

Arva AS

Kingdom of Norway, Utilities

Rating composition

Business risk profile		
Industry risk profile	AA	A+
Competitive position	A	
Financial risk profile		
Credit metrics	BB-	BB-
Cash flow generation	Moderate	
Liquidity	+/-0 notches	
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 credit ratios*	Scope estimates			
	2023	2024	2025E	2026E
EBITDA interest cover	5.0x	4.0x	4.3x	3.7x
Debt/EBITDA	5.1x	5.4x	5.0x	5.8x
Free operating cash flow/debt	-5%	-5%	-2%	-7%
Liquidity	>200%	72%	125%	20%

Rating sensitivities

The upside scenario for the ratings and Outlook is:

- Debt/EBITDA improving to around 5x

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

- Debt/EBITDA at well above 6.5x, paired with interest cover of below 4x
- Loss of government-related-entity (GRE) status (remote)

*All credit metrics refer to Scope-adjusted figures.

Issuer

BBB+

Outlook

Stable

Short-term debt

S-2

Senior unsecured debt

BBB+

Lead Analyst

Per Haakestad

+47 67 21 96 73

p.haakestad@scoperatings.com

Related methodologies

[General Corporate Rating Methodology](#), Apr 2026

[European Utilities Rating Methodology](#), Apr 2026

[Government Related Entity Rating Methodology](#), Sep 2025

Table of content

- [1. Key rating drivers](#)
- [2. Rating Outlook](#)
- [3. Corporate profile](#)
- [4. Rating history](#)
- [5. Financial overview \(financial data in NOK m\)](#)
- [6. Environmental, social and governance \(ESG\) profile](#)
- [7. Business risk profile: A+](#)
- [8. Financial risk profile: BB-](#)
- [9. Supplementary rating drivers: +1 notch](#)
- [10. Debt ratings](#)

1. Key rating drivers

Positive rating drivers	Negative rating drivers
- Regional monopoly in power distribution - Stable and supportive regulatory framework enabling timely and predictable cost coverage - Moderate interest cover supporting the financial risk profile - Robust profitability - Indirect ownership by municipalities within the service territory, underpinning GRE status and likelihood of receiving extraordinary financial support	- High leverage - Continuous reliance on external financing to fund capex plans and maintenance of shareholder remuneration - Higher concentration risks than larger peers

2. Rating Outlook

The **Stable Outlook** reflects our expectation that Arva’s leverage will settle at around 6x over the next few years. The Outlook also assumes that Arva will maintain its status as a GRE with a majority stake held by Norwegian municipalities.

3. Corporate profile

Arva AS is a Norwegian utility that owns and operates the power distribution grid spanning 19 municipalities in the Nordland and Troms counties. Through around 16,200km of grids, the company distributes 5-6 TWh of power yearly. Arva is owned by the two municipality-owned utilities Troms Kraft AS (60%) and Bodø Energi AS (36%), as well as Dragefossen AS (4%).

We classify Arva as a GRE based on its ultimate ownership by municipalities that constitutes its service territory.

Norwegian grid utility

Government-related entity status

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
31 Mar 2026	Affirmation	BBB+/Stable
1 Apr 2025	Affirmation	BBB+/Stable
5 Apr 2024	Affirmation	BBB+/Stable

5. Financial overview (financial data in NOK m)

Scope credit ratios	Scope estimates					
	2022	2023	2024	2025E	2026E	2027E
EBITDA interest cover	6.1x	5.0x	4.0x	4.3x	3.7x	3.5x
Debt/EBITDA	6.8x	5.1x	5.4x	5.0x	5.8x	6.2x
Free operating cash flow/debt	1%	-5%	-5%	-2%	-7%	-5%
Liquidity	>200%	>200%	72%	125%	20%	153%
EBITDA						
Reported EBITDA	714	722	622	692	740	753
Increase (-) or decrease (+) in the cumulative difference between actual tariff revenues and the level permitted under the regulatory framework	(255)	(42)	72	108	17	17
EBITDA	459	680	694	800	756	769
Funds from operations (FFO)						
EBITDA	459	680	694	800	756	769
less: interest	(75)	(136)	(175)	(185)	(203)	(218)
less: cash tax paid	-	-	-	(61)	(66)	(62)
Paid pensions in excess of expensed pensions	(15)	(35)	(11)	-	-	-
FFO	369	509	509	554	487	490
Free operating cash flow (FOCF)						
Funds from operations	369	509	509	554	487	490
Change in working capital	108	19	(18)	(21)	(12)	49
less: capital expenditures (net)	(434)	(714)	(670)	(607)	(775)	(775)
FOCF	43	(186)	(180)	(75)	(300)	(237)
Interest						
Net cash interest per cash flow statement	73	134	175	185	203	218
add: pension interest	3	2	-	-	-	-
Interest	75	136	175	185	203	218
Debt						
Reported financial (senior) debt	3,402	3,632	4,014	4,304	4,754	5,104
less: cash and cash equivalents	(302)	(191)	(235)	(342)	(362)	(334)
add: pension adjustment	21	8	-	-	-	-
Debt	3,121	3,449	3,780	3,962	4,392	4,770

