

Tear Sheet:

Elenia Verkko Oyj

September 16, 2025

This report does not constitute a rating action.

We think uncertainty over three ongoing regulatory appeals will weigh on Elenia's business risk profile, which we assess as being at the lower end of "excellent". Elenia currently has three appeals with Finland's Market Court following negative decisions by the country's regulatory authority. We expect the Market Court will come to a ruling on the three appeals before year-end 2026. Following this, the rulings might be further appealed against to the supreme administrative court, which could postpone the final outcomes until 2028.

We consider that these uncertainties reduce the predictability of Elenia's remuneration. This because the company has limited visibility on its ability to adjust tariffs until year-end 2027 or ramp up distribution investments to levels required to electrify society while uncertainties around future revenue generation remain. This is a weakness, in our view, that supports our assessment that Elenia's "excellent" business risk profile is at the lower end of the category.

However, the company has significant means to maintain funds from operations (FFO) to debt above 8% to support the 'BBB' rating on Elenia's senior secured debt. We expect that, through tax optimization, dividend flexibility, and a reduction in investments, FFO to debt will remain above 8% until at least the end of the current regulatory period in December 2027. Nevertheless, we regard Elenia's financial metrics as very sensitive to minimal changes in EBITDA and interest rates, demonstrating the company's limited rating headroom. We note that the company expects to refinance 25% of its outstanding debt stock by the first quarter of 2026.

We are monitoring the company's bond issuance closely. We expect Elenia to refinance the €500 million benchmark bond by the first quarter of 2026 and to use its available €370 million committed lines to support shorter-term refinancing. We therefore expect Elenia will manage its capital structure efficiently so that the debt concentration (the next three years' maturities divided by total debt) remains below 50%. Our forecast expects the company's average interest rate to allow FFO to debt to remain above 8% until at least year-end 2027, when the regulatory period ends.

Recent Research

- [Finnish Distribution Operator Elenia Verkko Oyj 'BBB' Issue Rating Affirmed; Outlook Stable](#), June 27, 2025

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Company Description

Elenia's main business is electricity distribution. It is the second-largest electricity distribution system operator in Finland, behind Caruna Networks Oy. It has a 12% market share and a network of about 76,700 kilometers, serving about 444,000 end users as of June 2025. In 2024, Elenia's S&P Global Ratings-adjusted EBITDA reached €244 million, including International Financial Reporting Standard (IFRS) 15 adjustments.

The company's main owners are Valtion Eläkerahasto and Allianz Capital Partners (ACP) on behalf of the Allianz Group, together with Allianz subsidiaries and investment vehicles managed or advised by ACP and Macquarie Super Core Infrastructure Fund.

Elenia's financing structure is ring-fenced. The financing group's issued debt includes structural enhancements designed to reduce the likelihood of default and the risk to creditors.

Outlook

The stable outlook reflects our expectation that Elenia's FFO will remain at €160 million-€170 million over 2025-2027. We continue to expect that Elenia's shareholders will agree to the adjustment of shareholder distributions to protect the company's credit metrics. Therefore, we expect FFO to debt to remain at 8.5%-9.0% and debt to EBITDA to average below 9x over 2025-2027, which we consider commensurate with a 'bbb-' standalone credit profile (SACP).

Downside scenario

We could lower the issue rating to 'BBB-' if:

- Elenia's FFO to debt falls below 8%. This could occur if shareholder remuneration, investment, or the interest rate on the refinanced benchmark bond are higher than we expect.
- We revise our assessment of Elenia's business risk profile. This could occur if we regard Elenia's business profile as weaker than that of its international peers.
- The supportive measures protecting debtholders weaken. This could occur if we view Elenia's management of its capital structure as weaker, resulting in 50% or more of its debt maturing over any three-year period. This could make debt refinancing more difficult during a credit remedy period

Upside scenario

We view an upgrade as unlikely over the medium term, given the limited financial headroom.

