

Tear Sheet:

Ellevio AB

July 17, 2025

This report does not constitute a rating action.

Ellevio continues to operate under a regulatory framework we view as supportive. The regulatory framework for Swedish electricity distribution system operators (DSOs) enables the network to recover in full and in a timely manner its costs. However, S&P Global Ratings considers the framework as more unpredictable than that of other countries with strong assessments, because of Ellevio's history of recurring court cases that increase uncertainty about final remuneration. In addition, increasing political concerns regarding affordability in the country, as evidenced by several ordinances issued by the government regarding the calculation of the weighted average cost of capital (WACC) and networks' ability to carry over deficits, could also impair DSOs' remuneration. However, we expect the pre-tax real WACC of 4.53% for the fourth regulatory period running 2024-2027, as well as the growing regulated asset base in line with the updated catalogue prices and adjusted with Building Cost Index will support material EBITDA growth to about Swedish krona (SEK) 6.2 billion in 2027 from SEK4.5 billion in 2024. We will, however, monitor the process and proposal for the fifth regulatory period, given that any material change that could reduce remuneration, increase misalignment among stakeholders, or hinder improvements relative to the increasing challenges power grids face to support the energy transition could lead us to revise our regulatory assessment or our business risk profile. Please refer to "[Sweden's Electricity Distribution Regulatory Framework: Supportive](#)," July 9, 2025, for more information.

We expect Ellevio to reduce its headroom under the ratio of funds from operations (FFO) to senior debt, due to a high shareholder distribution in 2025 and increasing investments.

Ellevio's shareholder loan has been in place since 2015 with a principal amount of SEK17.115 billion. Since the beginning Ellevio has accrued SEK7.8 billion of interest, leading to a total shareholder loan amount of SEK24.5 billion as of end-2024. We expect Ellevio to pay up to SEK6.5 billion shareholder remuneration in 2025, composed of SEK1.4 billion interest on the shareholder loan and SEK5 billion previously accrued interest, which would lead to the shareholder loan amounting to SEK19.5 billion by the end of 2025 and gradually reducing to SEK17.115 billion as Ellevio gradually repays accrued interest over the forecast period. On top of this, we expect capital expenditure (capex) to grow to about SEK7.5 billion by 2027 from SEK4.2 billion in 2024 and to continue growing during the regulatory period RP5 (2028-2031) as Swedish electrification is accelerating. This will pressure metrics with FFO to senior debt remaining around 7% over 2025-2026 and dipping to about 6.5% from 2027, 50 basis points above our current threshold. Ellevio's shareholders' commitment to maintain the rating at the current level

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is demonstrated by Ellevio not paying shareholder remuneration over 2019-2023 to focus on investing in the Swedish energy transition.

Structural features in the senior secured debt continue to support the rating. Ellevio is the borrower under a ring-fenced structure with two classes of debt: senior class A and subordinated class B.

Under our methodology we look at:

- The senior debt ratios to determine the class A debt rating, which is one notch above the senior credit quality, or the 'bbb-' stand-alone credit profile (SACP); and
- The consolidated debt ratios to determine the class B (total debt) rating, which is two notches below the class A debt or the same as the 'bb+' consolidated SACP, whichever is lower.

Recent Research

- [Sweden's Electricity Distribution Regulatory Framework: Supportive](#), July 9, 2025
- [Swedish Electricity Network Ellevio AB Class A 'BBB' Rating And Class B 'BB+' Issue Ratings Affirmed](#), Oct. 29, 2024
- [Ellevio AB](#), July 23, 2024

Company Description

Together with Vattenfall and E.ON, Ellevio is one of the three largest electricity DSOs in Sweden. Its market share, in terms of customers, is about 18%. It has about 970,000 customers and operates in six Swedish regional areas, with most of its customers in the Stockholm area. In total, it has about 80,000 kilometers of power lines. As well as delivering electricity, Ellevio is responsible for maintaining and developing its network.