6. Environmental, social and governance (ESG) profile¹

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

We expect the regulatory framework to remain adequately supportive, given Arva's important role in ensuring the provision of reliable power supply, as well as in contributing to electrification and climate goals through grid developments and solutions.

Regulatory framework to remain adequately supportive

As a regional grid utility operating in a limited geographical area, Arva's assets are exposed to concentrated physical risks. Nevertheless, non-excessive expenses stemming from such risks (e.g. damages or outages caused by adverse weather) are generally recoverable under the regulatory framework with a time lag, providing a degree of protection.

Assets exposed to physical risks

The company adheres to governance standards aligned with Norwegian market norms (adequate without credit impact).

Adequate governance

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: A+

The strong business risk profile continues to underpin the rating. It is supported by Arva's sole exposure to power distribution in northern Norway. This activity is associated with low business risks given the natural monopoly and the fully regulated environment, reducing the importance of scale and diversification for the rating.

Strong business risk profile

Arva's service territory covers around 125,000 connections in 19 municipalities in the counties of Nordland and Troms, in which all residential, public and commercial consumers use Arva's services, resulting in an adequately spread revenue base. Roughly 85% of all connections are residential units including cabins.

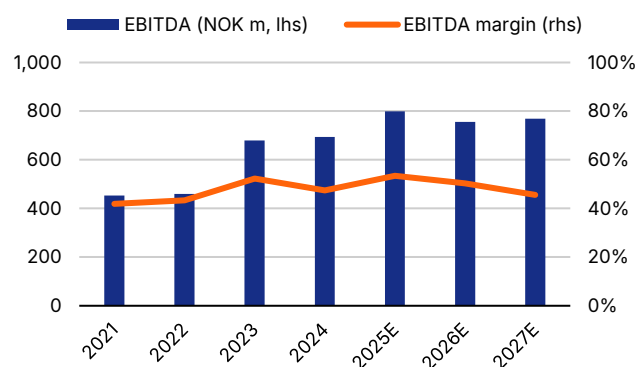
Adequately spread revenue base

The applicable regulatory framework in Norway is well developed and allows the timely pass-through of an increased cost base (generally within two years) under a revenue cap model that offers strong cash flow visibility. Although there has been some incremental modifications, the current model has broadly been in use since 1997 with annual revenue caps set by transparent and defined inputs.

Regulatory framework offers strong cash flow visibility

In the framework, Arva sets tariffs based on the principle that cumulative tariff revenues match its revenue caps over time, although periodic over or under collection is common given the difficulty of estimating certain inputs (e.g. power prices and transmission expenses) before full-year actuals are known.

Figure 1: EBITDA and margin



Source: Arva, Scope estimates

Arva's profitability remains robust. We expect the company's EBITDA margin to moderate in 2026 as tariff revenues align more with the revenue cap following a reduction of the accumulated shortfall balance during 2025. We expect a further drop in 2027, primarily attributed to higher transmission expenses based on tariff guidance from Statnett. However, these expenses can be fully and immediately passed through and are neutral for the results.

