SCOPE | Ratings

Alliander N.V.

Kingdom of the Netherlands, Utilities

Issuer
A+
Outlook
Stable
Short-term debt
S-1
Senior unsecured debt
A+
Subordinated (hybrid) debt
A-

Rating composition

Business risk profile		
Industry risk profile	AA	AA-
Competitive position	A+	
Financial risk profile		
Credit metrics	BBB-	BB+
Cash flow generation	Weak	
Liquidity	+/-0 notches	
Standalone credit assessment		**A-**
Supplementary rating drivers		
Financial policy	+/-0 notches	+2 notches
Governance & structure	+/-0 notches	
Parent/government support	+2 notches	
Peer context	+/-0 notches	
Issuer rating		**A+**

Key metrics

			Scope estimates	
Scope credit ratios*	**2023**	**2024**	**2025E**	**2026E**
Scope-adjusted EBITDA interest cover	17.0x	12.6x	8.2x	6.2x
Scope-adjusted debt/EBITDA	4.0x	4.0x	5.1x	5.9x
Scope-adjusted free operating cash flow/debt	-15%	-23%	-24%	-23%
Liquidity	112%	88%	147%	175%

Rating sensitivities

The upside scenario for the ratings and Outlook is:

- Debt/EBITDA of around 4.5x on a sustained basis

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

- Debt/EBITDA of around 6.0x for a prolonged period
- Reduced ownership by the Dutch government authorities (highly unlikely as this would require a change in the law)

**All credit metrics refer to Scope-adjusted figures.*

Lead Analyst

Marlen Shokhitbayev, CFA
+49 30 27891-127
m.shokhitbayev@scoperatings.com

Related methodologies

General Corporate Rating Methodology, Feb 2025
European Utilities Rating Methodology, Jun 2025
Government Related Entity Rating Methodology, Sep 2025

Table of content

1. Key rating drivers

Positive rating drivers	Negative rating drivers
• Regional monopoly in electricity and gas distribution in an economically strong service territory with about 5.9m connection points • Longstanding, reliable and supportive regulatory framework aimed at the full pass-through of total costs (over time) and the provision of an 'adequate' return on the regulated asset base • Major part of investment plan focused on enabling the energy transition in the Netherlands (ESG factor) • Strong debt protection metrics and sound liquidity • Status as government-related entity (fully owned by Dutch sub-sovereigns) that is also protected by law (article 93 of the Elektriciteitswet 1998 and article 85 of Gaswet); potential equity recapitalisation by Dutch government aimed at supporting grid operators during increased capex phase	• Significantly weaker financial risk profile (compared to business risk profile) as displayed by moderate leverage • Delayed recovery of costs associated with grid losses temporarily burdening profitability and operating cash flow • Increasing capex persistently weighing on free operating cash flow generation and triggering continuous external funding

2. Rating Outlook

The **Stable Outlook** reflects our expectation that Alliander's leverage as measured by debt/EBITDA will settle between 5.0x and 6.0x in the next few years. The Outlook also assumes a broadly unchanged shareholder structure, with Alliander retaining its status as a government-related entity held by Dutch government authorities.

3. Corporate profile

Largest Dutch distribution system operator

Alliander is a group of companies. The main group entity is grid manager Liander, which operates the regional distribution infrastructure (grids and networks) for electricity and gas in Gelderland, parts of North Holland, Flevoland, Friesland and South Holland. All other services centre around the seamless distribution of energy, such as inhouse construction and maintenance, metering and energy management.

We classify Alliander as a government-related entity, with full direct ownership by Dutch provincial authorities and municipalities located in Alliander's service territories.

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
19 Dec 2025	Alliander N.V.: conversion (public rating)	A+/Stable