The Swedish government and the Energy Markets Inspectorate regulate all of Ellevio's operations, primarily through the Swedish Electricity Act and different ordinances. In 2024, the company reported sales of SEK8.4 billion and EBITDA of SEK4.54 billion (€410 million).

Ellevio is owned by Omers Infrastructure Holdings (50%), Third Swedish National Pension Fund (20%), AMF (12.5%), and Folksam (17.5%).

Outlook

The stable outlook reflects our expectation that Ellevio's EBITDA and FFO will increase gradually over 2025-2027 on the back of higher WACC for RP4 (2024-2027) and the large regulatory deficit from RP1 (2012-2015) and RP2 (2016-2019) to be recovered in RP4. We expect FFO to senior debt of around 7% over 2025-2026, dipping to about 6.5% at the end of RP4, and debt to EBITDA close to 10x for all debt, including subordinated debt. The stable outlook also reflects our expectation that Ellevio has the flexibility to adjust shareholder remuneration to protect the ratings.

Downside scenario

We could lower the ratings if FFO to debt falls below 6% or debt to EBITDA rises above 10x for the senior debt. This would most likely be triggered by a reduction in Ellevio's flexibility in its

financial policy, for example if it increases shareholder remuneration and capex more than what we currently expect. We could lower the subordinated debt rating if debt to EBITDA rises above 12x at the consolidated level, including subordinated debt.

We could also lower the ratings should we view a weakening of the business risk profile that would materialize through a framework for the future periods that we would view as unsupportive of the challenges networks will face throughout the energy transition.

Upside scenario

We are unlikely to take a positive rating action on Ellevio because we believe there is limited headroom under the ratings.

Key Metrics

Ellevio AB--Forecast summary On Senior Debt

Period ending	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
(Mil. SEK)	2021a	2022a	2023a	2024a	2025e	2026f	2027f
Revenue	7,257	7,659	8,391	8,394	9,070	9,843	10,241
EBITDA	3,832	4,051	4,760	4,673	5,345	5,939	6,358
Less: Cash interest paid	(1,175)	(1,174)	(1,218)	(1,639)	(1,930)	(2,302)	(2,597)
Less: Cash taxes paid	(44)	(15)	(62)	(25)	(45)	(49)	(55)
Plus/(less): Other	--	--	--	--	--	--	--
Funds from operations (FFO)	2,613	2,862	3,479	3,008	3,370	3,588	3,706
Cash flow from operations (CFO)	3,743	3,762	3,206	2,441	4,067	4,372	4,242
Capital expenditure (capex)	3,590	3,249	3,845	4,212	5,608	6,771	7,651
Free operating cash flow (FOCF)	153	513	(639)	(1,771)	(1,541)	(2,399)	(3,409)
Dividends	--	--	1,003	1,944	6,500	1,500	1,500
Discretionary cash flow (DCF)	153	513	(1,642)	(3,715)	(8,041)	(3,899)	(4,909)
Debt	39,946	39,401	41,304	43,869	47,584	51,372	56,286
Capex (reported)	3,590	3,249	3,845	4,212	5,608	6,771	7,651
Adjusted ratios							
Debt/EBITDA (x)	10.4	9.7	8.7	9.4	8.9	8.6	8.9
FFO/debt (%)	6.5	7.3	8.4	6.9	7.1	7.0	6.6
FOCF/debt (%)	0.4	1.3	(1.5)	(4.0)	(3.2)	(4.7)	(6.1)
DCF/debt (%)	0.4	1.3	(4.0)	(8.5)	(16.9)	(7.6)	(8.7)
EBITDA margin (%)	52.8	52.9	56.7	55.7	58.9	60.3	62.1

