

Tear Sheet:

Elenia Verkko Oyj

June 26, 2026

This report does not constitute a rating action.

We expect Elenia to maintain an S&P Global Ratings-adjusted FFO-to-debt ratio above 8% while implementing its Network Development Plan (NDP) and subsequent capex ramp-up.

Elenia has updated its NDP for 2026-2036, with total planned investments amounting to €2.3 billion. This represents an increase of about €300 million compared to the 2024 NDP, primarily driven by electrification requirements, including electricity storage systems, heat production electrification, and increased connection inquiries from data centers. To meet evolving customer needs and support societal electrification, the company is implementing a gradual capital expenditure (capex) ramp-up, with increased spending levels scheduled for 2027. Despite this we expect funds from operations (FFO) to debt to remain above 8% until the end of the current regulatory period in December 2027 at least, supported by tax optimization and dividend flexibility. We forecast dividend payments in the range of €70 million-€100 million in 2026 and 2027. We continue to think that Elenia's financial metrics are sensitive to fluctuations in EBITDA. Therefore, we think that the company has limited rating headroom; although we note flexibility in shareholder remuneration.

We expect stable and predictable cash flows from Elenia's fully regulated business under the current regulatory period. The company operates in a supportive operational environment in Finland, and as earnings are derived entirely from regulated activities, cash inflows should remain resilient. However, the methodology for the 2024-2031 regulatory period introduces uncertainty regarding asset valuations. Under this framework, the current asset base will be frozen at the 2024 unit price, with no inflation adjustment at the end of the period. While all investments are added to the regulatory asset base based on an average of actual costs from all distribution system operators (DSOs), this price is only determined at the end of each four-year period. This lag has increased investment return uncertainty, leading several DSOs--including Elenia--to reduce planned capex in 2023-2024 before implementing a material increase. The pre-tax weighted average cost of capital (WACC) for 2026 is at 6.87%, closely aligned with the 2025 WACC of 7.20%.

We note that ongoing regulatory appeals carry litigation risks; however, we think that the potential outcomes only could improve remuneration. This is because we have already based its assessment on the rulings and changes implemented by the regulator. Elenia has two active appeals with the Finnish Market Court and one with the Supreme Administrative Court following adverse decisions by the national regulatory authority. We expect rulings on these appeals by

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first half year 2027, though the two Market Court cases could be appealed to the Supreme Administrative Court of Finland further delaying final outcomes until 2028.

Supporting features in the senior secured debt continue to uplift the rating. The rating remains one notch above the senior secured debt's stand-alone credit profile thanks to the structural features designed to increase cash flow certainty for debtholders. These include restricted payment conditions and a covenanted liquidity structure that should, in our view, enable Elenia to manage temporary cash flow shocks. Debtholders benefit from features that include:

- Two levels of financial covenants (trigger events and events of default) and an automatic 12-month standstill period after an event of default;
- A €105 million liquidity facility available to draw on if the group enters a standstill, and is sufficient to cover finance charges.

Recent Research

- [Bulletin: Elenia Verkko Oyj's Tender Offer And Recent Issuance Support The 'BBB' Rating](#), Oct. 9, 2025
- [Elenia Verkko Oyj](#), Sept. 16, 2025
- [Finnish Distribution Operator Elenia Verkko Oyj 'BBB' Issue Rating Affirmed: Outlook Stable](#), June 27, 2025

Company Description

Elenia's main business is electricity distribution. It is the second-largest electricity DSO in Finland, behind Caruna Networks Oy. It has a 12% market share and a network of about 77,400 kilometers, serving about 443,000 end users as of December 2025. In 2025, Elenia's S&P Global Ratings-adjusted EBITDA reached €236 million, including International Financial Reporting Standard (IFRS) 15 adjustments.

The company's main owners are Valtion Eläkerahasto and Allianz Capital Partners (ACP) on behalf of the Allianz Group, together with Allianz subsidiaries and investment vehicles managed or advised by ACP and Macquarie Super Core Infrastructure Fund.

Elenia's financing structure is ring-fenced. The financing group's issued debt includes structural enhancements designed to reduce the likelihood of default and the risk to creditors.

Outlook

The stable outlook reflects our expectation that Elenia's FFO will remain at €170 million-€190 million over 2026-2028. We continue to expect that Elenia's shareholders will agree to the adjustment of shareholder distributions to protect the company's credit metrics. Therefore, we expect FFO to debt to remain at 8.5%-9.0% and debt to EBITDA to average below 9.0x over 2026-2028, which we consider commensurate with a 'bbb-' stand-alone credit profile.

Downside scenario

We could lower the issue rating to 'BBB-' if:

- Elenia's FFO to debt falls below 8%. This could occur if shareholder remuneration, investment, or the interest rate on the refinanced benchmark bond are higher than we expect.