Robust profitability

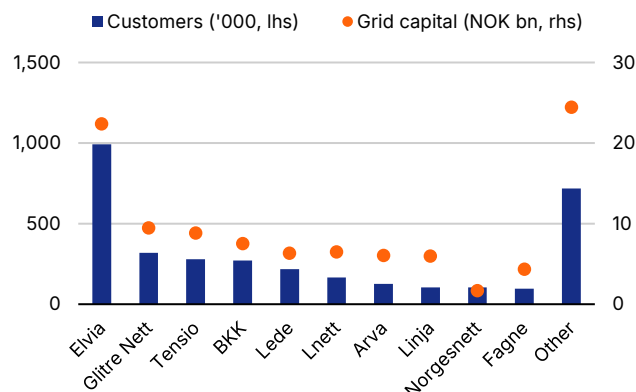
In the near term, we expect a moderate impact on results from WACC adjustments. Although the WACC decreased to 7.4% in 2025 from 7.7% in 2024, primarily due to a lower inflation factor, the Norwegian Energy Regulatory Authority's preliminary estimate for 2026 as of November 2025 is a relatively small decrease to 7.2%.

Moderate impact on results from WACC adjustments in the near term

Furthermore, we expect that lower personnel costs (already realised in 2025), more prudent capex planning, and the completion of merger-integration projects will improve cost efficiency and support operating performance in the next years. This should also contribute to an improvement

Efficiency should improve over the next years

Figure 2: Largest Norwegian power distribution system operators by customers² and their grid capital, 2024



Source: RME, Scope

² All operators are solely active in Norway with customers reflecting domestic grid connections. Tensio reflects Tensio Ts and Tensio Tn. Norgesnett has been merged into Glitre Nett after Å Energi's acquisition of full ownership in Fredrikstad Energi in August 2025.

in Arva’s regulatory efficiency factor, which has remained below the 100% benchmark at around 95% in recent years, which has negatively impacted the company’s revenue caps³.

8. Financial risk profile: BB-

Arva’s financial risk profile remains the main rating constraint. It reflects high leverage, moderate interest cover and cash flow generation, as well as adequate liquidity.

Moderate financial risk profile

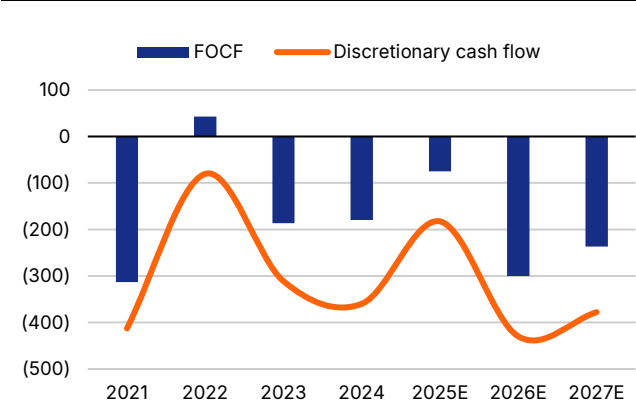
We expect operating cash flow to cover a high share of planned capex in the next years. However, free operating cash flow (FOCF) is likely to remain negative, with FOCF/debt at around -5%, which will keep Arva reliant on new debt financing. In combination with the maintenance of ordinary dividend payouts, we project that the negative FOCF will trigger external financing needs and result in debt increasing to around NOK 4,800m by YE 2027. This is an increase of 20% from around NOK 4,000m at YE 2025 (preliminary figures).

Negative FOCF and dividend payouts to trigger external financing needs

While capex will result in higher debt levels, it is also likely to support a higher EBITDA base with increasing depreciation and regulated assets feeding into the revenue cap.

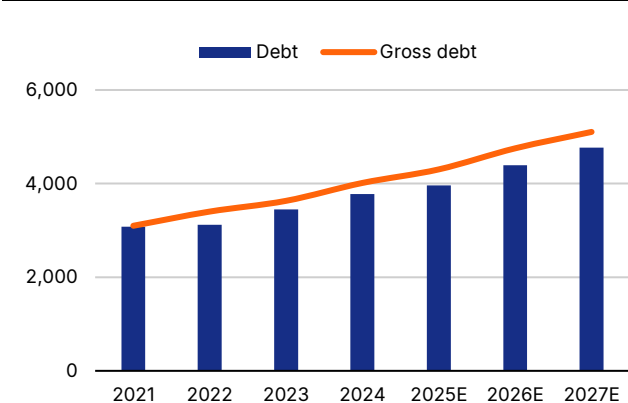
Capex to support higher EBITDA base

Figure 3: Cash flows in NOK m



Source: Arva, Scope estimates

Figure 4: Debt in NOK m



Source: Arva, Scope estimates

We expect leverage to remain high, despite the temporary improvement in the last two years. We forecast debt/EBITDA to be around 5x at YE 2025, down from 5.4x in 2024. This is mainly thanks to high excess tariff revenues in both years. Assuming tariff revenues at around the revenue cap level along with gradually increasing debt, we project that leverage likely will weaken in 2026-2027 to around 6x, which remains commensurate with the range for an unchanged rating.

