it for the time being.

2022 profitability down due to realised losses on hedged positions

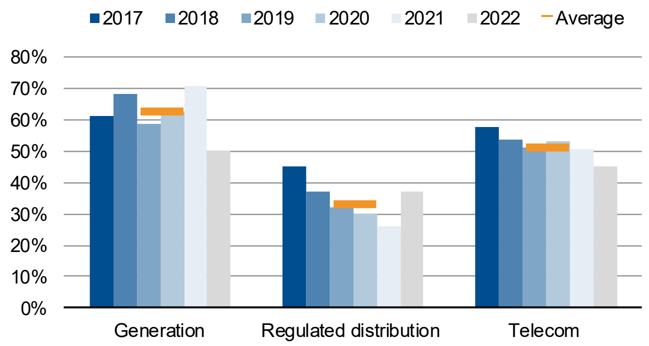
Eviny's profitability is still a key strength in its business risk profile and its hydropower generation generally fetches EBITDA margins around 60%. However, 2022 was affected by realised losses on financial hedges amounting to NOK 4.9bn, leading to a year-end EBITDA margin of 45% (54% in 2021). The large realised losses in 2022 are somewhat of a one-off, as they result from Eviny shifting 2.2 TWh of pre-sold volumes from financial to bilateral contracts, to mitigate the increasingly negative liquidity effect from margin deposits and higher net working capital requirements. In addition, the Norwegian government's newly imposed tax scheme only recognises spot prices, or prices from bilateral agreements, in its tax calculations. Hence, following the tax change, companies using financial hedges risk having to pay taxes based on high spot prices while in reality receiving a lower hedged price. So although it hurt short-term profitability, it is unlikely to happen again, and the decision will supply greater stability and predictability to future earnings.

Figure 3: Scope-adjusted EBITDA (NOK, lhs), EBITDA margin (%, rhs) and Scope-adjusted ROCE (%, rhs)



Sources: Eviny, Scope (estimates)

Figure 4: Historical segment EBITDA-margins (as reported)



Sources: Eviny, Scope

Lower hedge ratios and less negative effects from legacy hedges will improve profitability

Going forward, we believe that pricing region NO5 spot prices will decline but remain well above historical averages of about EUR 30/MWh. This, coupled with a decreasing hedge ratio, and older hedges rolling out of Eviny's hedge portfolio, will enable it to capitalise on elevated spot prices. With an EBITDA margin of around 60% from its generation (Figure 4), this will increase profitability and generate strong cash flows for Eviny, despite lower prices than in 2022.

Favourable outlook for regulated distribution

Also supporting medium-term profitability is a favourable outlook for its regulated distribution. The annual revenue cap for Norwegian distributors is decided in the beginning of each year by The Norwegian Water Resources and Energy Directorate (NVE). This cap is meant to cover the estimated costs of grid operation and depreciation of the grid capital, and at the same time give a reasonable return on invested capital, given efficient grid operations. This means that the rising energy prices, interest rates and inflation seen in 2022 are not yet reflected in Eviny's revenue cap. In addition, with an increasing grid efficiency (99.9% at year-end 2022) and increasing grid capital from high projected investments, we project a substantial increase in profitability from Eviny's regulated distribution in the coming years.

Best in class EBITDA margins and Scope-adjusted ROCE projected for 2023-25E

In sum, we project average EBITDA margins of 56% and average Scope-adjusted ROCE of 25% in the medium term. We consider this to be strong and place Eviny's profitability assessment among the most profitable Nordic and European utilities.

Financial risk profile: A-

Sustained higher power prices to drive conservative financial profile

The financial risk profile, upgraded to A- from BBB+, continues to support Eviny's strong credit rating. It is driven by the company's low Scope-adjusted debt/EBITDA, robust interest cover and solid internal financing ability over time. At the same time, it is somewhat constrained by projected high tax payments, higher-than-historical dividend payments as well as expected high investment in its grid operation, all of which are projected to put downwards pressure on cash flows in 2023/24E (Figure 6). However, our view is that power prices will remain at higher levels than historically and enable Eviny to manage these pressures and at the same time sustain a conservative financial profile.