Financial Summary

Ellevio AB--Financial Summary On Total Debt

Period ending	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024
Reporting period	2019a	2020a	2021a	2022a	2023a	2024a
Display currency (mil.)	SEK	SEK	SEK	SEK	SEK	SEK
Revenues	6,810	6,790	7,257	7,659	8,391	8,394
EBITDA	3,986	3,740	3,832	4,051	4,760	4,673
Funds from operations (FFO)	2,756	2,599	2,613	2,862	3,479	3,008
Interest expense	1,176	1,178	1,191	1,226	1,268	1,660
Cash interest paid	1,161	1,127	1,175	1,174	1,218	1,639
Operating cash flow (OCF)	3,837	3,105	3,743	3,762	3,206	2,441
Capital expenditure	3,897	3,449	3,590	3,249	3,845	4,212
Free operating cash flow (FOCF)	(60)	(344)	153	513	(639)	(1,771)
Discretionary cash flow (DCF)	(60)	(344)	153	513	(1,642)	(3,715)
Cash and short-term investments	20	14	12	14	32	80
Gross available cash	20	14	12	14	32	80
Debt	39,217	39,667	39,946	39,401	41,304	43,869
Common equity	28,273	29,976	32,309	34,696	35,415	34,033
Adjusted ratios						
EBITDA margin (%)	58.5	55.1	52.8	52.9	56.7	55.7
Return on capital (%)	2.5	2.7	2.9	3.0	4.3	4.1
EBITDA interest coverage (x)	3.4	3.2	3.2	3.3	3.8	2.8
FFO cash interest coverage (x)	3.4	3.3	3.2	3.4	3.9	2.8
Debt/EBITDA (x)	9.8	10.6	10.4	9.7	8.7	9.4
FFO/debt (%)	7.0	6.6	6.5	7.3	8.4	6.9
OCF/debt (%)	9.8	7.8	9.4	9.5	7.8	5.6
FOCF/debt (%)	(0.2)	(0.9)	0.4	1.3	(1.5)	(4.0)
DCF/debt (%)	(0.2)	(0.9)	0.4	1.3	(4.0)	(8.5)

Peer Comparison

Ellevio AB--Peer Comparisons			
	Ellevio AB	Elenia Verkko Oyj	Caruna Networks Oy
Foreign currency issuer credit rating	--	--	BBB/Stable/--
Local currency issuer credit rating	--	--	BBB/Stable/--
Period	Annual	Annual	Annual
Period ending	2024-12-31	2024-12-31	2024-12-31
Mil.	SEK	SEK	SEK
Revenue	8,394	4,118	5,861
EBITDA	4,673	2,793	4,100
Funds from operations (FFO)	3,008	2,173	3,066

Ellevio AB--Peer Comparisons

Cash interest paid	1,639	591	970
Operating cash flow (OCF)	2,441	2,233	2,718
Capital expenditure	4,212	1,244	903
Free operating cash flow (FOCF)	(1,771)	989	1,814
Discretionary cash flow (DCF)	(3,715)	(192)	1,048
Cash and short-term investments	80	490	810
Debt	43,869	21,713	8,075
EBITDA margin (%)	55.7	67.8	70.0
Return on capital (%)	4.1	8.3	7.9
EBITDA interest coverage (x)	2.8	5.0	4.7
FFO cash interest coverage (x)	2.8	4.7	4.2
Debt/EBITDA (x)	9.4	7.8	6.8
FFO/debt (%)	6.9	10.0	10.9
OCF/debt (%)	5.6	10.3	9.7
FOCF/debt (%)	(4.0)	4.6	6.5
DCF/debt (%)	(8.5)	(0.9)	3.7

Liquidity

We view Ellevio's liquidity as adequate because we believe its liquidity sources will exceed its near-term cash outflows by 1.0x in the 12 months started June 30, 2025. We continue to view positively the company's sound relationships with banks, satisfactory standing in the credit markets, and likely ability to absorb high-impact, low-probability events with limited refinancing. We assume that Ellevio will maintain adequate headroom under its financial covenants.

Principal liquidity sources

- Cash and liquid investments of SEK4 billion as of July 1, 2025;
- Access to committed credit lines of about SEK11 billion maturing in more than 12 months; and
- Forecast FFO of about SEK4 billion.

