S&P Global
Ratings

RatingsDirect®

Stockholm Exergi Holding AB (publ)

Primary Credit Analyst:
Karim Kanj, Frankfurt + 49 69 3399 9109; karim.kanj@spglobal.com

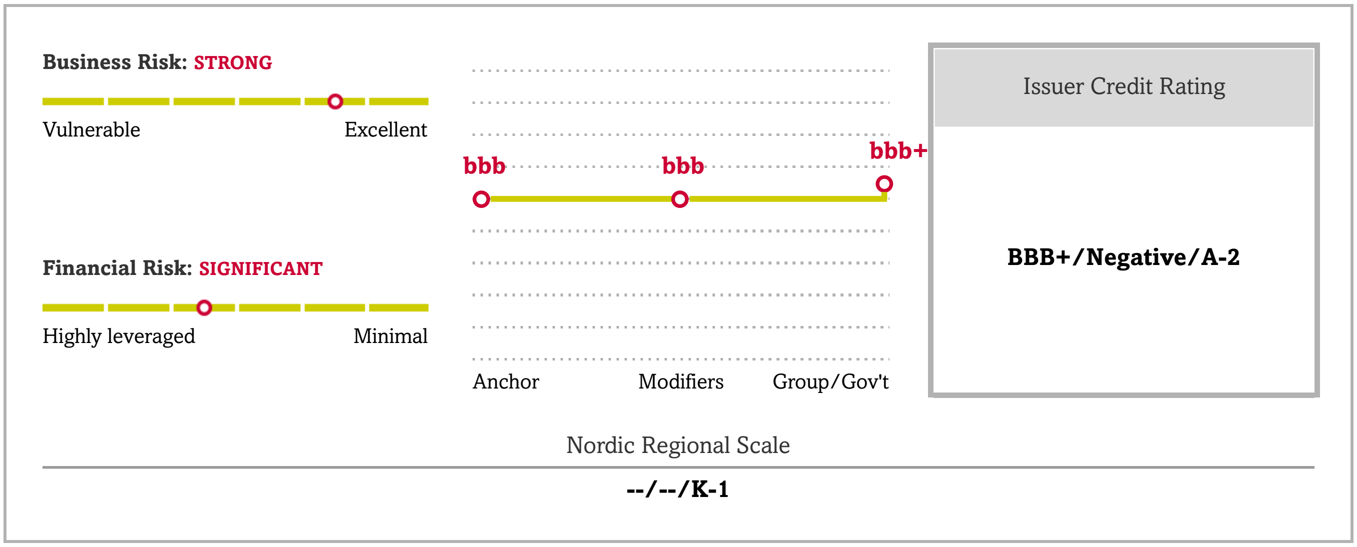
Secondary Contacts:
Per Karlsson, Stockholm + 46 84 40 5927; per.karlsson@spglobal.com
Daniel Annas, Stockholm +46 (8) 4405925; daniel.annas@spglobal.com

Research Contributor:
Aaron Oneill, Dublin 15680615; aaron.oneill@spglobal.com

Table Of Contents

Table Of Contents (cont.)

Stockholm Exergi Holding AB (publ)



Credit Highlights

Overview

Key strengths	Key risks
Key provider of heat in the city of Stockholm, with a network of underground steam pipes that creates an entry barrier for competitors. The company has a market share of about 95% of new heating contracts in Stockholm.	Significant exposure to fuel prices, especially biomass and waste, together with limited ability to make timely adjustments to district heating tariffs, led to significant earnings volatility in 2023.
The difficulty of replacing district heating in Stockholm, as electricity capacity in the area is already scarce during times of peak load. District heating is essential for security of supply as it offloads electricity demand, but it could also generate electricity for the grid.	Large pending Swedish krona (SEK)10 billion investment could materially weaken credit ratios over the course of the investment period, which is currently estimated at three years. Management is contemplating a final investment decision on a Bio Energy Carbon Capture and Storage (BECCS) unit.
Ownership support from the city of Stockholm, which has a 50% stake.	Risk of additional environmental policies or taxation affecting the district heating activities that could lead to additional costs.
Modern and efficient assets, able to scale up and down production, but also use different types of fuel. Additionally, the company has a high level of automation including fuel transportation.	A change in ownership structure, or a change in the underlying shareholder agreement, could result in less support from the city of Stockholm, although we do not expect such a change.

Escalating fuel prices were not fully offset by tariff increases, leading to weak operating performance in 2023. S&P Global Ratings assumes a gradual improvement in 2024, but we expect credit ratios will remain weak for the rating, with funds from operations (FFO) to debt around 13%-16%. In the last two years, there has been a significant increase in the cost of biofuels, with wood chip prices rising 82%, to over SEK400/MWh in 2023, from around SEK220 per megawatt hour(/MWh) in 2019. Coupled with the inability to timely pass on the increased costs, this has resulted in earnings pressure for many Swedish district heating operators, including Stockholm Exergi (SE). In 2023, SE's EBITDA fell to SEK2.14 billion from SEK2.95 billion in 2022, which resulted in weak credit ratios. FFO to debt stood at 10.4% at year-end 2023, which is weak for the rating. For 2024, we forecast SE's FFO to debt metrics will moderately recover, to about 13%-16%, but remain weak for the rating. On the positive side, we note that the owners cancelled the dividend for 2024, which helps to reduce pressure on the company's key metrics. It also signaled the owners' strong commitment to SE.