2022: surging prices, changing regulatory framework and more

2022 was an extraordinary year in the Norwegian and European utilities sector with average power prices in southern Norway of around EUR 190/MWh (bidding zone NO1/2/5 in Figure 5). The level compares to EUR 75/MWh in 2021 (which was considered high at the time) and an average of around EUR 30/MWh historically. As a reaction, the government introduced in September 2022 a temporary surcharge of 23% for volumes sold at prices above EUR 70/MWh (in place through 2024). It also raised the effective resource rent tax rate for hydropower generation permanently to 45% from 37%, taking the overall effective marginal tax rate to 67%. Eviny paid NOK 364m in surcharges and saw its effective tax rate increase from 70% in 2021 to 84% in 2022.

Assumptions & adjustments

Looking forward, we have made the following assumptions and adjustments to form our updated basecase:

- Updated price scenario: our estimated prices in bidding zone NO5 will fall from EUR 80/MWh in 2023E to around EUR 70/MWh in 2025E.
- Assumed lower-than-mean production levels for 2023E, followed by mean production in 2024/25E.
- Assumed increased taxes; following the new tax scheme for Norwegian utilities where the resource rent tax is higher and Eviny must pay an additional surcharge on sales made above EUR 70/MWh until year-end 2024E.
- Assumed increasing interest costs; following the rapid increase in the three-month Norwegian interbank rate which is used as the reference rate for most of Eviny's financing.
- Assumed higher-than-historical dividends; 2023E dividends have been announced and we have assumed Eviny will follow its dividend policy for 2024/25E.
- Assumed higher-than-historical capital expenditures, averaging NOK 2.4bn per year, mainly related to Eviny's regulated distribution.

Project Scope-adjusted debt to gradually increase to around NOK 9bn by 2025E.

Our updated projections show that despite its solid historical internal financing ability, as measured by Scope-adjusted FOCF/debt, will remain structurally neutral to positive over time. As we do not expect dividend payments or capex to be adjusted significantly at current leverage levels to avoid an expansion of net debt, we see a gradual increase in Scope-adjusted debt to around NOK 9bn by 2025E. At the same time, we do not expect any large capex increase even if power prices are higher than those assumed in our base case.

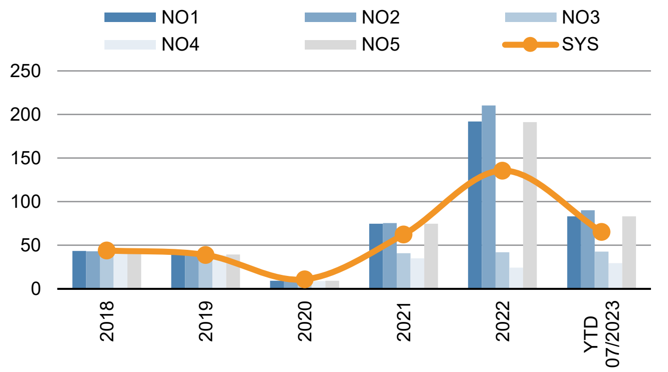
Cash flow positively affected by higher market prices

Although we expect a lower hedge ratio going forward, Eviny's business diversity and contribution from regulated distribution help somewhat to stabilise EBITDA and cash flow. Still, the soaring prices translate to inflated cash flows. Both FFO and FOCF are positively affected by higher market prices. FOCF is closer to historical averages than FFO, as we see higher-than-historical investments in the medium term. Lastly, we see discretionary cash flow turning negative in 2023/24E, due to the timing of taxes paid and expectations that Eviny will uphold its dividend policy of around 70% of the preceding years' net income.