5. Financial overview (financial data in EUR m)

				Scope estimates		
Scope credit ratios	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**
EBITDA interest cover	17.8x	17.0x	12.6x	8.2x	6.2x	7.0x
Debt/EBITDA	3.9x	4.0x	4.0x	5.1x	5.9x	5.1x
Free operating cash flow/debt	-16%	-15%	-23%	-24%	-23%	-20%
Liquidity	151%	112%	88%	147%	175%	136%
EBITDA						
Reported EBITDA	849	964	1,674	1,012	995	1,463
Dividends from associates	6	3	3	2	2	2
Other items (disposal gains)	-	-	(757)	(70)	-	-
EBITDA	**855**	**967**	**920**	**944**	**998**	**1,464**
Funds from operations (FFO)						
EBITDA	855	967	920	944	998	1,464
less: interest	(48)	(57)	(73)	(116)	(160)	(208)
less: cash tax paid	(60)	(2)	(51)	(59)	(36)	(109)
Other non-operating charges before FFO	21	(84)	(30)	-	-	-
Funds from operations	**768**	**824**	**766**	**770**	**801**	**1,147**
Free operating cash flow (FOCF)						
Funds from operations	768	824	766	770	801	1,147
Change in working capital	(194)	(98)	65	(29)	(30)	(91)
less: capital expenditures (net)	(1,075)	(1,258)	(1,645)	(1,850)	(2,100)	(2,500)
less: lease amortisation	(25)	(28)	(45)	(25)	(25)	(25)
Free operating cash flow	**(526)**	**(560)**	**(859)**	**(1,134)**	**(1,354)**	**(1,469)**
Interest						
Net cash interest per cash flow statement	38	47	63	98	137	186
add: 50% of interest paid on hybrid debt	10	10	10	18	23	22
Interest	**48**	**57**	**73**	**116**	**160**	**208**
Debt						
Financial debt	4,043	4,663	5,003	6,088	6,723	8,198
less: subordinated (hybrid) debt (50%)	(547)	(568)	(815)	(815)	(515)	(515)
less: cash and cash equivalents	(205)	(244)	(496)	(494)	(277)	(220)
add: pension adjustment	1	1	1	1	1	1
Debt	**3,292**	**3,853**	**3,693**	**4,780**	**5,933**	**7,464**
Liquidity sources and uses						
Unrestricted cash (t-1)	624	205	244	496	494	277
Open committed credit/factoring lines (t-1)	900	900	1,300	1,900	2,400	2,400
Free operating cash flow (t)	(526)	(560)	(859)	(1,134)	(1,354)	(1,469)
Short-term debt (t-1)	481	426	901	501	300	500
Coverage	**151%**	**112%**	**88%**	**147%**	**175%**	**136%**

6. Environmental, social and governance (ESG) profile[1]

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

Company's role of enabling the energy transition credit-supportive

The large investment programme is earmarked mostly for strengthening distribution grids, securing grid quality and stability, debottlenecking in congested areas, and providing a seamless integration/connection of new decentralised power generation capacity. This points to Alliander's high importance within the Netherlands' energy transition (credit-supportive), which is outlined in the Dutch Climate Agreement.

While the associated capex programme is straining Alliander's credit profile, we regard the investment focus as critical for ESG considerations and see this as credit-supportive, supporting the company's market position and enhancing operating cash flow in the medium to long run. Firstly, Alliander's role, like other Dutch grid operators, supports the continuation of a reliable regulatory framework that ensures full cost recovery and the provision of an adequate return on investment, which will materialise in significantly higher earnings in the long run. Secondly, its role within the energy transition provides direct access to green or ESG-linked debt financing. Thirdly, such a role is contributing to continued shareholder support, particularly during the critical investment phase, thereby solidifying our view on the utility's status as a government-related entity.

Credit-neutral on regulatory risks

While the company is exposed to the time lag for the recovery of elevated costs for grid losses, this does not negatively affect our overall neutral stance on the reliability of the applicable regulatory environment.

Adequate governance

We do not see credit-relevant detrimental points pertaining to Alliander's corporate governance. The utility voluntarily applies the Dutch Corporate Governance Code 2016 where possible and relevant as well as a 'two-tier' management structure with a separation of the executive and supervisory boards.

[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: AA-

Very strong business risk profile supported by undisputed regulated monopoly

Alliander's rating remains strongly supported by its low business risks, as reflected by its unchanged business risk profile of AA-. The grid operator's creditworthiness is sustained by its monopoly position in electricity and gas distribution in the northwestern part of the Netherlands and the province of Gelderland.

Generally robust regulatory framework with some weaknesses amid unexpected cost increases

Whereas the current regulatory framework for the regulatory period 2022-2026 shows some weakness regarding the timely recovery of operating expenses and investments, e.g. with regards to the unforeseen costs pertaining to grid losses, inflation in operating costs and the adjustment of the WACC used for underlying remuneration on invested capital, the general framework continues to ensure full recovery and solid operating cash flow over time.