Elenia Verkko Oyj

- We revise our assessment of Elenia's business risk profile. This could occur if we regard Elenia's business profile as weaker than that of its international peers.
- The supportive measures protecting debtholders weaken. This could occur if we view Elenia's management of its capital structure as weaker, resulting in 50% or more of its debt maturing over any three-year period. This could make debt refinancing more difficult during a credit remedy period.

Upside scenario

We view an upgrade as unlikely over the medium term, given the limited financial headroom.

Key Metrics

Elenia Verkko Oyj--Forecast summary

Period ending	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028
(Mil. EUR)	2022a	2023a	2024a	2025a	2026e	2027f	2028f
EBITDA	214	227	244	237	230-260	230-260	230-260
Funds from operations (FFO)	169	181	190	186	170-190	170-190	170-190
Capital expenditure (capex)	154	123	109	67	110-130	140-160	180-210
Dividends	34	154	103	142	100-200	100-200	100-200
Debt	1,785	1,876	1,895	1992	2,000-2,100	2,000-2,200	2,100-2,300
Adjusted ratios							
Debt/EBITDA (x)	8.4	8.3	7.8	8.5	8-9	8-9	8-9
FFO/debt (%)	9.5	9.6	10.0	9.3	8-10	8-10	8-10

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. EUR--euro.

Financial Summary

Elenia Verkko Oyj--Financial Summary

Period ending	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025
Reporting period	2020a	2021a	2022a	2023a	2024a	2025a
Display currency (mil.)	EUR	EUR	EUR	EUR	EUR	EUR
Revenues	310	341	331	341	359	366
EBITDA	195	223	214	227	244	236
Funds from operations (FFO)	148	178	169	181	190	186
Interest expense	41	37	37	46	49	51
Cash interest paid	42	40	39	46	52	52
Operating cash flow (OCF)	165	189	165	174	195	183
Capital expenditure	164	157	154	123	109	116
Free operating cash flow (FOCF)	0	31	11	51	86	67
Discretionary cash flow (DCF)	(113)	(39)	(23)	(103)	(17)	(218)
Cash and short-term investments	114	72	51	60	43	289
Gross available cash	114	72	51	60	43	289

Elenia Verkko Oyj--Financial Summary

Debt	1,731	1,767	1,785	1,876	1,895	1,991
Common equity	(260)	(204)	(149)	(90)	(77)	(159)
Adjusted ratios						
EBITDA margin (%)	63.0	65.5	64.6	66.5	67.8	64.5
Return on capital (%)	6.9	8.9	7.7	7.9	8.3	7.7
EBITDA interest coverage (x)	4.8	6.0	5.8	5.0	5.0	4.6
FFO cash interest coverage (x)	4.5	5.5	5.3	4.9	4.7	4.6
Debt/EBITDA (x)	8.9	7.9	8.4	8.3	7.8	8.5
FFO/debt (%)	8.5	10.1	9.5	9.6	10.0	9.3
OCF/debt (%)	9.5	10.7	9.2	9.3	10.3	9.2
FOCF/debt (%)	0.0	1.8	0.6	2.7	4.6	3.4
DCF/debt (%)	(6.5)	(2.2)	(1.3)	(5.5)	(0.9)	(10.9)

Liquidity

We continue to view Elenia's liquidity as adequate. While we expect available liquidity sources to cover uses by more than 1.1x over the 12 months started March 30, 2026, as well as the subsequent 12 months.

Our assessment factors in Elenia's sound relationships with banks, very good standing in credit markets, and its potential ability to absorb high-impact, low-probability events. We also consider Elenia's strong liquidity management, as demonstrated by previous successful refinancing, including repaying €250 million of a €500 million bond due in 2027, but also the recent size up of liquidity facilities, to €540 million from €370 million.

Principal liquidity sources	Principal liquidity uses
<ul style="list-style-type: none"> • Forecast cash FFO of about €170 million; • Available cash and marketable securities of about €220 million; and • Access to committed credit lines of about €540 million. 	<ul style="list-style-type: none"> • Capex of about €120 million over the next 12 months; • About €70 million of shareholder distributions; and • Limited debt maturities in 2026 (€22 million).

Rating Component Scores

Issue Credit Rating	BBB/Stable/--
Business risk	Excellent
Country risk	Very low
Industry risk	Very low
Competitive position	Strong
Financial risk	Highly leveraged
Cash flow/leverage	Highly leveraged (Medial Volatility Table)
Anchor	bbb-
Diversification/portfolio effect	Neutral/undiversified
Capital structure	Neutral

Rating Component Scores

Financial policy	Neutral
Liquidity	Adequate
Management and governance	Neutral
Comparable rating analysis	Neutral
Stand-alone credit profile	bbb-
Structurally Enhanced Debt	+1 notch

Related Criteria

- [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
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1, 2019
- [Criteria | Corporates | Utilities: Rating Structurally Enhanced Debt Issued By Regulated Utilities And Transportation Infrastructure Businesses](#), Feb. 24, 2016
- [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

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