

Research Update:

Alliander Outlook Revised To Positive On Regulatory Developments And Shareholder Support; 'A/A-1' Ratings Affirmed

April 21, 2026

Rating Action Overview

- We now project Alliander's funds from operations (FFO) to debt will average 13%-14% over the next three years, supported by increased remuneration in the next regulatory period that starts Jan. 1, 2027.
- Shareholders should also support the trajectory of credit metrics. We expect Alliander will convert its €600 million shareholder loan into equity in the second half of 2026. This comes after the decision to cap annual dividends at €100 million in real terms.
- We now see more likely that the key shareholders of Alliander, the Dutch provinces of Gelderland (holding 45% of company's capital), Friesland (13%), and Noord-Holland (9%), and the city of Amsterdam (9%), could enact additional remedial measures should the company not be able to maintain adjusted FFO to debt of at least 11% in any given year.
- Therefore, we revised our outlook on Alliander to positive from stable and affirmed our 'A/A-1' issuer credit and issue ratings on Alliander N.V. and its senior unsecured debt, and the 'BBB' rating on its hybrid debt.

Rating Action Rationale

We project Alliander's FFO to debt will average 12%-13% over 2026-2028, an improvement from our previous base case. We view the transition to a cost-plus regulatory mechanism beginning in 2027, from the current price cap approach, as credit positive. This will enhance Dutch operators' ability to recover operating costs. The Netherlands Authority for Consumers and Markets has established a pre-tax weighted-average cost of capital (WACC) of roughly 5.5% (nominal) for power distribution system operators in 2027. This compares with a pre-tax real WACC of 2.1% during the current 2023-2026 regulatory period. WACC will be updated annually to reflect changes in the cost of debt and the risk-free rate. As a result, we now forecast S&P Global Ratings-adjusted EBITDA will expand to €1.5 billion-€1.6 billion in 2027, from €1.0 billion-€1.1 billion in 2026.

Primary Contact

Wen Li
Frankfurt
49-69-33999-101
wen.li
@spglobal.com

Secondary Contacts

Claire Mauduit-Le Clercq
Paris
33-14-420-7201
claire.mauduit
@spglobal.com

Elizaveta Filatova
Frankfurt
49-6933999131
elizaveta.filatova
@spglobal.com

We believe the ongoing shareholder support provided by its Dutch municipality owners to Alliander eases pressure on credit metrics. We view positively the track record of the key shareholders to support the company's credit quality, following a material step-up in investment needs from 2025. We expect that Alliander will exercise its right to fully convert the €600 million shareholder loan into equity in the second half of the year. We also view positively the cap on dividend distribution of €100 million, which we expect to result in €700 million-€750 million of cash retained on the company's balance sheet over 2026-2030. Although no single shareholder controls the majority equity stake in Alliander, we expect the key shareholders, including the main one, Gelderland (45%), along with Friesland (13%), Noord-Holland (9%), and Amsterdam (9%), to provide additional support to Alliander, should the company be not able to sustain FFO to debt above 11%. We regard capital contributions from the central government as a second line of defense to protect our 'A-' rating on Alliander.

Alliander's amplified five-year investments of €15 billion will lead to consistently negative discretionary cash flow (DCF) over 2026-2030. The new five-year business plan foresees gross investment increasing by 19% to €15.2 billion from €12.8 billion in 2025-2029. The significant step-up in Alliander's investments aims to accommodate for a faster energy transition in the Netherlands on the back of intensified electrification. The plan also looks to cut currently heavy domestic congestion by increasing grid capacity. On average, investments in power grids account for around 80% of total capital expenditure (capex) with around 10% each flowing into gas grids and other business areas, including smart metering and IT systems. We now project Alliander's capex will rise to €2.0 billion in 2026 and €2.6 billion in 2027, from €1.7 billion in 2024 and €1.4 billion in 2023. This elevated level of investment will likely result in negative DCF of approximately €1.5 billion over the next two years. However, the forthcoming regulatory reset is expected to mitigate the pressure on credit metrics from 2027, when we expect FFO to debt to reach 13%-14%, on average, between 2027 and 2029.

Outlook

The positive outlook reflects our anticipation that Alliander will fully convert its €600 million shareholder loan into equity before the year-end, while maintaining a financial trajectory of FFO to debt at or above 12% over the next three years.