Successful legal appeal on the tariff setting for the current regulatory period

Alliander, together with other Dutch regulated grid operators, successfully appealed the tariff setting decision method of Dutch regulator (ACM) at the Dutch Administrative Court for Trade and Industry. This regarded the setting of appropriate WACC and an appropriate reflection of operating costs. As a result, the ACM granted Alliander higher revenues by around EUR 750m over 2024-2026.

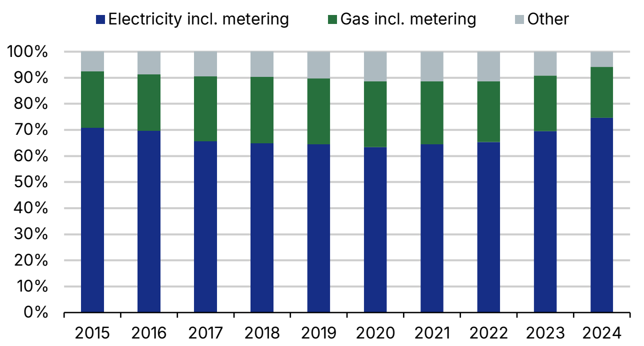
Accelerated investment programme

To reduce grid congestion and lost benefits to society, Alliander's annual gross investments are set to increase to EUR 2bn-3bn in the next couple of years compared with EUR 1.8bn in 2024 and EUR 1.4bn in 2023. We also highlight the increase in operating costs, mainly for labour, materials and services, driven by grid expansion and inflation accumulated in recent years. These costs are reflected in tariffs with a two-year lag under the current regulation.

Draft decisions for the new regulatory period

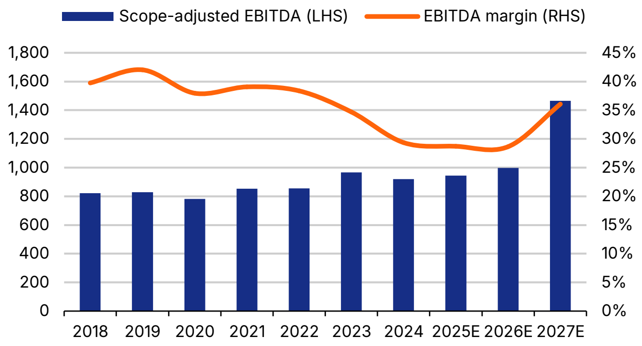
The regulatory framework for the new regulatory period starting in 2027 is under development, with ACM publishing draft decisions in September 2025. These are intended to not only stimulate the energy transition but also investment to combat grid congestion. Key changes include introducing a cost-plus regulation to speed up the reimbursement of costs, setting a nominal WACC for the electricity grid, and compensating for interest costs based on debt growth. However, the draft decisions do not address the meaningful remuneration of work in progress or working capital.

Figure 1: Revenue split by main activities



Source: Alliander, Scope

Figure 2: Margin rebound expected over the medium term



Source: Alliander, Scope estimates

Temporary weakness in EBITDA margin

The company's Scope-adjusted EBITDA margin deceased to around 30% in 2024, mainly due to increased operating costs and the time lag in tariff recovery. Nevertheless, we expect the margin to recover to around 35%-40% in the medium term due to the positive effects of: i) a higher applicable WACC; ii) expected changes in regulation to support investments amid the energy transition; and iii) a steadily growing regulated asset base.

8. Financial risk profile: BB+

The main rating constraint remains Alliander's financial risk profile, which is burdened by the substantial capital expenditure. It reflects moderate leverage, strong interest cover, weak cash flow cover and adequate liquidity.

Our financial projections for 2025-2027 are mainly based on the following assumptions:

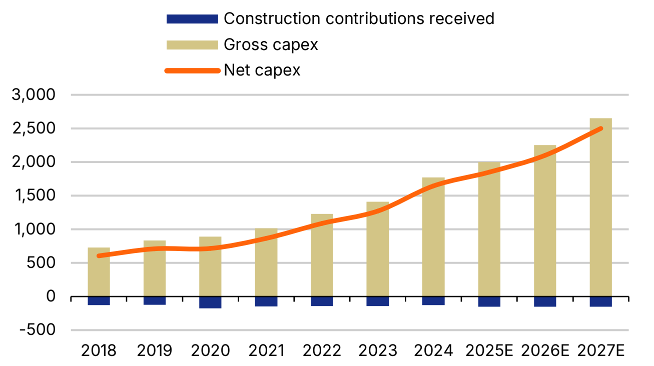
Key planning assumptions

- Significant increase in EBITDA to around EUR 1.5bn in 2027
- Significant increase in gross capex to EUR 2.0bn-3.0bn per year
- Conversion into equity of the EUR 600m reverse convertible shareholder loan in 2026.