In line with industry practice, SE can only adjust its district heating tariffs once a year, which is suboptimal when raw material prices move quickly. SE is subject to these pricing periods as it's part of the industry group "price dialogue". Price increases are therefore agreed and communicated in September and implemented as of year-end. The fuel price, which is the largest operating cost component, affects the operating result more directly. Since the cost of the main fuels has almost doubled in the last two years (+98% for wood chips and +74% for wood pellets), the rapid and volatile changes in the cost base have been only partially offset by the adjustment of its tariffs. In 2023, the company increased its district heating tariffs by 8%, followed by 12% in 2024. Going forward, we expect further high single-digit price increases for its customers. Despite the weak operating result in 2023, we assume that SE will gradually recover its EBITDA margin toward historical levels as the tariff adjustments comes into effect and as we assume a gradual relaxation of prices for biomass (especially wood pellets).

The pace and extent of the recovery will depend heavily on the further development of fuel prices. Over 2022 and 2023 there was an unprecedented increase in the price of biofuels, particularly biomass, the main fuels for SE's district heating activities. This was partly a consequence of the Russia-Ukraine conflict, which impacted the supply of bioenergy. We believe that some of the key drivers for a gradual reduction in biomass prices are improving, however at moderate pace. These drivers include rising consumer confidence and increased construction and sawmill activity. Additionally, we expect that additional management precautions will result in greater resilience to fuel-price fluctuations, i.e. maximizing the flexibility of fuels and incorporating in the fuel mix new technologies such as additional volumes of untapped potential from GROT (forestry harvesting residues). Other measures include the targeted introduction of a new, more balanced pricing strategy aimed at offsetting cost overruns due to extreme fuel-price volatility. A longer than initially expected environment of high fuel prices will significantly extend the time it takes for SE to recover these costs through tariff adjustments. Under our base case we used the biofuel price assumption that prices will gradually decline to about SEK330/MWh by 2025, and further down to about SEK275/MWh by 2030 from about SEK260/MWh in 2022 and SEK420/MWh in 2023.

SE is set to take the final investment decision on its SEK10 billion investment in BECCS by year-end 2024. The BECCS technology is expected to be a key milestone in Stockholm Exergi's organizational strategy. Nevertheless, this project would likely weaken credit ratios and add downward rating pressure. Over recent years, the company has accomplished multiple important milestones needed to make the final investment, such as a feasibility study in 2020 and receipt of the environmental permit in March 2024. We expect the company to take the final investment decision toward year-end 2024; and the potential facility would be in operation by 2028. The potential investment is sizable, at about SEK10 billion, and will likely substantially increase the company's balance sheet leverage. As comparison, we calculate adjusted debt at SEK14.8 billion at year-end 2023. Since we do not build the investment into our current base case, a decision to go ahead would likely trigger a review of our financial risk profile for the company.

If SE decides to invest, it will be one of the front-runners with regards to carbon capture and storage projects in Europe. SE has received governmental support for its projects, aiming to capture and store carbon dioxide (CO_2) emissions, thereby laying the foundation for decarbonization strategy in the region. The feasibility and support from politicians has been underlined by the EU Innovation Fund grant, which SE received in 2022. The total funding of €180 million, signaling the EU's initiative to support outstanding technologies combating climate change, will largely be received during the construction phase of the project.

Revenue streams from BECCS will largely come from two sources: a yet to be installed reverse auction and a voluntary carbon market. These revenue streams risk to increase the volatility of earnings for SE, compared with its historically stable district heating operations (about 80% of EBITDA). Prudently, management will delay the final investment decision until the uncertainty around reverse action been cleared up, and other long-term contracts secured, such as shipping and storing of the captured emissions. While the Swedish reverse auction is expected to be set up by the regulator and will offer a marketplace for CO2 to be traded, the voluntary carbon market is expected to rely on bilateral contracts between the company aiming to store its CO2 emissions and the counterparty enabling the liquidation process. A prime example of the voluntary carbon market is the bilateral agreement between Stockholm Exergi and Microsoft, which agrees to remove about 3.3 million tonnes of CO2 over a period of 10 years.

Outlook: Negative

Our negative outlook reflects our view that higher costs are weighing on SE's historically stable district heating operations, with a perceived risk that it will not be able to fully pass on the increased costs to consumers over 2024 and 2025. In combination with a potentially more aggressive investment profile over 2024-2026, this could lead to substantially lower credit ratios for the company.