Key Metrics

Elenia Verkko Oyj--Forecast summary

Period ending	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
(Mil. EUR)	2021a	2022a	2023a	2024a	2025e	2026f	2027f
Revenue	341	331	341	359	351	350	349
Gross profit	257	249	267	291	266	266	264
EBITDA (reported)	215	204	218	235	218	217	216

Elenia Verkko Oyj--Forecast summary

Plus: Operating lease adjustment (OLA) rent	--	--	--	--	--	--	--
Plus/(less): Other	8	10	9	9	4	3	3
EBITDA	223	214	227	244	221	220	219
Less: Cash interest paid	(40)	(39)	(46)	(52)	(47)	(56)	(56)
Less: Cash taxes paid	(5)	(5)	0	(3)	(3)	(3)	(3)
Plus/(less): Other	--	--	--	--	--	--	--
Funds from operations (FFO)	178	169	181	190	172	162	161
EBIT	136	124	136	149	124	121	116
Interest expense	37	37	46	49	47	56	56
Cash flow from operations (CFO)	189	165	174	195	170	156	163
Capital expenditure (capex)	157	154	123	109	114	112	151
Free operating cash flow (FOCF)	31	11	51	86	56	44	12
Dividends	70	34	154	103	23	61	28
Share repurchases (reported)	--	--	--	--	--	--	--
Discretionary cash flow (DCF)	(39)	(23)	(103)	(17)	33	(17)	(15)
Debt (reported)	1,832	1,833	1,934	1,935	2,025	2,015	2,005
Plus: Lease liabilities debt	6	3	2	3	3	3	3
Plus: Pension and other postretirement debt	0	0	0	0	0	0	0
Less: Accessible cash and liquid Investments	(72)	(51)	(60)	(43)	(166)	(139)	(114)
Plus/(less): Other	--	--	--	--	--	--	--
Debt	1,767	1,785	1,876	1,895	1,862	1,879	1,894
Equity	(204)	(149)	(90)	(77)	(42)	(58)	(41)
FOCF (adjusted for lease capex)	31	11	51	86	56	44	12
Interest expense (reported)	37	37	46	49	46	56	56
Capex (reported)	157	154	123	109	114	112	151
Cash and short-term investments (reported)	72	51	60	43	166	139	114
Adjusted ratios							
Debt/EBITDA (x)	7.9	8.4	8.3	7.8	8.4	8.5	8.6
FFO/debt (%)	10.1	9.5	9.6	10.0	9.3	8.6	8.5
FFO cash interest coverage (x)	5.5	5.3	4.9	4.7	4.7	3.9	3.9

Elenia Verkko Oyj--Forecast summary

EBITDA interest coverage (x)	6.0	5.8	5.0	5.0	4.8	3.9	3.9
CFO/debt (%)	10.7	9.2	9.3	10.3	9.2	8.3	8.6
FOCF/debt (%)	1.8	0.6	2.7	4.6	3.0	2.3	0.7
DCF/debt (%)	(2.2)	(1.3)	(5.5)	(0.9)	1.8	(0.9)	(0.8)
Lease capex-adjusted FOCF/debt (%)	1.8	0.6	2.7	4.5	3.0	2.3	0.7
Annual revenue growth (%)	10.0	(2.8)	2.9	5.4	(2.3)	(0.4)	(0.3)
Gross margin (%)	75.5	75.3	78.5	80.8	75.7	76.0	75.7
EBITDA margin (%)	65.5	64.6	66.5	67.8	63.0	63.0	62.8
Return on capital (%)	8.9	7.7	7.9	8.3	6.8	6.6	6.3
Return on total assets (%)	6.0	5.7	6.2	6.7	5.4	5.1	4.9
EBITDA/cash interest (x)	5.6	5.5	4.9	4.7	4.8	3.9	3.9
EBIT interest coverage (x)	3.7	3.3	3.0	3.0	2.7	2.2	2.1
Debt/debt and equity (%)	113.1	109.1	105.1	104.2	102.3	103.2	102.2
Debt fixed-charge coverage (x)	6.0	5.8	5.0	5.0	3.9	3.3	3.3
Debt/debt and undepreciated equity (%)	113.1	109.1	105.1	104.2	102.3	103.2	102.2

a--Actual, f--Forecast, e--Estimate.