Leverage to remain high

At the same time, we project EBITDA/interest cover to stabilise at 3.5x-4x. This also considers higher interest payments due to the anticipated debt increase.

Interest cover to remain moderate

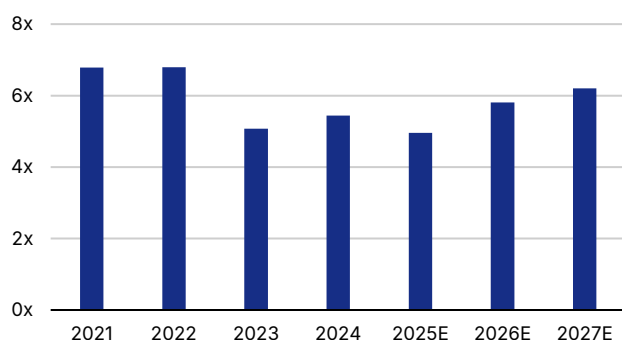
Although inflationary pressures in Norway (amplified by the Iran conflict) has increased the likelihood of higher market rates, the regulatory mechanisms are likely to dampen the impact on credit metrics with changing rates and inflation being incorporated in the annual revenue caps.

Arva’s gross debt at YE 2025 comprised NOK 2,300m of bank loans and NOK 2,000m of bonds, of which NOK 800m of the total debt was fixed rate and the remaining was tied to three-month Nibor rate.

Diverse funding across bank loans and bonds

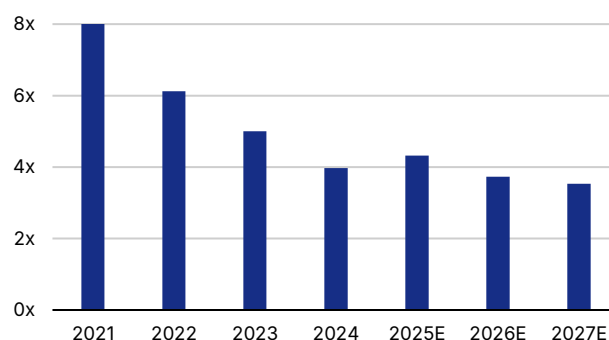
³ The income cap primarily comprises controllable costs and forms the main component of the revenue cap alongside transmission expenses. The benchmarking is applied to 70% of the income cap, while the remaining 30% is fully passed through without efficiency adjustments. Benchmarking is performed by the regulator, which evaluates service efficiency with a focus on controllable costs and outages relative to domestic peers. An averagely efficient operator (so-called Data Envelope Analysis score of 100%) will in principle be able to recover its costs and earn an asset return equivalent to the WACC.

Figure 5: Debt/EBITDA



Source: Arva, Scope estimates

Figure 6: EBITDA/interest cover



Source: Arva, Scope estimates

Arva's liquidity is adequate, despite the very weak liquidity ratio expected in 2026. The assessment is driven by good access to external financing given the good overall credit profile underpinned by the regulated business model and GRE status, which supports the coverage of cash uses and our view that the company will ensure sufficient liquidity through new financing.

Adequate liquidity

Cash uses are significant in 2026, comprising a NOK 1,400m bank facility maturing in July and around NOK 300m of negative expected FOCF. Arva has initiated the refinancing process and plans to proceed with an offer for a new NOK 1,000m bank facility and renewal of its NOK 750m revolving credit facility. We expect the refinancing to be finalised over the coming weeks, which would ensure sufficient liquidity to cover cash uses. We are aware that Arva plans to keep the revolving credit facility undrawn by raising additional proceeds through new bonds.