Downside scenario

We could downgrade SE if the company is unable to recover its FFO to debt metrics towards 15% in the coming year. FFO to debt sustainably below 15% and limited prospects for a swift recovery would likely lead to a downgrade. This could result, for example, from an extended period of weak operational performance, likely as a result of significantly higher fuel prices then we assume, or from a decision to undertake largely debt-funded investments, such as the BECCS project. A combination of a weaker operating performance, higher investments, and larger dividend payments could result in a one- or two-notch downgrade, depending on the resulting long-term financial risk profile.

In addition, we could lower the rating if the city of Stockholm's ownership stake decreased, because this could lead us to revise down our assessment of the likelihood of extraordinary support. However, we do not view this scenario as likely, given the company's importance to the city.

Upside scenario

We could revise the outlook back to stable if we gain clarity on how and to what extent the company can recover its operational performance to historical levels--that is, an EBITDA margin of about 38%-40%--and on the investment levels for the next three years.

Our Base-Case Scenario

Assumptions

- Sweden's GDP growth of -0.2% in 2024, 2.0% in 2025, and 1.9% in 2026.
- Average EBITDA margin of about 31.5% in 2024 and increasing gradually to around 36% by 2026.
- Biomass prices to decline to SEK330/MWh by 2025, and further to about SEK275/MWh by 2030.
- Capital expenditure (capex) of about SEK2.0 billion each year over 2024-2028, of which about 20% flows into maintenance and about 40% growth investments. However, this is subject to changes in case of a potential SEK10 billion investment in BECCS.
- Limited working capital outflows of less than SEK200 million annually, and with a neutral effect on average.
- As a consequence of the weak financial performance in 2023, no dividend is declared in respect of 2023. From 2025, the dividend payout is expected to gradually increase to a normalized level, around SEK400 million-SEK1,000 million annually.
- Debt around SEK14 billion-SEK15 billion during 2024-2026.

Key metrics

Stockholm Exergi Holding AB (publl)--Key metrics

	--Fiscal year ending Dec. 31--				
(Mil. SEK)	**2022a**	**2023a**	**2024p**	**2025e**	**2026e**
EBITDA	2,947	2,142	2,650-2,900	3,100-3,700	3,300-4,100
FFO	2,496	1,541	1,950-2,300	2,100-2,500	2,400-2,800
Capex	1,684	1,627	1,900-2,100	1,700-1,950	1,800-2,100
Dividends	850	850	-	350-400	700-850
Debt	13,470	14,810	14,500-15,000	14,200-15,000	14,000-15,000
FFO to debt (%)	18.5	10.4	13-16	14-18	16-20
Debt to EBITDA (x)	4.6	6.9	5.0-6.0	4.0-5.5	3.5-5.0

SEK--Swedish krona. a--Actual. p--Projected. e--Estimate. FFO--Funds from operations. Capex--Capital expenditure.

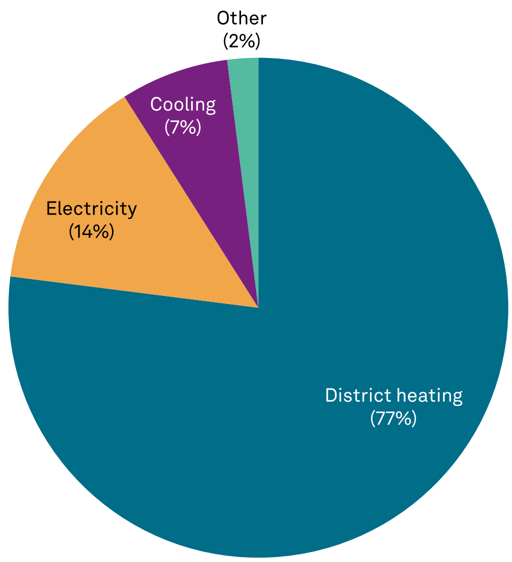
Company Description

SE is the largest provider of district heating in the greater Stockholm region, with production capacity of about 4,000 MW. More than 90% of its district heating system is based on renewable or recycled energy. It has about an 80% market share in its operating area, and reported EBITDA of about SEK2,142 million in 2023. SE provides heating for over 800,000 people in and around Stockholm, and the district heating network is made up of 3,000 kilometers of underground pipes. Of its 10,400 customers, about 8,000 are apartment building associations and real estate companies. SE also provides cooling to about 400 customers.

The company is 50% owned by the city of Stockholm (AAA/Stable/A-1+) and 50% by Ankhiale, a consortium of mainly pension funds, including APG, Keva, Alecta, PGGM, and AXA. Ankhiale acquired its 50% stake from Fortum in 2021.