NOK 6bn in paid cash tax estimated in 2023E

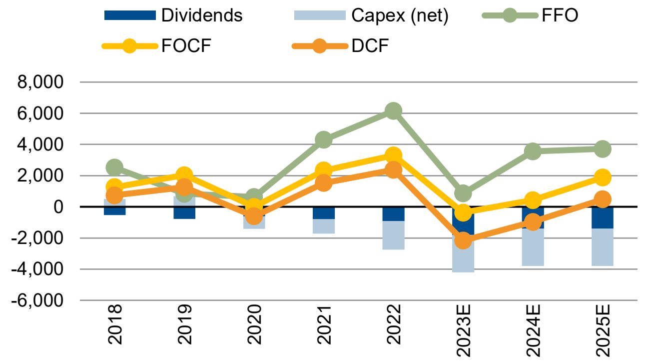
We therefore highlight that cash flows in Figure 6 may appear more volatile than the underlying performance. For instance, we estimate around NOK 6bn (vs. historical average of NOK 850) in cash taxes will be paid in 2023E, based on 2022's performance.

Figure 5: Nordic system price (SYS) and Norwegian power prices (EUR/MWh) by bidding zone



Source: Nord Pool, Scope

Figure 6: Cash flow profile (NOKm)



Sources: Eviny, Scope (estimates)

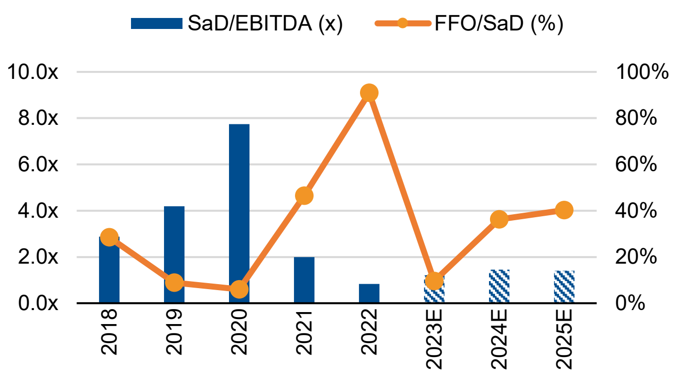
Debt protection to remain strong

Debt protection metrics, as measured by Scope-adjusted EBITDA interest cover, has been very strong in recent years. However, as Eviny only has an estimated 33% fixed rate financing it is exposed to the currently rising interest rates. So, despite a full-year 2022 interest cover of 28.8x, we project a sharp increase in Scope-adjusted interest as the full-year effects of 2022's interest rate hikes are reflected in Eviny's predominantly floating rate financing. Further, we expect a slight increase in gross interest-bearing debt, from low 2022 levels. Still, we expect coverage to comfortably remain between 13.0x-15.0x in the medium term, which we consider to be strong.

Expect Eviny to leverage high prices and its strong year-end 2022 financial profile

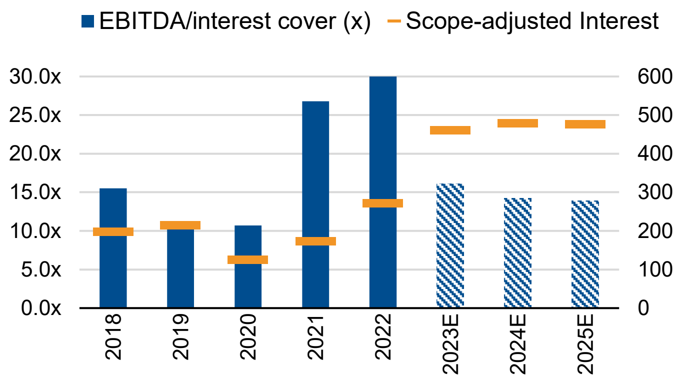
Leverage (including the outlook), as measured by Scope-adjusted debt/EBITDA, has improved significantly from our last review. Despite pursuing a dynamic hedging strategy, Eviny has a leverage which varies quite significantly with the prevailing energy price level. As exemplified by the large differential from 2020 (low prices) to 2021 (higher prices). The same effect is observed in 2022 as full-year leverage came in at a very strong 0.9x. Our expectation is that energy prices will remain above historical averages and that Eviny will utilise this, and its strong year-end 2022 financial profile, to pursue higher investments whist sustaining a higher tax burden and upholding its dividend policy. The results in a strong leverage projection of 1.0x-1.5x in the medium term.