The large investment programme will continue to put pressure on free operating cash flow and require external funding, leading to a steady increase in debt. We project that debt, taking into account a 50% equity credit on hybrid debt (hybrid bonds and the EUR 600m reverse convertible shareholder loan), will increase significantly to around EUR 7.5bn by YE 2027 from EUR 3.7bn at YE 2024, also considering the planned conversion to equity of the convertible shareholder loan. We therefore expect free operating cash flow/debt to remain deep in negative territory.

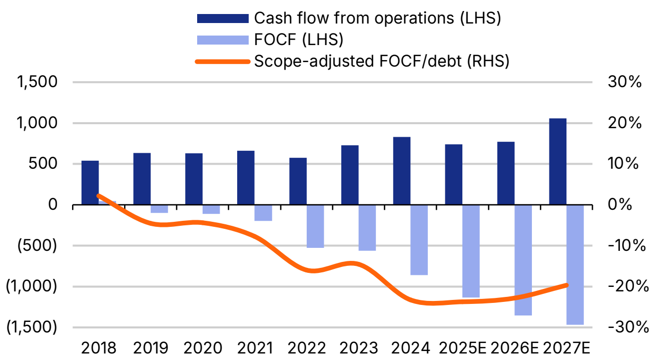
Large investment programme requires significant external funding

Figure 3: Steady growth in gross capex (in EUR m)



Source: Alliander, Scope estimates

Figure 4: Cash flow generation (in EUR m)

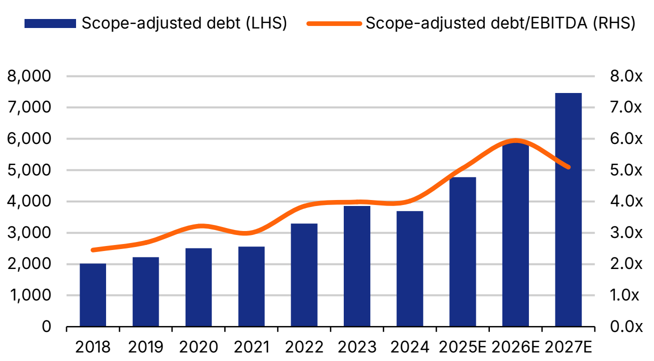


Source: Alliander, Scope estimates

As a result, leverage – as measured by debt/EBITDA – is likely to increase above 5.0x already in 2025 from 4.0x at YE 2024. While a higher applicable WACC and expected regulatory changes from 2027 will support EBITDA, we expect leverage to remain above 5.0x for a prolonged period. This view also reflects changes in the financial policy announced in March 2025.

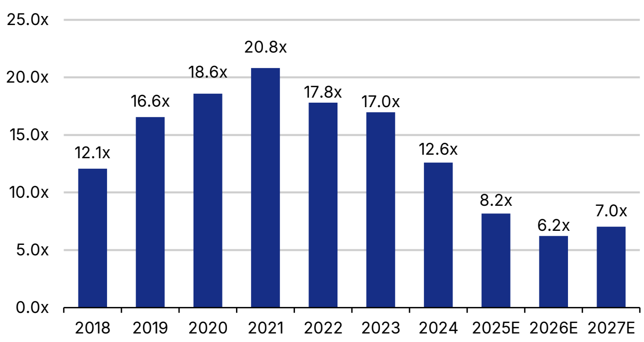
Leverage to remain above 5.0x

Figure 5: Debt (in EUR m) and leverage



Source: Alliander, Scope estimates

Figure 6: Interest cover ratio



Source: Alliander, Scope estimates

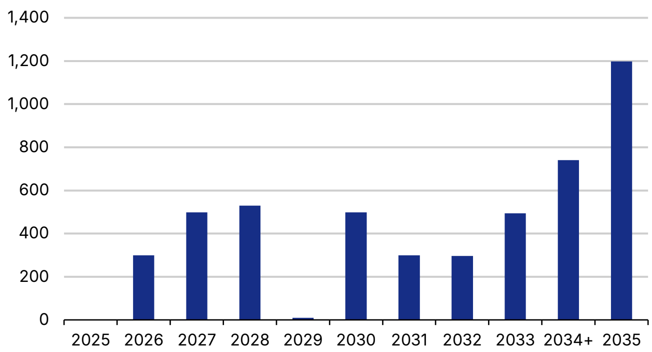
EBITDA interest cover is projected to decrease well below 10x, considering a rising interest burden stemming from external (re)financing at higher borrowing costs and growing debt levels. The negative pressure will be only partly offset by significant EBITDA growth in the new regulatory period.