Chart 1

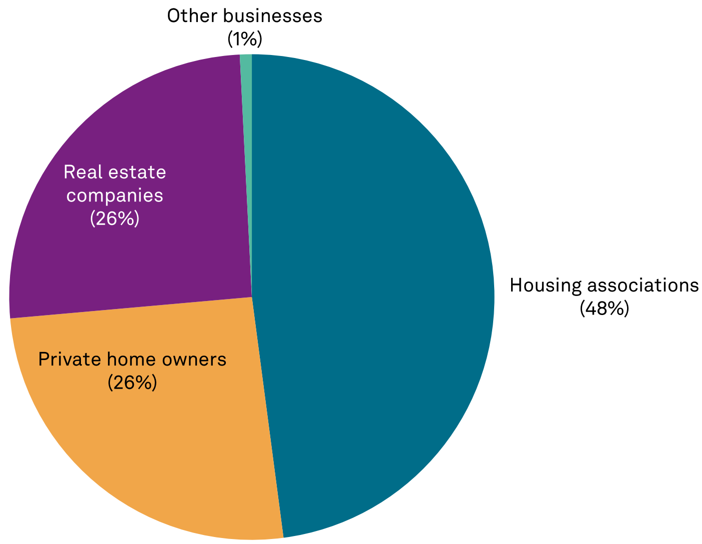
Stockholm Exergi's EBITDA split per segment, 2023



Information based on S&P Global Ratings' estimate. Source: S&P Global Ratings, Stockholm Exergi.

Chart 2

Stockholm Exergi's customer breakdown by segment, 2023



Source: S&P Global Ratings, Stockholm Exergi.

Peer Comparison

Table 1

Stockholm Exergi Holding AB (publ)--Peer comparison			
	Stockholm Exergi Holding AB (publ)	**Kraftringen Energi AB (publ)**	**Tekniska verken i Linkoping AB**
Ratings as of April 18, 2024	BBB+/Negative/A-2	A-/Stable/A-2	A+/Stable/A-1
	--Fiscal year ended Dec. 31--		
	2023	**2022**	**2022**
(Mil. €)			
Revenue	764.8	454.0	959.7
EBITDA	192.7	48.5	161.3
Funds from operations (FFO)	138.6	37.1	159.0
Interest expense	41.4	5.9	3.4
Cash interest paid	42.3	5.9	3.0
Cash flow from operations	119.4	14.0	335.5
Capital expenditure	146.4	57.3	108.6

Table 1

Stockholm Exergi Holding AB (publ)--Peer comparison (cont.)			
Free operating cash flow (FOCF)	(27.0)	(43.2)	226.9
Discretionary cash flow (DCF)	(103.5)	(57.1)	200.0
Cash and short-term investments	11.7	72.9	94.8
Debt	1,332.3	225.9	251.4
Equity	1,025.5	337.7	614.0
Adjusted ratios			
EBITDA margin (%)	25.2	10.7	16.8
Return on capital (%)	2.5	4.2	11.1
EBITDA interest coverage (x)	4.7	8.3	46.8
FFO cash interest coverage (x)	4.3	7.3	54.0
Debt/EBITDA (x)	6.9	4.7	1.6
FFO/debt (%)	10.4	16.4	63.2
Cash flow from operations/debt (%)	9.0	6.2	133.4
FOCF/debt (%)	(2.0)	(19.1)	90.2
DCF/debt (%)	(7.8)	(25.3)	79.5

N.M.--Not meaningful. Kraftringen and Tekniska verken financials as of 2022 because adjustments are not yet finalized. 2023 also signals a severely different economic environment for district heating compared with 2022.

Business Risk: Strong

SE's operations benefit from a natural monopoly of district heating in the Stockholm area. It is an essential service provider as district heating is the main heating source for Stockholm, with 90% of multi-dwelling buildings and 80% of nonresidential buildings using it. District heating accounts for about 80% of the company's total EBITDA. We view positively the company's low dependency on favorable electricity prices. Historically, the company has not been affected by the volatile Nord pool system prices. Nevertheless, the recent increase in biomass prices has exposed the company to materially rising fuel prices, particularly since it can only adjust its customers' district heating tariffs once a year. Flexibility in production has mitigated this only to some extent, given that the cost of generating heat at peak times has a negative effect on operating margins. When a combined heat and power plant is operating close to its peak, producing heat and electricity at full capacity, the incineration requires a combination of fuels, which increases the cost of production. This can have a negative impact on EBITDA margins if electricity prices are not favorable.

Although there is no defined regulatory framework for district heating in Sweden, SE is the sole district heating network operator in its area, with implicit oversight from the Swedish Competition Authority. We view the market-based framework as predictable, which brings stability to the business. We see the potential for political risk, since the new environmental policies that the Swedish government has adopted have had a direct impact on SE's earnings and investment strategy. We cannot rule out additional policy changes in the future, as the incineration business demands massive amounts of fuel and therefore produced 432,000 tons of Scope 1 CO_2 emissions in 2023.