Figure 7: Scope-adjusted leverage



Sources: Eviny, Scope (estimates)

Figure 8: Interest cover (x, lhs) & Scope-adjusted interest (NOK m, rhs)



Sources: Eviny, Scope (estimates)

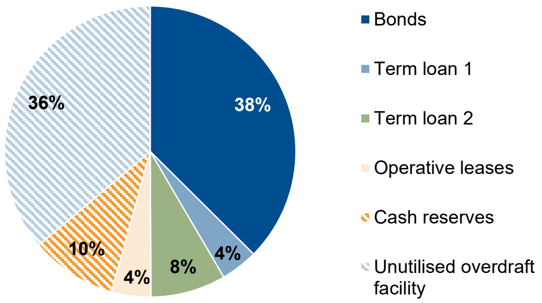
Increased committed facilities to NOK 6.5bn, from NOK 2.5 bn in 2021

As 2022 progressed, Eviny saw increasing net working capital requirements, as surging energy prices increased margin deposits and inflated both accounts payable and receivables. To mitigate this, Eviny increased its committed credit lines to NOK 6.5bn, from NOK 2.5bn in 2021. However as prices declined and margin deposits were released the company found itself with a record high year-end cash reserve of NOK 4.5bn. This was down to NOK 1.7bn at H1 2023, driven by NOK 2.1bn in tax payments, NOK 1.8bn in dividends and debt repurchases.

Diverse range of funding sources

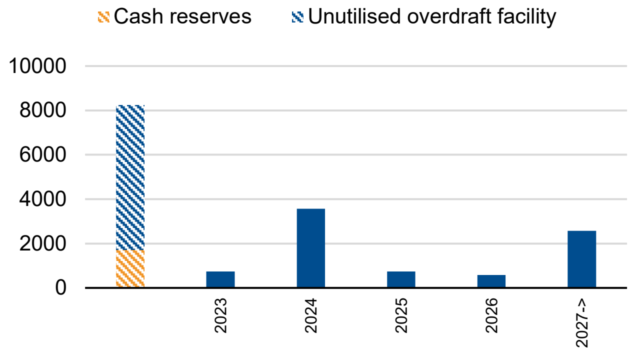
Eviny has access to a diverse range of funding sources including bonds, overdraft facilities and commercial papers, helped by its investment grade credit rating and municipal ownership. 2024 sees two bonds at around 1.8bn and a NOK 1.5bn term loan mature. We expect the company to comfortably repay the two bonds and roll its term loan. Further, our base case expects Eviny to continue to use bonds, certificates and its short-term facilities to balance net cash flows.

Figure 9: Funding sources, H1 2023



Sources: Eviny, Scope

Figure 10: Debt maturity profile, H1 2023 (NOK m)



Sources: Eviny, Scope

Adequate liquidity

Eviny's liquidity is still adequate, with liquidity (internal and external) cover of over 2x for 2023-2025E. Short-term debt largely comprises of commercial paper and utilisation of Eviny's committed NOK 6.5bn credit line.

Balance in NOK m	2022	2023E	2024E
Unrestricted cash (t-1)	3,759	4,465	3,102
Open committed credit lines (t-1)	2,500	6,500	6,500
FOCF (t)	3,301	-373	435
Short-term debt (t-1)	1,889	4,265	4,608
Coverage	**> 200%**	**> 200%**	**> 200%**

Supplementary rating drivers: +1 notch

Government-related entity status calls for a one-notch uplift from the BBB+ standalone credit assessment

Eviny is majority owned by 17 municipalities (54.51%). Using our Government Related Entity Rating Methodology, we apply a bottom-up approach to assess Eviny's parental support.

We expect a high capacity and medium willingness of the owners to provide financial support if needed. We therefore maintain a one-notch uplift based on parent support.

No adjustment for financial policy

We make no adjustment for financial policy. Still, we note that management has announced that the dividend ratio over time should be 70%, but that it can deviate if investment needs put pressure on the capital structure.

Long-term and short-term debt ratings

Senior unsecured debt rating: A-

The senior unsecured debt rating is upgraded to A-, in line with the issuer rating.

Short-term debt rating: S-1

The short-term rating is upgraded to S-1, reflecting the issuer rating, good short-term debt coverage, as well as good access to both bank loans and debt capital markets.

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