Downside scenario

We could revise our outlook to stable if we believed Alliander would not be able to maintain FFO to debt of 12% in most years until 2029 and thereafter. This could result from lack of timely and sufficient implementation of remedial measures by both the company and the shareholders.

Upside scenario

We could upgrade Alliander within 12 months, if we believe the company can sustain FFO to debt of 12% in most years through 2029 and at least 11% in any given year, backed by the conversion of the shareholder loan and by the company's financial policy consistent with the applicable Dutch local governments' financing framework. An upgrade would also be commensurate with more solid liquidity resources, relative to the large investment needs.

Company Description

Netherlands-based Alliander mainly focuses on electricity and gas distribution in the regions of Gelderland, Noord-Holland, Amsterdam, Zuid-Holland, Friesland, and Flevoland.

Through its main subsidiary, Liander, which accounts for about 95% of Alliander's EBITDA, the company provides electricity and gas to about 3.4 million consumers and businesses through its 5.9 million connection points.

Alliander is 100% owned by 74 Dutch provinces and municipalities. Gelderland owns 45%, Friesland 13%, Noord-Holland 9%, and Amsterdam 9%. The remainder is owned by other smaller Dutch municipalities.

Our Base-Case Scenario

Assumptions

- Real GDP growth in the Netherlands of 1.3% in 2026, and 1.4% in 2027, after 1.6% in 2025. We expect limited impact from the Middle East war on Alliander's activities, due to its majority-regulated nature.
- Dutch regulation: current regulatory period ends in 2026, and a new one starts in 2027. Nominal pretax WACC on electricity and gas grid of 5.5% in 2027.
- The WACC will be recalculated yearly based on actual interest rate developments for the remainder of the regulatory period. The regulatory framework allows for yearly indexation of the tariffs to inflation.
- Net capex increasing above €2.3 billion in 2027 from €1.9 billion expected in 2025, driven by the energy transition target in the Netherlands and the requirement to expand Alliander's electricity grid, as well as grid replacement and digitalization.
- A dividend payout ratio of 45% of the previous year's net income, according to Alliander's policy, with a €100 million cap.
- Conversion of the €600 million shareholder loan by year-end 2026.

Key metrics

Period ending	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
(Mil. EUR)	2022a	2023a	2024a	2025e	2026f	2027f
Revenue	2,150	2,725	3,043	3,273	3,486	4,132
EBITDA	773	877	832	893	1,027	1,567
Less: Cash interest paid	(48)	(65)	(77)	(90)	(165)	(219)
Less: Cash taxes paid	(60)	(2)	(51)	(33)	(83)	(188)
Funds from operations (FFO)	665	810	704	770	779	1,160
EBIT	313	424	356	441	494	963
Interest expense	49	73	83	75	144	198
Cash flow from operations (CFO)	574	726	827	823	724	1,106
Capital expenditure (capex)	1,229	1,411	1,773	2,115	2,066	2,606
Free operating cash flow (FOCF)	(655)	(685)	(946)	(1,292)	(1,342)	(1,503)
Dividends	111	92	179	118	122	105

Discretionary cash flow (DCF)	(766)	(777)	(1,125)	(1,410)	(1,463)	(1,607)
Debt (reported)	3,426	4,038	3,873	4,868	5,837	6,945
Plus: Lease liabilities debt	123	130	140	132	140	140
Plus: Pension and other postretirement debt	21	24	20	20	20	20
Less: Accessible cash and liquid Investments	(204)	(244)	(496)	(300)	(150)	(150)
Plus/(less): Other	(52)	(52)	449	195	498	748
Debt	3,314	3,896	3,986	4,912	6,147	7,790
Equity	4,622	4,801	5,590	6,008	6,428	7,106
Adjusted ratios						
Debt/EBITDA (x)	4.3	4.4	4.8	5.5	6.0	5.0
FFO/debt (%)	20.1	20.8	17.7	15.7	12.6	14.9
CFO/debt (%)	17.3	18.6	20.8	16.7	11.3	12.9
FOCF/debt (%)	(19.8)	(17.6)	(23.7)	(26.3)	(24.5)	(17.4)
DCF/debt (%)	(23.1)	(19.9)	(28.2)	(28.7)	(25.0)	(17.9)
Annual revenue growth (%)	1.4	26.7	11.7	7.6	8.3	17.4
EBITDA margin (%)	36.0	32.2	27.3	27.3	29.2	36.1
Return on capital (%)	4.2	5.1	3.9	3.8	4.0	6.4

Liquidity

We assess Alliander's liquidity as adequate, based on our view that the company's liquidity sources will exceed its funding by more than 1.1x as of Jan. 1, 2026. Our liquidity assessment is underpinned by Alliander's high standing in the credit markets and good relationship with banks. Alliander extended its €1 billion credit facility by one year until December 2027 and sized it up to €1.5 billion.