SE's main source of fuel for its district heating operations is biofuel, such as recycled wood, forest residues, and waste. As of 2023, its fuel mix was 37% biofuels, 27% waste and refuse-derived fuel (RDF), 19% energy from water, 15%

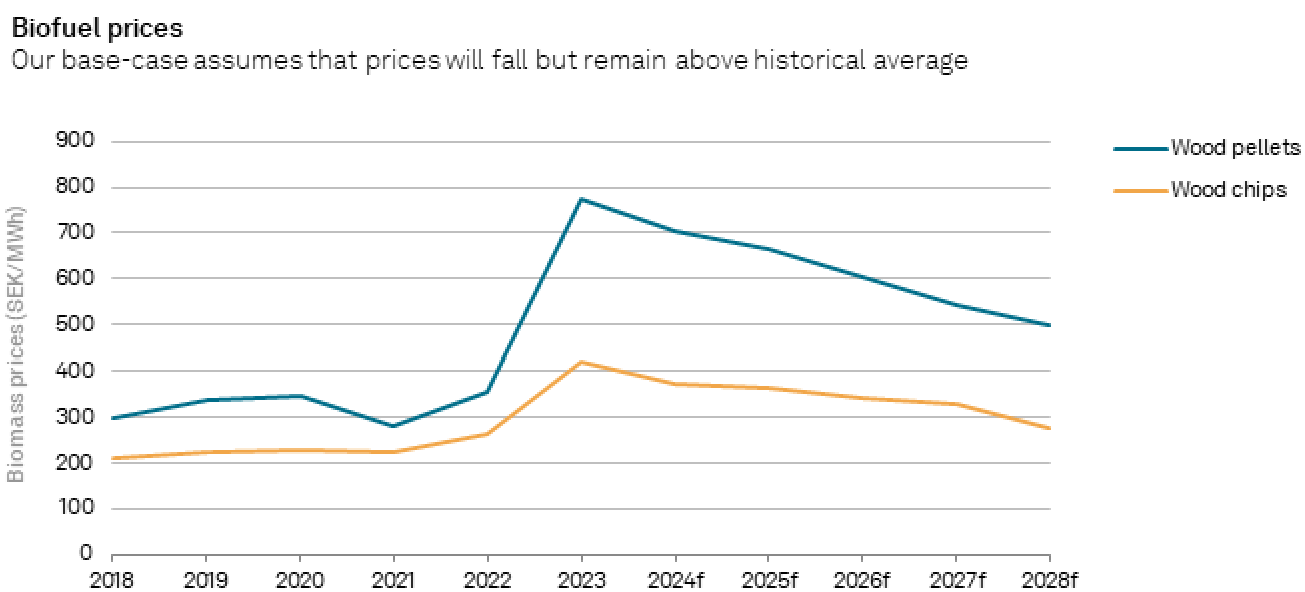
electricity, and 2% heating oil. By 2030, SE aims to reduce its fuel dependency from biofuels to 30% from 37%, while increasing its electricity share to 24% from 15%. Already as of today, 98% of its fuels are renewable and recovered.

The company has shifted away from fossil fuels such as coal and oil. This led to a significant reduction in the company's direct carbon emissions of more than 60% between 2019 and 2023. SE, in cooperation with the city of Stockholm, has set a target to be climate positive by 2032. The BECCS project appears to be instrumental in reaching this goal, since it could result in negative emissions and therefore a positive net climate impact. However, there is no framework in place for negative emissions at present.

SE's business risk profile is also supported by its diverse customer base. Customers are mainly real estate companies and housing associations, which generally exhibit more stable demand than industrial customers. In addition, the majority of the 10 largest customers are owned by either the city of Stockholm or the Swedish government. The company also benefits from a diverse fuel mix, which, to some extent, enables it to react to prevailing fuel prices by switching between different fuel types.

The business is, however, geographically concentrated because all its operations are in the city of Stockholm. This is mitigated by the region's very strong and dynamic local economy. However, the stable operating environment is partly offset by the volume and fuel-price risks associated with district heating. Similar to the material increase in biomass prices over the past two years, SE had to implement counter measures to minimize the negative implications from these developments, which are reflected in a district heating tariff increase of 8% for 2023 and 12% for 2024. Going forward, we continue to expect further single-digit price increases to gradually pass through the increased fuel costs to customers.

Chart 3



SEK--Swedish krona. f--Forecast. Source: S&P Global Ratings, Stockholm Exergi.