Principal liquidity uses

- Capex of about SEK6.2 billion;
- Debt repayment of about SEK500 million; and
- Shareholder remuneration of about SEK6.5 billion, including payment of previously accrued interest on the shareholder loan.

Covenant Analysis

Requirements

The credit facility contains covenants for lock-up of 10.75x; and for default, stipulating debt to EBITDA of 12x and interest coverage of 1.7x and 1.2x for senior debt. It also contains lock-up and default covenants for total debt, with debt to EBITDA at 11.9x and 13.0x, respectively.

Compliance expectations

Ellevio complies with the debt-maturity limitations in the documentation and has met all its financial covenants historically. We expect Ellevio to comply with financial covenants over 2025-2027 with:

- Senior debt to EBITDA around 8.5x-9.0x;
- EBITDA interest coverage for senior debt higher than 2.5x and
- Total debt to EBITDA around 9.5x-10.0x.

Issue Ratings--Subordination Risk

Capital structure

Ellevio is the operating company in the Ellevio group, which comprises four holding companies. The ultimate owners are Omers Infrastructure Holdings, Third Swedish National Pension Fund, AMF, and Folksam. Following debt refinancing, Ellevio and its immediate holding company, Ellevio Holding 4 AB, have formed a ring-fenced financing structure, with Ellevio as the borrower. We rate Ellevio's senior secured debt one notch higher than Ellevio's SACP because of structural features designed to increase cash flow certainty for the debtholders. These features include:

- Restrictions on mergers, acquisitions, and asset disposals, and a share pledge over the assets and shares of the operating and holding company (to the extent allowed by legislation). Security over fixed assets, such as real property, and business mortgages are, however, not material in relation to secured debt.
- Dividend- and debt-restricted payment conditions and a covenanted liquidity structure that should, in our opinion, allow Ellevio's financing group to manage temporary cash flow shocks.
- An automatic 12-month standstill period after an event of default, during which time creditors can take control of Ellevio and either aim for operational recovery or sell the shares in the operating and immediate holding company.
- Prudent management of foreign exchange, refinancing, and counterparty risks.

Rating Component Scores

Class A issue credit rating	BBB/Stable
Business risk	Excellent
Country risk	Very Low
Industry risk	Very Low
Competitive position	Strong
Financial risk	Aggressive
Cash flow/leverage	Aggressive (Low Volatility Table)
Anchor	bbb
Diversification/portfolio effect	Neutral
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Adequate
Management and governance	Neutral

Rating Component Scores

Class A issue credit rating	BBB/Stable
Comparable rating analysis	Negative (-1 notch)
Stand-alone credit profile	bbb-
Structurally Enhanced Debt	+1 notch
Class B issue credit rating	BB+/Stable
Business risk	Excellent
Country risk	Very Low
Industry risk	Very Low
Competitive position	Strong
Financial risk	Highly Leveraged
Cash flow/leverage	Highly Leveraged (Low Volatility Table)
Anchor	bbb-
Diversification/portfolio effect	Neutral
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Adequate
Management and governance	Neutral
Comparable rating analysis	Negative (-1 notch)
Stand-alone credit profile	bb+

Related Criteria

- [Criteria | Corporates | General: Corporate Methodology](#), Jan. 7, 2024
- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Jan. 7, 2024
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1, 2019
- [Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings](#), March 28, 2018
- [Criteria | Corporates | Utilities: Rating Structurally Enhanced Debt Issued By Regulated Utilities And Transportation Infrastructure Businesses](#), Feb. 24, 2016
- [Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), Dec. 16, 2014
- [Criteria | Corporates | General: The Treatment Of Non-Common Equity Financing In Nonfinancial Corporate Entities](#), April 29, 2014
- [General Criteria: Methodology: Industry Risk](#), Nov. 19, 2013
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013

- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011
- [General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating](#), Oct. 1, 2010

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