FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Engie at 'BBB+', Outlook Stable

Fri 11 Jul, 2025 - 09:46 ET

Fitch Ratings - Barcelona - 11 Jul 2025: Fitch Ratings has affirmed Engie S.A.'s Long-Term Issuer Default Rating (IDR) and senior unsecured rating at 'BBB+', and subordinated debt rating at 'BBB-'. The Outlook on the Long-Term IDR is Stable. A full list of rating actions is below.

The affirmation reflects Engie's robust business profile, with a large scale and diversification and an increasing share of regulated, quasi-regulated or contracted EBITDA supporting cash flow predictability. The rating considers Engie's strategic plan focused on energy transition, low carbon power generation and networks, with guidance for economic net debt to remain below 4.0x EBITDA.

The Stable Outlook reflects the company's comfortable leverage headroom, which would accommodate potential acquisitions. Our rating case forecasts nuclear-adjusted funds from operations (FFO) net leverage to rise to 4.2x on average in 2025-2027 (from 2.9x in 2024), driven by a large capex and agreed cash payments for the transfer of nuclear waste liabilities to Belgium in 2025.

KEY RATING DRIVERS

Strategic Update Remains Credit-Positive: Engie's strategic update in February 2025 reaffirms its growth ambitions in renewables and networks, especially power networks, while refocusing local energy infrastructure activities in core European countries (France, Germany, Poland, Italy and Spain) and reviewing exposure elsewhere. The EUR21 billion-24 billion growth capex guidance for 2025-2027 is largely aligned with energy transition developments. The majority of it is allocated to renewable growth capacity (45%-55%), power network expansion (15%-20%) and battery storage (5%-10%), with largely predictable cash flows.

This investment plan is mainly funded with operating cash flows, asset rotation (EUR4 billion) to maintain a strong balance sheet. The company continues to guide economic net debt-to-EBITDA below 4x over the long term (2024; 3.1x), which we view as commensurate with our current rating.

Strong Leverage Headroom: Fitch projects nuclear-adjusted FFO net leverage to average 4.2x in 2025-2027, up from 2.9x in 2024, comfortably below the negative sensitivities of 4.7x. This rise is mainly driven by a large capex plan and EUR6.2 billion cash payments for the transfer of nuclear waste to the state.

Improving EBITDA Visibility: We expect a gradual enhancement of Engie's business profile, reflecting the rising share of regulated, quasi-regulated or contracted EBITDA to about 75% by 2027, from about 55% in 2024, when the contribution of merchant activities was inflated by high market prices. A solid contribution is expected from the resilient regulated networks, which should benefit from the expansion in power networks and biomethane capacity. This is consistent with the group's increasing focus on energy transition and should bring its business mix closer to peers'.

New Regulatory Update: We expect regulated activities to improve to 37% of EBITDA in 2027, from 28% in 2024. France, accounting for about 75% of it, benefits from a mature and stable regulatory framework. The new regulatory frameworks for gas distribution, transmission and storage, introduced in France in 2024, contain credit-enhancing features, including a revised weighted average cost of capital formula, resulting in higher earnings versus the previous approach, and a higher recovery cap, which will allow the group to recover about EUR1 billion in unrecovered revenue from the previous regulatory period.

Higher Visibility on Nuclear Waste: Belgium's nuclear agreement will reduce Engie's rating headroom but also eliminate uncertainty over future changes to waste provisions. The agreement includes the transfer of EUR16 billion of nuclear waste provisions to the state, including an estimated EUR6.2 billion of cash outflows in 2025 (on top of designated assets to cover the provisions), which we factor into the rating case after free cash flow (FCF), given its one-off nature.

Limited Residual Exposure to Nuclear: We expect Engie to cease nuclear production in Belgium by end-2025, except for two units in its joint venture (JV) with the state that are extended to 2035. The partnership approved by the European Commission should limit operational risks for the group, while its production will be sold under a contract-for-difference mechanism. The extension capex, estimated at EUR1.6 billion-2 billion, will be equally funded by Engie and the government.

Nuclear-Adjusted Leverage: We continue to adjust our leverage ratio for the unfunded portion of Belgium's nuclear dismantling provisions, except for two reactors that will be transferred to its JV with the state. This improves comparability with peers, as Engie does not plan to fully fund these provisions by 2025, when the last nuclear plants are due to be decommissioned (the company plans to fully fund dismantling provisions by 2030).

PEER ANALYSIS

Engie's improving business mix (about 75% regulated, quasi-regulated or contracted EBITDA by 2027) has shortened the gap with Enel S.p.A. (BBB+/Stable) and Iberdrola, S.A. (BBB+/Stable), its closest peers. The latter two benefit from a higher share of regulated networks in EBITDA and larger operations in renewables, improving earnings predictability.