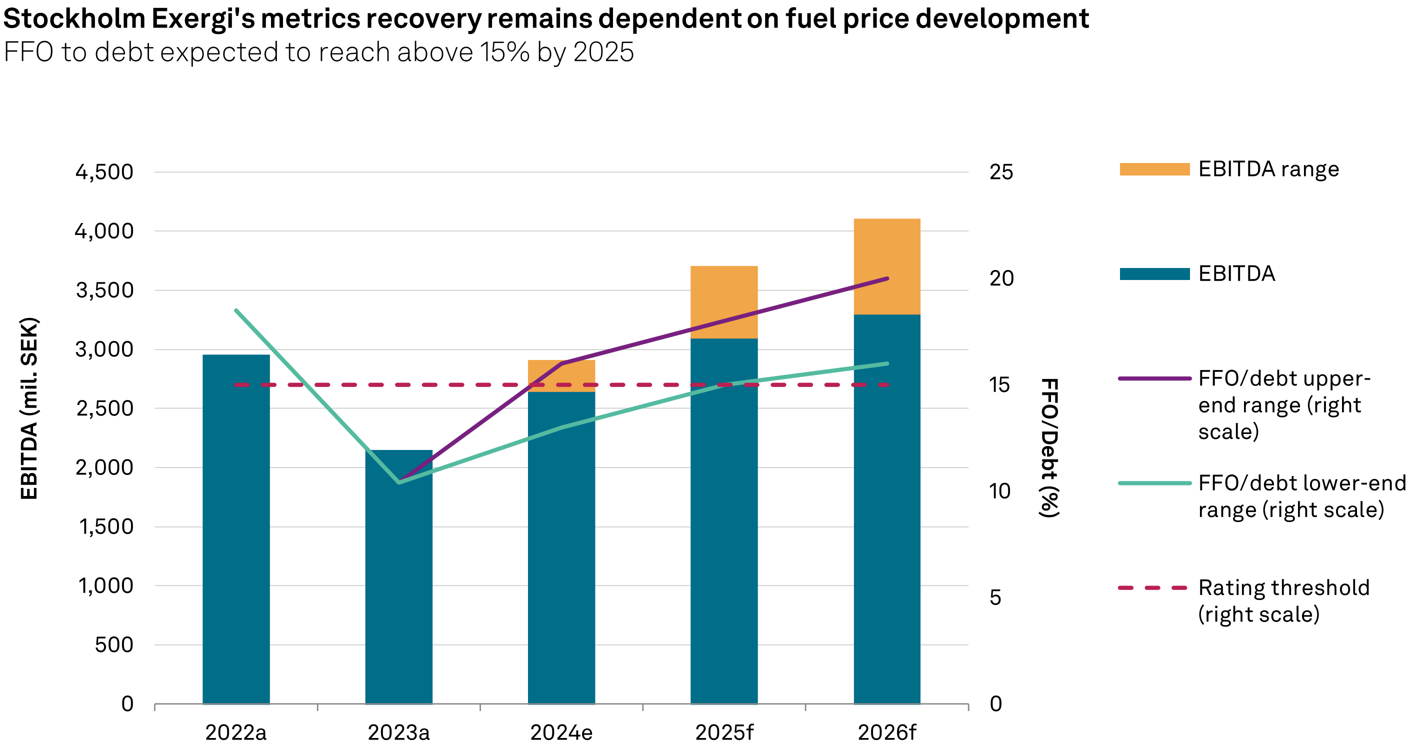
Financial Risk: Significant

Our current assessment of SE's financial risk profile is based on the expectation that the company will post FFO to debt of 13%-18% in the upcoming two years.

SE enjoys a fairly flexible dividend policy, which led to a cancellation of dividends in 2024. On April 19, 2023, SE's management board agreed to revise its dividend policy. Since the adjustment of the policy, the revised payout ratio now targets 0%-100% of profits after tax, given that the company can service its investment needs and maintain at least an investment-grade rating ('BBB-' or above'). We understand that the change in policy was mainly taken to increase flexibility during a period of higher investments, and that dividends will be lowered if needed. Following the weak operating result in 2023 with net debt to EBITDA reaching 6.9x, the board decided to not pay a dividend for 2023. This signals supportiveness and flexibility from the owners. We expect a gradual recovery of dividends over the next three years to approximately SEK700 million-SEK850 million by 2026.

We forecast that, on average, SE's cash flow from operations will sufficiently cover capex and dividends over the next two years (no dividend in 2024), but not lead to any meaningful reduction in debt. However, this is strongly dependent on whether SE will take the final investment decision for its BECCS project over the next two years, as well as how successful it will be in passing through the increased costs from its district heating business. Under our current assumptions, we see the company gradually recovering its FFO to debt metrics toward 14%-18% by 2025.

Chart 4



a--Actual. e--Estimate. f--Forecast. Source: S&P Global Ratings.

Financial summary

Table 2

Stockholm Exergi Holding AB (publ)--Financial summary

	--Fiscal year ended Dec. 31--				
	2023	**2022**	**2021**	**2020**	**2019**
(Mil. SEK)					
Revenue	8,501.0	8,184.0	7,421.0	6,433.0	7,094.0
EBITDA	2,142.0	2,947.0	2,774.0	2,835.0	2,882.0
Funds from operations (FFO)	1,541.0	2,496.0	2,411.0	2,487.0	2,552.0
Interest expense	460.0	226.0	182.0	207.0	209.0
Cash interest paid	470.0	226.0	183.0	189.0	187.0
Cash flow from operations	1,327.0	1,553.0	1,798.0	2,879.0	2,295.0
Capital expenditure	1,627.0	1,684.0	1,363.0	1,799.0	1,805.0
Free operating cash flow (FOCF)	(300.0)	(131.0)	435.0	1,080.0	490.0
Discretionary cash flow (DCF)	(1,150.0)	(981.0)	(415.0)	230.0	(360.0)
Cash and short-term investments	130.0	1.0	1.0	9.0	1.0
Gross available cash	130.0	1.0	1.0	11.0	2.0
Debt	14,810.0	13,470.0	12,501.9	13,036.7	13,205.3