Financial Summary

Elenia Verkko Oyj--Financial Summary

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.)	EUR	EUR	EUR	EUR	EUR	EUR
Revenues	299	310	341	331	341	359
EBITDA	183	195	223	214	227	244
Funds from operations (FFO)	105	148	178	169	181	190
Interest expense	65	41	37	37	46	49
Cash interest paid	66	42	40	39	46	52
Operating cash flow (OCF)	119	165	189	165	174	195
Capital expenditure	166	164	157	154	123	109
Free operating cash flow (FOCF)	(47)	0	31	11	51	86
Discretionary cash flow (DCF)	(221)	(113)	(39)	(23)	(103)	(17)
Cash and short-term investments	29	114	72	51	60	43
Gross available cash	29	114	72	51	60	43
Debt	1,627	1,731	1,767	1,785	1,876	1,895

Elenia Verkko Oyj--Financial Summary

Common equity	220	(260)	(204)	(149)	(90)	(77)
Adjusted ratios						
EBITDA margin (%)	61.2	63.0	65.5	64.6	66.5	67.8
Return on capital (%)	5.4	6.9	8.9	7.7	7.9	8.3
EBITDA interest coverage (x)	2.8	4.8	6.0	5.8	5.0	5.0
FFO cash interest coverage (x)	2.6	4.5	5.5	5.3	4.9	4.7
Debt/EBITDA (x)	8.9	8.9	7.9	8.4	8.3	7.8
FFO/debt (%)	6.4	8.5	10.1	9.5	9.6	10.0
OCF/debt (%)	7.3	9.5	10.7	9.2	9.3	10.3
FOCF/debt (%)	(2.9)	0.0	1.8	0.6	2.7	4.6
DCF/debt (%)	(13.6)	(6.5)	(2.2)	(1.3)	(5.5)	(0.9)

Peer Comparison

Elenia Verkko Oyj--Peer Comparisons

	Elenia Verkko Oyj	Caruna Networks Oy	Ellevio AB
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.	EUR	EUR	EUR
Revenue	359	511	733
EBITDA	244	358	408
Funds from operations (FFO)	190	268	263
Interest	49	76	145
Cash interest paid	52	85	143
Operating cash flow (OCF)	195	237	213
Capital expenditure	109	79	368
Free operating cash flow (FOCF)	86	158	(154)
Discretionary cash flow (DCF)	(17)	91	(324)
Cash and short-term investments	43	71	7
Gross available cash	43	71	7
Debt	1,895	2,450	3,829
Equity	(77)	726	2,970
EBITDA margin (%)	67.8	70.0	55.7
Return on capital (%)	8.3	7.9	4.1
EBITDA interest coverage (x)	5.0	4.7	2.8
FFO cash interest coverage (x)	4.7	4.2	1.9
Debt/EBITDA (x)	7.8	6.8	9.4
FFO/debt (%)	10.0	10.9	6.9
OCF/debt (%)	10.3	9.7	5.6
FOCF/debt (%)	4.6	6.5	(4.0)
DCF/debt (%)	(0.9)	3.7	(8.5)

Liquidity

We continue to view Elenia's liquidity as adequate. While we expect available liquidity sources to cover uses by more than 1x over the 12 months started June 30, 2025, we expect the ratio to be below 1x over the subsequent 12 months. This is predominantly due to a relatively sizable debt maturity of €500 million due in February 2027.

Our assessment factors in Elenia's sound relationships with banks, very good standing in credit markets, and its potential ability to absorb high-impact, low-probability events. We also consider Elenia's strong liquidity management, as demonstrated by previous successful refinancing well in advance of maturities.

Principal liquidity sources	Principal liquidity uses
<ul style="list-style-type: none">• Forecast cash FFO of about €160 million-€170 million.• Available cash and marketable securities of about €140 million.• Access to committed credit lines of €370 million.	<ul style="list-style-type: none">• Capital expenditure of about €110 million-€120 million over the next 12 months.• About €20 million-€60 million shareholder distributions.• €140 million maturing in 2026.

Environmental, Social, And Governance

ESG factors do not have a material influence on our credit rating analysis of Elenia. The company's network resilience has improved significantly, with fewer interruptions thanks to greater use of underground cabling.

Rating Component Scores

Issue Credit Rating	BBB/Stable
Business risk	Excellent
Country risk	Very low
Industry risk	Very low
Competitive position	Strong
Financial risk	Highly leveraged
Cash flow/leverage	Highly leveraged (Medial Volatility Table)
Anchor	bbb-
Diversification/portfolio effect	Neutral/undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Adequate
Management and governance	Neutral
Comparable rating analysis	Neutral
Stand-alone credit profile	bbb-
Structurally Enhanced Debt	+1 notch

Related Criteria

- [Criteria | Corporates | General: Sector-Specific Corporate Methodology](#), April 4, 2024
- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Jan. 7, 2024
- [Criteria | Corporates | General: Corporate Methodology](#), Jan. 7, 2024
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1, 2019
- [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
- [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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