

Integrated Utility Engie S.A. Affirmed At 'BBB+' And Guidance Lowered On UK Power Networks Acquisition; Outlook Stable

February 26, 2026

Rating Action Overview

- Engie has announced it will acquire 100% of UK Power Networks (UKPN; A-/Stable), the second-largest regulated electricity power distributor in the U.K., for a £15.8 billion enterprise value, corresponding to about 1.5x its projected regulated asset value for 2026.
- The sizable acquisition will raise Engie's exposure to credit-supportive regulated power grids on top of its existing domestic gas grid franchise. It will also increase its share of strongly regulated EBITDA to about 37%-38% on a consolidated basis. We have therefore relaxed our funds from operations (FFO) to debt guidance for Engie to maintain a 'BBB+' rating, from 20% to 18%.
- We view the financing plan as favorable, signaling the group's commitment to the 'BBB+' rating. On top of about €4.0 billion of disposals, it will include about €3.0 billion hybrids issuance, a capital increase of about €3 billion, with the remainder to be funded with senior debt. As such, we expect the deterioration of FFO to debt to be limited to about 18%-19% on average in 2027 and 2028, from 22%-23% in 2025.
- We therefore affirmed all our ratings on Engie, including senior unsecured debt at 'BBB+' and junior subordinated debt at 'BBB-'.
- The stable outlook reflects our expectation that, on a full-year pro forma basis, Engie will keep its adjusted FFO to debt above 18%, while maintaining more than one third of its cash flows from strongly regulated businesses on a proportionate basis.

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Rating Action Rationale

We believe Engie's acquisition of UKPN will improve the group's diversification and marks an important step in the company's strategy to add exposure to power networks. UK Power Networks owns three electricity distribution network operators (DNOs) in eastern England, London, and Southeast England, distributing electricity to about 8.5 million homes (19 million people). This makes UKPN the second-largest DNO holding company in the U.K., with a regulatory asset base of about £9.2 billion as of March 31, 2025--up about 7% year on year--and expected to

increase to £10.5 billion by March 2028. The company has a track record of top performance over RIIO-ED1 (2015/16-2022/23) with a return on regulated equity (RoRE) of 12% and the first two years of RIIO-ED2 (2023/24-2024/25), RoRE of 11.5%. Although the vast majority of its activities are regulated (95% of EBITDA), some 5% account for unregulated network activities.

With this acquisition, the U.K. will represent about 11% of Engie's EBITDA in 2027, a positive for the group's diversification, also being a low country risk jurisdiction. Most importantly, we understand this is a strategic acquisition for Engie, as it marks a decisive step in reinforcing the group's exposure to power networks, currently accounting for less than 3% of total EBITDA. Overall, the UKPN acquisition will strengthen the business risk profile towards the middle of the strong category.

The relative improvement in business risk will be somewhat mitigated by a deterioration in adjusted credit metrics. We view the financing as relatively supportive, including €3.0 billion of equity and a less than €4.0 billion debt increase excluding extra capital expenditure (capex) funding and existing debt at UKPN. UKPN will add about €1.7 billion in EBITDA to Engie's 2025 €14.7 billion EBITDA. Engie announced it would finance the acquisition of about €12.0 billion with approximately €3 billion of capital increase (through ABB), about €3.0 billion of new hybrids, about €4.0 billion of disposals, and the remainder in new senior debt. We understand that UKPN's £5.2 billion existing external debt (excluding the £774 million shareholder loan) will remain in place and the shareholder loan, that we currently treat as equity, will be maintained by Engie. The group has signed a bridge facility totaling about €12.0 billion with a maturity commensurate with the financing plan, securing the financing for the acquisition that is expected to close by June 2026.

We expect adjusted debt to oscillate within €65 billion-€68 billion over 2026-2028, up from about €49 billion in 2025. This is driven by the acquisition plus annual average discretionary cash flow (DCF) of between negative €3.0 billion and negative €4.0 billion between 2026-2028. This erodes credit metrics with FFO to debt averaging 18%-19% over 2027-2028 compared with 22%-23% we estimate in 2025.