Table 2

Stockholm Exergi Holding AB (publ)--Financial summary (cont.)					
	--Fiscal year ended Dec. 31--				
	2023	2022	2021	2020	2019
Equity	11,399.0	12,672.0	12,037.0	11,646.0	11,762.0
Adjusted ratios					
EBITDA margin (%)	25.2	36.0	37.4	44.1	40.6
Return on capital (%)	2.5	5.7	5.2	5.3	3.2
EBITDA interest coverage (x)	4.7	13.0	15.2	13.7	13.8
FFO cash interest coverage (x)	4.3	12.0	14.2	14.2	14.6
Debt/EBITDA (x)	6.9	4.6	4.5	4.6	4.6
FFO/debt (%)	10.4	18.5	19.3	19.1	19.3
Cash flow from operations/debt (%)	9.0	11.5	14.4	22.1	17.4
FOCF/debt (%)	(2.0)	(1.0)	3.5	8.3	3.7
DCF/debt (%)	(7.8)	(7.3)	(3.3)	1.8	(2.7)

SEK--Swedish krona.

Reconciliation

Table 3

Stockholm Exergi Holding AB (publ)--Reconciliation of reported amounts with S&P Global Ratings' adjusted amounts								
	--Fiscal year ended Dec. 31, 2023--							
Stockholm Exergi Holding AB (publ) reported amounts (mil. SEK)								
	Debt	**Shareholders' equity**	**EBITDA**	**Operating income**	**Interest expense**	**S&P Global Ratings' adjusted EBITDA**	**Cash flow from operations**	**Capital expenditure**
Reported	14,449.0	11,373.0	2,143.0	587.0	427.0	2,142.0	1,358.0	1,658.0
S&P Global Ratings' adjustments								
Cash taxes paid	--	--	--	--	--	(131.0)	--	--
Cash interest paid	--	--	--	--	--	(439.0)	--	--
Reported lease liabilities	491.0	--	--	--	--	--	--	--
Postretirement benefit obligations/deferred compensation	--	--	(1.0)	(1.0)	2.0	--	--	--
Accessible cash and liquid investments	(130.0)	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	31.0	(31.0)	(31.0)	(31.0)
Capitalized development costs	--	--	--	55.0	--	--	--	--
Nonoperating income (expense)	--	--	--	3.0	--	--	--	--
Noncontrolling interest/minority interest	--	26.0	--	--	--	--	--	--
Total adjustments	361.0	26.0	(1.0)	57.0	33.0	(601.0)	(31.0)	(31.0)

Table 3

Stockholm Exergi Holding AB (publ)--Reconciliation of reported amounts with S&P Global Ratings' adjusted amounts (cont.)

S&P Global Ratings' adjusted amounts

	Debt	Equity	EBITDA	EBIT	Interest expense	Funds from operations	Cash flow from operations	Capital expenditure
Adjusted	14,810.0	11,399.0	2,142.0	644.0	460.0	1,541.0	1,327.0	1,627.0

SEK--Swedish krona.

Liquidity: Adequate

We view SE's liquidity as adequate, reflecting that available liquidity sources should exceed our forecast of near-term cash outflows by about 1.3x. We also expect that sources will exceed uses even if EBITDA declines by 15%. We believe that the company has sound relationships with banks, and a high standing in the credit markets. This is evident from the continued participation SE has in fixed-income markets. Since 2018, the company has issued bonds yearly, including SEK800 million in 2022 and SEK1,800 million in 2023.

Principal liquidity sources as of March 31, 2024:

- Unrestricted cash and cash equivalents of SEK474 million;
- Cash FFO of about SEK2.0 billion;
- Working capital inflow of about SEK150 million-SEK200 million; and,
- Access to an undrawn committed revolving credit facility totaling SEK3 billion, maturing in May 2028 and SEK300 million of an available overdraft maturing in September 2025.

Principal liquidity uses as of March 31, 2024:

