Nordic Credit Rating

CORPORATE

Norway
12 Sep. 2024

Veas Selvkost AS

Rating Action Report

LONG-TERM RATING

AAA

OUTLOOK

Stable

SHORT-TERM RATING

N1

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Veas Selvkost AS assigned 'AAA' long-term issuer rating; Outlook stable

Nordic Credit Rating said today that it had assigned a 'AAA' long-term issuer rating to Norway-based wastewater utility Veas Selvkost AS. The outlook is stable. An 'N1' short-term rating and a 'AAA' senior unsecured issue rating were also assigned.

Rating rationale

The long-term issuer rating reflects Veas Selvkost's operations, which are governed by statutory objectives and a well-established regulatory framework. The company is owned by three Norwegian municipalities and operates under the principle of full cost recovery, which limits financial risk and creates a non-cyclical operating environment. The rating is supported by the company's effective monopoly status and its role in delivering essential wastewater services deemed necessary for public health and the environment. We see the owners' integration in the operating model as a core strength. Our view of financial risk is supported by the company's long average debt-to-maturity times and low refinancing risk.

Veas Selvkost benefits from its owners' creditworthiness: the three municipalities are characterised by strong demographic factors such as rapid population growth and below-average levels of elderly dependents. In addition, their budgeting is prudent and their operating margins and financial reserves are in line with those of the wider domestic municipal sector. We align the long-term issuer rating with our 'aaa' average credit assessment of the owners due to the company's essential role in providing critical wastewater treatment services. In our view, the company's remit requires it to support the central government in meeting key social objectives. Accordingly, the government would likely face severe political consequences if timely support were not forthcoming in the event of need.

Stable outlook

The stable outlook reflects our view that Veas Selvkost will continue to operate under a well-established regulatory framework and the principles of full cost recovery and revenue predictability. We expect no near-term changes in ownership or the owners' credit quality. In addition, we view the Norwegian framework for wastewater utilities as stable and expect no regulatory changes that might have a significant negative impact on Veas Selvkost's operating model.

As the rating is at the highest possible level, it cannot be raised.

We could lower the rating to reflect a decline in our average credit assessment of the owners, any changes in ownership, or regulatory changes that might negatively impact the company's operating model.

Rating list	**Rating**
Long-term issuer credit rating:	AAA
Outlook:	Stable
Short-term issuer credit rating:	N1
Senior unsecured issue rating:	AAA

Figure 1. Veas Selvkost AS rating scorecard

Subfactors	Impact	Score
Operating environment	20.0%	aa
Market position	10.0%	aa
Size and diversification	10.0%	a+
Operating efficiency	10.0%	a+
Business risk assessment	50.0%	aa-
Ratio analysis		bb-
Risk appetite		aa-
Financial risk assessment	50.0%	a+
Indicative credit assessment		**aa-**
Liquidity		Adequate
ESG		Adequate
Peer calibration		Neutral
Stand-alone credit assessment		**aa-**
Support analysis		+3 notches
Issuer rating		**AAA**
Outlook		Stable
Short-term rating		**N1**

Figure 2. Capital structure ratings

Seniority	Rating
Senior unsecured	AAA

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating Issue credit rating
Publication date:	The rating was first published on 12 Sep. 2024.
Office responsible for the credit rating:	Nordic Credit Rating AS (NCR), Oslo, Norway. NCR is a registered credit rating agency under Regulation (EC) No 1060/2009.
Primary analyst:	Anine Gulbrandsen, +4797501657, anine.gulbrandsen@nordiccreditrating.com
Rating committee chairperson responsible for approval of the credit rating:	Geir Kristiansen, +4790784593, geir.kristiansen@nordiccreditrating.com
Were ESG factors a key driver behind the change to the credit rating or rating outlook?	No.
Methodology used when determining the credit rating:	NCR's Corporate Rating Methodology published on 8 May 2023 NCR's Rating Principles published on 14 Feb. 2024 NCR's Group and Government Support Rating Methodology published on 14 Feb. 2024 The methodology and principles documents provide analytical guidance to NCR's rating activities including but not limited to, assumptions, parameters, cash flow analysis, and stress-testing. NCR's methodologies and principles can be found on our website nordiccreditrating.com/governance/policies. The historical default rates of entities and securities rated by NCR will be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA).
Materials used when determining the credit rating:	Annual- and quarterly reports of the rated entity, Company presentations, Data provided by external data providers, External market reports, Meetings with management of the rated entity, Non-public information, Press reports/public information, Website of rated entity.
Potential conflicts of interest:	The rating is NCR's independent opinion of the rated entity's relative creditworthiness. The rating is solicited, i.e. it is prepared for a fee paid by the rated entity. At the time of analysis and publication neither NCR nor any of the analysts or persons involved in the rating process held any interest, ownership interest or securities in the rated entity. NCR does not have any direct or indirect shareholder with a holding of more than 5% of NCR's shares and votes. For further information, please refer to NCR's conflict of interest policy which is available on: https://nordiccreditrating.com/governance/policies
Additional information:	Prior to publication, the rating was disclosed to the rated entity. The issuer was given 24 hours (of which 8 business hours) to remark on factual errors and/or the inadvertent inclusion of confidential information, if applicable. The rating was not amended after the review by the issuer. No stress test was performed. Standard cash flow forecasting was performed. NCR's rating is an opinion regarding the relative creditworthiness of an entity or an instrument. It is not a prediction, guarantee or recommendation to buy, hold or sell securities. NCR assigns outlooks to issuer ratings to indicate where they could move in the near term, normally 12–18 months. Further information on the rating process, rating definitions and limitations is available on our website: nordiccreditrating.com/governance/policies.
Ancillary services provided:	No ancillary services were provided.
Regulations:	This rating was issued and disclosed under Regulation (EC) No 1060/2009.
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