We are revising downward the guidance for maintaining a 'BBB+' rating to 18% FFO to debt, from 20% to reflect the higher share of strongly regulated activities in EBITDA after the acquisition. We view U.K. power distribution regulations as well entrenched in the strong category, versus French gas distribution and transmission regulations, which are at the lower end. We estimate the acquisition will raise the contribution of strongly regulated activities' share in Engie's EBITDA to about 37%-38% from about 28% in 2025, calculated on a consolidated basis. We therefore transitioned back to our medial volatility table for credit-metric calibration, having moved to the more demanding standard table two years ago, as the share was diminishing.

This transition also reflects our view of lower short-term pressure on the phase-out of fossil gas in Western Europe, including France; we see more resilient demand over 2030-2035.

Engie's full-year earnings softened in 2025 due to market price pressures and lower hydro volumes, while net debt increased despite strong cash flow, as a consequence of the payment of the cap premium to the Belgian State for the transfer of the nuclear waste liabilities. As per the latest full year results, Engie reported EBITDA of €14.7 billion, down from €15.6 billion in 2024, due to lower energy prices and a significant reduction in hydro generation volumes. Engie's net adjusted debt was about €49 billion compared with €51 billion the previous year, slightly lower on

the back of €200 million-€250 million negative DCF driven by €9.2 billion of investments and €3.5 billion of dividends. Engie continued the deployment of renewables and battery-energy storage systems with around 57 gigawatts (GW) of installed capacity (at 100 % ownership) and about 8GW under construction as of Dec. 31, 2025. The group also signed more the 3GW of power purchase agreements in the last financial year, reflecting increased corporate demand for long-term renewable supply. Moreover, the Tihange 3 and Doel 4 nuclear reactors were restarted in July and October, respectively, completing the nuclear liability exit agreement.

We expect Engie to maintain a financial policy that supports the 'BBB+' rating, focusing on integrating UKPN, abstaining from any large debt-funded acquisition or an increase in the already generous dividend distributions. We expect ENGIE to upfront the equity and hybrid issuance in the first phase of the plan and complete the disposals by the end of 2028. Although about €4.0 billion of additional disposals is a significant amount, we think Engie will successfully complete its disposal plan by 2028, on the back of its track record in asset rotations and the quality of its assets. That said, we will monitor the credit-metric impact of any delays or lower-than-expected proceeds. Liquidity wise, we view positively the sufficient maturity of the bridge loan (until senior loan, equity, and hybrids are issued), together amounting to the full consideration of about €12 billion.

We believe the group will not embark on further sizable merger and acquisitions (M&A) transactions over the next couple of years.

Engie reiterated its public dividend policy of 65%-75% of net recurring income, having notably the ability to adjust the actual payout within that range to maintain FFO to debt above 18%.

Outlook

The stable outlook reflects our expectation that, after the acquisition and on a full-year pro forma basis, Engie will maintain its adjusted FFO to debt above 18%, while more than one third of its cash flows come from strongly regulated businesses on a proportionate basis. We do not expect Engie to embark on any further sizable M&A transactions until it has mitigated the impact of UK Power Networks on its credit metrics.

We expect the execution risk on renewable capacity additions to be mitigated by Engie's large pipeline of projects.

Downside scenario

We could lower the rating if FFO to debt falls below 18% on a sustainable basis.

This could occur if the group fails to execute its funding plan for the UKPN acquisition. This could also happen if renewable deployment did not attract the expected profitability or if discretionary cash flows significantly exceeded negative €4 billion per year, due to inflexible and high dividends.

We could also lower the rating should we perceive a dilution of the share of regulated and strongly protected businesses within the group. In the longer term, increased uncertainty about the role of gas infrastructure in France through an unsupportive public policy and regulatory framework could also pressure the rating.