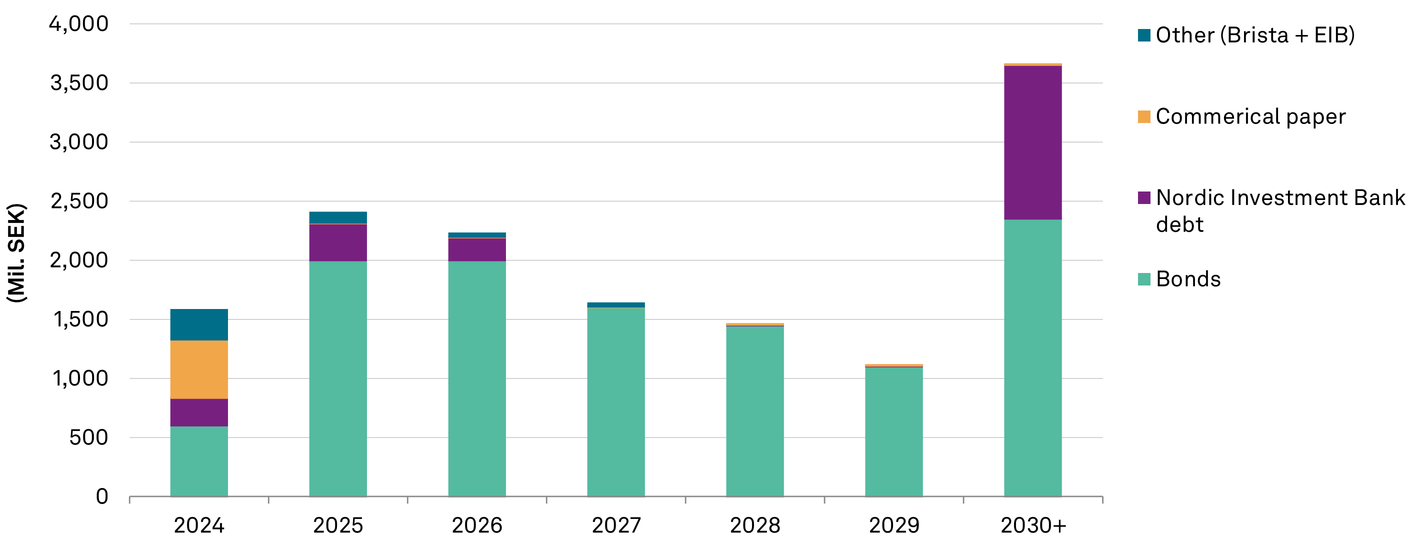
- Debt maturities of about SEK3.7 billion within the next 12 months, including about SEK495 million of commercial paper maturing in second-quarter 2024.
- Maintenance capex of about SEK700 million; and,
- Dividend of about SEK94 million during the period, as per our expectation of no dividend payment in 2024 followed by a SEK350 million-SEK400 million dividend for 2025.

Debt maturities

- 2025: SEK2.22 billion
- 2026: SEK1.63 billion
- 2027: SEK1.45 billion
- 2028 and thereafter: SEK3.74 billion

Chart 5

Stockholm Exergi's debt maturity schedule



EIB--European Investment Bank. Source: S&P Global Ratings, Stockholm Exergi.

Environmental, Social, And Governance

Environmental factors are a moderately negative consideration in our credit ratings analysis of SE, reflecting its large district heating operations (80% of EBITDA). That said, the company was able to phase out coal from its district heating system two years ahead of schedule and ahead of many peers, and now only uses non-fossil fuels, such as biomass. The company is also contemplating construction of a carbon capture and storage unit that will enable it to shift from reducing CO2 emissions to negative emissions. While no decision been taken yet, a significant amount has already been invested in various approvals and planning, signaling management's ambitions to reduce emissions. Our understanding is that the company could start carbon capture in 2028.

The utilities industry, which includes district heating providers, faces short- and long-term risks from environmental factors. It also faces societal issues in terms of pollution laws and governance risk arising from political decisions affecting the industry, for example, targets for CO2 emissions.

Government Influence

In accordance with our criteria for government-related entities, we see a moderate likelihood of extraordinary support for SE from the city of Stockholm, based on our assessment of the company's:

- Strong link to the City of Stockholm which owns 50% of the company. While there is no explicit guarantee, the city has previously provided funding to SE. While the City of Stockholm has equal rights with the other shareholder (a consortium, Ankhiale), it is not involved in the day-to-day operations of SE.
- Limited importance to the city: SE provides 90% of heating in the City of Stockholm so it is an essential part of the infrastructure. We believe that should BECCS receive a positive financial investment decision and become operational, this importance may strengthen.

Ratings Score Snapshot

Issuer Credit Rating

BBB+/Negative/A-2

Business risk: Strong

- **Country risk:** Very low
- **Industry risk:** Very low
- **Competitive position:** Satisfactory

Financial risk: Significant

- **Cash flow/leverage:** Significant

Anchor: bbb

Modifiers

- **Diversification/portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Neutral (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Stand-alone credit profile : bbb

- **Related government rating:** AAA
- **Likelihood of government support:** Moderate (+1 notch from SACP)

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
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- 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

Related Research

- How Rising Fuel Costs Could Stress Swedish District Heating Companies' Creditworthiness, Feb. 12, 2024
- Stockholm Exergi Holding AB Outlook Revised To Negative On Cost Pressure; 'BBB+' Ratings Affirmed, April 26, 2023

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	Intermediate	**Significant**	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	**bbb**	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of May 13, 2024)*

Stockholm Exergi Holding AB (publ)		
Issuer Credit Rating		BBB+/Negative/A-2
Nordic Regional Scale		--/--/K-1
Senior Unsecured		BBB+
Issuer Credit Ratings History		
26-Apr-2023		BBB+/Negative/A-2
03-Apr-2014		BBB+/Stable/A-2
03-Apr-2014	*Nordic Regional Scale*	--/--/K-1

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.