

Additional information for the preliminary WACC

Fintraffic ANS - WACC calculation					
	After-tax WACC	Pre-tax WACC			
Cost of equity (Ke)					
Asset beta	0,4	0,4	Capped asset beta (middle value) as instructed by PBP in methodology papers		
Debt to EV Ratio (D/EV)	41,00 %	41 %	Source: Stydy on cost of capital, Methodology review and update (Union wide optimal gearing 2021)		
Equity to EV Ratio (1-D/EV)	59,00 %	59 %	1 - D/EV		
Tax rate	20 %	20 %	Corporate tax rate (Finland, 2024)		
Equity beta (Be)	0,62	0,62	$Be = Ba * (1 + (1-t) * (D/EV) / (1-D/EV))$		
Risk-free rate (i)	2,73 %	2,73 %	10 year bond closing rate 30.1.24		
Market Risk Premium (Rm)	4,60 %	4,60 %	Market risk premium in AAA-rate country, Damodaran (Germany, January 2024)		
Country Risk Premium (CRP)	0,58 %	0,58 %	Risk premium to AAA-rate country, Damodaran (Finland AA1, January 2024)		
Cost of equity (Ke), After-tax	6,17 %		$Ke = i + Be * Rm + CRP$		
Cost of equity, Pre-tax		7,72 %	Pre-tax Cost of Equity = After-tax Cost of Equity / (1 - tax rate)		
WACC contribution of equity	3,64 %	4,55 %			
Cost of debt (Kd)					
Credit spread	0,50 %	0,50 %	Traficom's estimate		
Country Risk Premium (CRP)	0,00 %	0,00 %	set to zero here because the credit spread is a domestic estimate		
Pre-tax Required Return on Debt (Kd)	3,23 %	3,23 %	$Kd = i + \text{Credit spread} + CRP$		
After-tax Required Return on Debt	2,58 %				
WACC contribution of debt	1,06 %	1,32 %			
WACC	4,70 %	5,88 %	$WACC = (D/EV) * (1-t) * Kd + (1 - D/EV) * Ke$		
Equity Risk Premium (Finland)	5,18 %	January 2024	pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ctryprem.html		
Country Risk Premium	0,58 %	January 2024			

This WACC calculation is based on the methodology papers published by PRB (2019 and 2022). It will be updated accordingly when new update from PRB will be published for RP4.

This preliminary calculation is in line with competitive market practices. WACC is not capped taking into account the monetary value of the maximum revenue risk faced by the ANSPs during the whole RP4 when combining both TN and En route.

Below is the combined calculation (TN+en route) where to return on equity is compared to maximum revenue risk faced by the ANSP. It shows that there is no need for additional capping of the WACC.

WACC 5,88%					
Nominal values	2025	2026	2027	2028	1029
Determined costs	62 242	67 243	71 039	73 772	78 321
monetary value of RoE	1 946	2 561	2 923	2 893	3 959
Ratio RoE/DC	3,13 %	3,81 %	4,11 %	3,92 %	5,05 %
max risk exposure 4,4% (€)	2738,6	2958,7	3125,7	3246,0	3446,1
difference to RoE (€)	-792,6	-397,8	-203,1	-353,3	512,8
total over max for RP4	-1 234,1				