Upside scenario

We are unlikely to take a positive rating action. An upgrade would hinge on Engie generating higher free cash flow and a material increase in the contribution from regulated activities or strongly protected earnings. A positive rating action would also depend on there being more visibility on Engie's future business mix and profitability, and on the continued role of gas in France.

Company Description

With the disposal of its upstream activities in oil and gas exploration and production, and liquefied natural gas, Engie is now focusing on renewable power generation; gas and power infrastructure; and asset-backed energy services following the 2022 disposal of asset-light client solutions activities of Equans SAS. The group's strategic plan is to increase the share of long-term contracted energy activities, while increasing the share of regulated networks to above one third of EBITDA. Engie notably operates the regulated French gas distribution and transmission networks, as well as downstream storage infrastructure.

Overall, we forecast the group's regulated asset base in France and internationally to reach €39 billion in 2025, compared with €37 billion in 2024. As of end-2024, Engie has installed generation capacity of about 107 GW at 100%, or 61 GW in percentage of consolidation (that is, including the share related to minority interests in fully-consolidated subsidiaries), of which 46% was in Europe; 20% in Latin America; 19% in the Middle East, Asia, and Africa; and 13% in North America. The generation portfolio is skewed toward natural gas, the share of which (36% in percentage of consolidation) is gradually diluted by renewable development, hydro (18%), wind (17%), solar (12%), batteries (7%), and nuclear (6%).

Engie also benefits from a large and broad customer base, including 5.5 million household and small business gas contracts (60% market share) and 5.3 million electricity contracts in France (roughly 15% market share) as of year-end 2024. The group is a world leader in energy services. It generated almost €842 million EBITDA in energy solutions in 2024 and €938 million in supply.

Engie reported revenue of €73.8 billion and EBITDA of €15.6 billion in 2024. The company is listed on the Paris Stock Exchange and is part of the CAC 40, a benchmark French stock market index. It had a market capitalization of more than €64.4 billion as of Feb. 23, 2026.

The French government owns 23.64% of the company and holds 34.15% of the voting rights.

Our Base-Case Scenario

Assumptions

- From 2026, we expect nuclear contribution to reduce significantly as only two reactors (Doel 4 and Tihange 3 with capacity of 1.8 GW) will operate, only until 2035 and outside prolonged periods of works over 2026-2028 to extend their lives to 2035.
- Stable EBITDA in 2026, followed by growth in 2027 led by the full contribution of UKPN combined with a step-up in renewables and growth in the network division from higher remuneration in France, with cost inflation.
- Some contained cost efficiencies in 2026-2028.
- We expect average capex of €12 billion per year over 2026-2028, of which €8 billion is in maintenance capex between 2025 and 2027.

- Disposals of about €6.0 billion over 2026-2028, including about €4 billion related to the transaction.
- A dividend payout of 65%-75% of net recurring income group share (as defined by Engie), with a floor at €1.1 per share, implying about €4 billion cash outflow per year.
- Pension provisions stable over 2026-2028.
- Increasing hybrid debt level in 2026 and 2027.

Key metrics

ENGIE SA--Forecast summary

Period ending	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028
(Bil. EUR)	2021a	2022a	2023a	2024a	2025e	2026f	2027f	2028f
EBITDA	10.2	13.0	15.0	15.0	14.0-15.0	14.0-15.0	15.0-17.0	15.0-17.0
Funds from operations (FFO)	8.8	10.5	12.0	12.0	10.0-12.0	10.0-12.0	11.0-13.0	11.0-13.0
Capital expenditure (capex)	5.9	6.3	7.0	9.0	8.0-10.0	10.0-12.0	10.0-12.0	12.0-13.0
Dividends and share repurchases	1.8	3.0	4.1	4.2	3.2-3.6	3.8-4.0	3.8-4.0	3.8-4.0
Discretionary cash flow (DCF)	(1.6)	(1.6)	1.3	(1.0)	(0.2)-(0.3)	(3.0)-(3.2)	(3.2)-(3.4)	(3.8)-(4.0)
Debt	43.0	42.1	49.0	51.4	48.0-50.0	65.0-68.0	64.0-66.0 4	66.0-68.0
Adjusted ratios								
Debt/EBITDA (x)	4.2	3.2	3.3	3.4	3.0-3.5	4.0-5.0	4.0-4.3	4.0-4.3
FFO/debt (%)	20.4	24.8	24.3	23.2	22-24	17.0-18.0	18.0-19.0	18.0-19.0