Principal liquidity sources	Principal liquidity uses
<ul style="list-style-type: none"> Cash and liquid short-term investments of €307 million; A committed undrawn credit facility of €2.4 billion maturing in more than one year; and Cash FFO of about €718 million over the next 12 months. 	<ul style="list-style-type: none"> Debt maturities of €300 million over the next 12 months; Capex of €2.1 billion; and Dividends and coupon payments on hybrid instruments of about €143 million.

Environmental, Social, And Governance

ESG factors have an overall neutral influence on our credit rating analysis of Alliander. The company is one of the most relevant stakeholders for the Dutch government to deliver on its energy transition objectives. Its pivotal role entails collaborating with Dutch local governments, industries, and communities to integrate new renewable capacity into its grid while managing congestion. We believe this will stimulate Alliander's electricity grid deployment by expanding its

regulatory asset base over the next decade. In our opinion, the critical role of its electricity infrastructure more than compensates for the more uncertain long-term prospects of its gas grid, as the country strives to phase out fossil fuels by 2050 and embrace renewable gases.

Issue Ratings--Subordination Risk Analysis

Capital structure

As of Dec. 31, 2025, Alliander's gross debt (including financial lease obligations) totaled about €5.3 billion.

Our calculation of adjusted debt considers only 50% of the company's perpetual subordinated notes, in the total amount of €1 billion, issued in 2024 and 2025, and the €600 million convertible shareholder loan, because we evaluate this instrument as having intermediate equity content.

Analytical conclusions

We rate the company's senior unsecured debt 'A', the same as the long-term issuer credit rating.

Alliander is the holding company of a key operating company and other smaller subsidiaries. All new debt is placed at the Alliander level.

We rate Alliander's debt in line with the issuer credit rating because we consider there is no structural subordination.

We rate the perpetual notes 'BBB', two notches below the 'a-' stand-alone credit profile (SACP) on Alliander, reflecting:

- A one-notch deduction because of contractual subordination; and
- An additional one-notch deduction for payment flexibility to reflect that the deferral of interest is optional.

We do not consider that the Dutch state would provide support to the company's hybrid. Because of this, we rate it by notching down from the SACP.

Rating Component Scores

Rating Component Scores

Component	
Foreign currency issuer credit rating	A/Positive /A-1
Local currency issuer credit rating	A/Positive/A-1
Business risk	Excellent
Country risk	Very low risk
Industry risk	Very low risk
Competitive position	Excellent
Financial risk	Significant
Cash flow/leverage	Significant (low volatility table)
Anchor	a-

Modifiers

Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Adequate (no impact)
Management and governance	Neutral
Comparable rating analysis	Neutral
Stand-alone credit profile	a-
Likelihood of government support	Moderate (+1 notch)
Final issuer credit rating	A

Related Criteria

- [General Criteria: Hybrid Capital: Methodology And Assumptions](#), Oct. 13, 2025
- [Criteria | Corporates | General: Sector-Specific Corporate Methodology](#), July 7, 2025
- [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 | General: Reflecting Subordination Risk In Corporate Issue Ratings](#), March 28, 2018
- [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

Related Research

- [Industry Credit Outlook 2026: EMEA Utilities](#), Jan. 14, 2026
- [The Netherlands](#), Oct. 20, 2025
- [Alliander's Proposed €500 Million Hybrid Instrument Rated 'BBB'; Equity Content Intermediate](#), Sep. 25, 2025

Ratings List

Ratings List

Ratings Affirmed; Outlook Action

	To	From
Alliander N.V.		
Issuer Credit Rating	A/Positive/A-1	A/Stable/A-1

Ratings Affirmed

Alliander N.V.

Senior Unsecured	A	
Junior Subordinated	BBB	

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