EBITDA interest cover to decrease well below 10x

Alliander's financial liabilities mainly include senior and subordinated hybrid bonds, shareholder loans and EIB loans. The debt portfolio benefits from a balanced maturity profile.

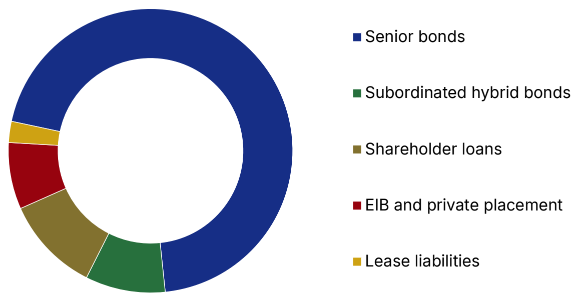
Diversified funding mix and balanced maturity profile

Figure 7: Maturity schedule at H1 2025 (in EUR m)



Source: Alliander, Scope

Figure 8: Funding mix at H1 2025



Source: Alliander, Scope

We continue to see Alliander's liquidity as adequate. Liquidity metrics are projected at above 110% in 2025-2026 despite the persistent pressure on free operating cash flow and external funding needs. This is supported by Alliander's cash balance (EUR 431m at end-June 2025) and an aggregated amount of EUR 2,400m of undrawn committed credit facilities (EUR 1,500m expiring in December 2027, assuming the extension option is exercised, and another EUR 900m expiring in December 2028). Alliander has a record of prolonging and increasing the size of committed credit facilities. The assessment of liquidity is further supported by the company's solid standing in the capital markets.

Adequate liquidity

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

	2025E	2026E	2027E
Unrestricted cash (t-1)	496	494	277
Open committed credit lines (t-1)	1,900	2,400	2,400
FOCF (t)	(1,134)	(1,354)	(1,469)
Short-term debt (t-1)	501	300	500
Liquidity	**147%**	**175%**	**136%**

Source: Alliander, Scope estimates

9. Supplementary rating drivers: +2 notches

Alliander's financial policy is neutral for our issuer rating assessment. The company updated its financial policy in March 2025, which includes a reduction in the minimum threshold of funds from operations/net debt (as defined by Alliander) to 11% from 15%, the introduction of a dividend cap, and the removal of the interest coverage ratio and leverage ratio. The company stated that the updated financial framework is focused on maintaining a solid A rating profile.

Credit-neutral financial policy

We assess Alliander as a government-related entity, applying the bottom-up approach according to our Government Related Entities Rating Methodology. The company is fully owned by a group of more than 70 sub-sovereign authorities in the Netherlands and full public ownership is required by law (i.e. Section 93 II, Elektriciteitswet and Section 85 III, Gaswet). Moreover, the agreement on a potential equity injection from the Dutch government (rated AAA/Stable by Scope), which could become a new shareholder should ratings pressure become too strong, shows the high willingness of the Dutch public sponsors to support Alliander's creditworthiness. While we believe that the capacity of the group of public sponsors is 'medium', their willingness to provide credit support is 'high', which together results in the two-notch rating enhancement to Alliander's standalone credit assessment.

Two-notch uplift from shareholder structure

10. Debt ratings

Alliander N.V. is the sole issuer of public debt.

The senior unsecured debt is rated at A+, in line with the underlying issuer rating.

Senior unsecured debt rating: A+

The subordinated (hybrid) debt is rated at A-, two notches below the underlying issuer rating.

Subordinated (hybrid) debt rating: A-

The S-1 short-term debt rating is based on the underlying A+/Stable issuer rating and remains supported by the utility's sustained overall liquidity profile as well as its diversified funding mix of capital market debt and loans (e.g. EIB and shareholder loans, private placements and credit facilities with multiple banks). Nevertheless, the assessment is constrained by the worse than adequate internally provided liquidity cover and the high dependence on external funding.

Short-term debt rating: S-1

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

52 Grosvenor Gardens
London SW1W 0AU
Phone: +44 20 7824 5180
info@scoperatings.com

in
Bloomberg: RESP SCOP
Scope contacts
scoperatings.com

Disclaimer