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

Liquidity

The short-term rating is 'A-2'. We view Engie's liquidity as strong. We think that the group's proactive liquidity management, ample cash, and available committed facilities should provide an adequate buffer against reasonable high commodity prices, market volatility, sizable margin calls, and working capital requirements. As of Sept. 30, 2025, projected sources of funds exceeded projected uses by at least 1.5x over the next 12-month period and by 1.2x over the next 24 months. Our assessment is further supported by the group's solid relationships with banks, and proven access to the capital markets, even under dire market conditions.

Principal liquidity sources as of Sept. 30, 2025, include:

- About €18.8 billion in available cash and marketable securities at the group level;
- Available committed credit lines of €11.8 billion maturing beyond the 24-month period;
- Our forecast of cash FFO of about €10.0 billion-€13.0 billion over the next 12 months; and
- About €12.0 billion bridge, secured as part of the transaction in February 2026.

Principal liquidity uses over the same period include:

- Long- and short-term debt maturities of about €9.1 billion over the next 12 months;
- Our estimate of about €12 billion in annual capex;
- Dividend cash payments of €3.8 billion-€4.0 billion, including to subsidiaries' minority shareholders; and
- Acquisition of UK Power Networks for £10.5 billion equity price (including £774 million shareholder loan).

Issue Ratings--Subordination Risk Analysis

Capital structure

As of June 2025, Engie's capital structure comprised about €45.7 billion of senior unsecured debt and about €3.4 billion of hybrid securities issued by Engie and its financing subsidiaries. Even including UKPN's debt, we don't expect priority liabilities to exceed one quarter of total assets.

Analytical conclusions

We do not see any material structural subordination risk for the senior unsecured debt instruments and rate them 'BBB+', in line with the long-term issuer credit rating on Engie.

We rate hybrids at 'BBB-' (two notches below the stand-alone credit profile) to reflect their subordination (as the issuer credit rating is investment-grade) and optional deferability. The fact that they are deeply subordinated does not prompt additional notching under our criteria.

Rating Component Scores

Rating Component Scores

Component	
Foreign currency issuer credit rating	BBB+/Stable/A-2
Local currency issuer credit rating	BBB+/Stable/A-2
Business risk	Strong
Country risk	Low risk
Industry risk	Intermediate risk
Competitive position	Strong
Financial risk	Significant
Cash flow/leverage	Significant
Anchor	bbb
Modifiers	
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Strong
Management and governance	Neutral
Comparable rating analysis	Positive
Stand-alone credit profile	bbb+

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
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [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
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

- [General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating](#), Oct. 1, 2010

Related Research

- [Utilities Handbook 2024: Western Europe Regulated Gas](#), Sept. 16, 2024
- [Industry Credit Outlook Update Europe: Utilities](#), July 18, 2024
- [Tear Sheet: Engie S.A.](#), June 25, 2024
- [France-Based Engie S.A.'s Proposed Green Hybrid Instrument Rated 'BBB-'; Equity Content Intermediate](#), June 6, 2024
- [Tear Sheet: Enel SpA](#), May 28, 2024
- [Tear Sheet: Iberdrola S.A.](#), May 7, 2024

Ratings List

Ratings List	
Ratings Affirmed	
Engie S.A.	
Issuer Credit Rating	BBB+/Stable/A-2
Senior Unsecured	BBB+
Junior Subordinated	BBB-
Commercial Paper	A-2

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