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

	2024	2025E	2026E	2027E
Unrestricted cash (t-1)	191	235	342	362
Open committed credit lines (t-1)	750	750	-	-
FOCF (t)	(180)	(75)	(300)	(237)
Short-term debt (t-1)	1,132	710	1,400	-
Liquidity	72%	125%	20%	153%

Source: Arva, Scope estimates

9. Supplementary rating drivers: +1 notch

The issuer rating incorporates a one-notch uplift to the standalone credit assessment of BBB for parent support, leading to an issuer rating of BBB+. This is based on Arva's GRE status, reflecting the indirect public majority ownership by municipalities in northern Norway through Bodø Energi AS and Troms Kraft AS, and the essential public services that the company provides in the form of electricity distribution. We have applied a bottom-up approach using the framework outlined in its [Government Related Entity Rating Methodology](#). The one-notch uplift is based on the anticipated capacity (high) and willingness (medium) of Arva's municipal owners to provide extraordinary financial support.

One-notch uplift from GRE status

At the same time, we deem a higher up-notching of two or three notches as remote, given factors that limits visibility on the potential for future financial support, such as Arva's fragmented and indirect ownership structure and the lack of defined support mechanisms.

Figure 7: Shareholder structure

Arva AS	Troms Kraft AS: 60%	Troms Holding AS ⁴ : 60%
		Tromsø municipality: 40%
	Bodø Energi AS: 36%	Bodø municipality: 100%
	Dragefossen AS: 4%	

Source: Arva, Scope

Arva’s financial policy is neutral for the issuer rating. The company’s financial policy was established in 2022 and includes a target to maintain net debt/EBITDA below 7x, which would likely support the company’s current standalone credit profile.

Financial policy

Other targets in the policy are a minimum equity ratio of 25% and the hedging of 30%-60% of interest rates. Note that the latter include the assumed implicit hedge through the regulatory framework derived from the historical correlation between the three-month Nibor and the Norwegian five-year swap rate used by the regulator in the WACC formula.

While being a subsidiary of Troms Kraft AS, Arva is responsible for its own financing and the company’s financial policy described above is separate from that of its parent.

10. Debt ratings

The senior unsecured debt is rated BBB+, in line with the issuer rating.

Senior unsecured debt rating: BBB+

The S-2 short-term debt rating is based on the BBB+/Stable issuer rating and the company’s adequate liquidity profile.

Short-term debt rating: S-2

⁴ Troms Holding is owned 65% by Troms county and 35% by other municipalities.

Scope Ratings GmbH

Lennéstraße 5, D-10785 Berlin

Phone: +49 30 27891-0

Fax: +49 30 27891-100

info@scoperatings.com**Scope Ratings UK Limited**

1 King William Street

London, EC4N 7AF

Phone: +44 20 3059 1051

info@scoperatings.com

Bloomberg: RESP SCOP

[Scope contacts](#)scoperatings.com**Disclaimer**

© 2026 Scope SE & Co. KGaA and all its subsidiaries including Scope Ratings GmbH, Scope Ratings UK Limited, Scope Fund Analysis GmbH, Scope Innovation Lab GmbH and Scope ESG Analysis GmbH (collectively, Scope). All rights reserved. The information and data supporting Scope's ratings, rating reports, rating opinions and related research and credit opinions originate from sources Scope considers to be reliable and accurate. Scope does not, however, independently verify the reliability and accuracy of the information and data. Scope's ratings, rating reports, rating opinions, or related research and credit opinions are provided 'as is' without any representation or warranty of any kind. In no circumstance shall Scope or its directors, officers, employees and other representatives be liable to any party for any direct, indirect, incidental or other damages, expenses of any kind, or losses arising from any use of Scope's ratings, rating reports, rating opinions, related research or credit opinions. Ratings and other related credit opinions issued by Scope are, and have to be viewed by any party as, opinions on relative credit risk and not a statement of fact or recommendation to purchase, hold or sell securities. Past performance does not necessarily predict future results. Any report issued by Scope is not a prospectus or similar document related to a debt security or issuing entity. Scope issues credit ratings and related research and opinions with the understanding and expectation that parties using them will assess independently the suitability of each security for investment or transaction purposes. Scope's credit ratings address relative credit risk, they do not address other risks such as market, liquidity, legal, or volatility. The information and data included herein is protected by copyright and other laws. To reproduce, transmit, transfer, disseminate, translate, resell, or store for subsequent use for any such purpose the information and data contained herein, contact Scope Ratings GmbH at Lennéstraße 5, D-10785 Berlin. Public Ratings are generally accessible to the public. Subscription Ratings and Private Ratings are confidential and may not be shared with any unauthorised third party.