In addition, Engie is more exposed to the gas industry, which is a weakness in light of its higher long-term climate risks than for electricity. The company's growth plan in renewables and power networks will bring its business mix closer to those of Enel and Iberdrola, which are leading the energy transition. Engie's geographic mix is stronger than Enel's, due to a lower exposure to higher-risk countries, including those in Latin America. Overall, the former's debt capacity is in line with latter's and slightly lower than Iberdrola's.

Engie's higher debt capacity than Electricite de France's (EDF, IDR: BBB+/Negative; Standalone Credit Profile (SCP): bbb-) reflects the latter's weaker business profile (due also to higher operational risk entailed in its investment plan and asset base) and deeply negative FCF expected across its business plan. EDF's IDR benefits from a two-notch uplift from its SCP, under Fitch's Government-Related Entities (GRE) Rating Criteria.

We rate Engie on a standalone basis because the French state, with 23.6% of its share capital and 34.3% of voting rights, does not have economic or voting control over the company.

Fitch aligns the ratings of Engie's subsidiary, Engie Invest International S.A. (BBB+/Stable), with the ratings of the parent based on the latter's guarantees for its debt. Electrabel S.A., another subsidiary, is rated at the same level as Engie, reflecting strong operational and strategic ties, including Electrabel's about 20% contribution to group EBITDA, despite the absence of guarantees and a less predictable business mix.

KEY ASSUMPTIONS

- Reported EBITDA, excluding nuclear, close to the mid-points of Engie's guidance range of EUR12.7 billion-13.7 billion in 2025; EUR13.3 billion-14.3 billion in 2026 and EUR14.2 billion-15.2 billion in 2027.

- EBITDA in networks in France based on allowed returns for the regulatory period.

- Growth capex of about EUR21 billion-EUR24 billion for 2025-2027, with renewables accounting for about 45%-55%, power networks 15%-20%, batteries 5%-10%.

- Maintenance capex of EUR8 billion for 2025-2027.

- Dividends in 2025-2027 in line with Engie's dividend policy (65%-75% of group net result, with a floor of EUR1.1 per share).

- Asset disposals of about EUR4 billion in 2025-2027.

- Net (of dedicated financial assets) funding of nuclear provisions of about EUR13 billion cumulatively in 2025-2027, in line with management's assumptions, after transfer of nuclear waste provisions as part of an agreement with the government of Belgium.

RATING SENSITIVITIES

Factors That Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Nuclear-adjusted FFO net leverage above 4.7x on a sustained basis

- Substantial reduction in the share of regulated, quasi-regulated and contracted EBITDA

- Adverse regulatory or fiscal changes affecting the predictability of cash flows

- For Electrabel and other subsidiaries, materially weaker ties with Engie

Factors That Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:

- Nuclear-adjusted FFO net leverage sustained below 4x, supported by a consistent financial policy

- Increased share of regulated EBITDA could lead to an upward review of the debt capacity

LIQUIDITY AND DEBT STRUCTURE

As of end-2024, Fitch-calculated readily available cash and cash equivalents totalled EUR17.7 billion, with an additional EUR12 billion in undrawn committed credit facilities.

Engie's two main committed facilities are EUR4 billion and EUR4.5 billion syndicated facilities, and mature in 2028 and 2029 respectively. Liquidity is sufficient to meet the company's operating needs and debt maturities over the next two years.

ISSUER PROFILE

Engie is a large international utility based in France, with infrastructure (33% of 2024 reported EBITDA), renewables and flexible generation (31%), supply and energy management (23%), and nuclear (14%).

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

Click here to access Fitch's latest quarterly Global Corporates Macro and Sector Forecasts data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

RATING ACTIONS

ENTITY / DEBT	RATING			PRIOR
Engie S.A.	LT IDR	BBB+	Affirmed	BBB+

	ST IDR	F1	Affirmed	F1
senior unsecured	LT	BBB+	Affirmed	BBB+
subordinated	LT	BBB-	Affirmed	BBB-
senior unsecured	ST	F1	Affirmed	F1
Engie Invest International S.A.	LT IDR	BBB+	Affirmed	BBB+
Electrabel S.A.	LT IDR	BBB+	Affirmed	BBB+

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VIEW ADDITIONAL RATING DETAILS

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

Country-Specific Treatment of Recovery Ratings Criteria (pub. 03 Mar 2023)

Corporates Recovery Ratings and Instrument Ratings Criteria (pub. 02 Aug 2024) (including rating assumption sensitivity)

Corporate Hybrids Treatment and Notching Criteria (pub. 08 Apr 2025)

Parent and Subsidiary Linkage Rating Criteria (pub. 27 Jun 2025)

Corporate Rating Criteria (pub. 27 Jun 2025) (including rating assumption sensitivity)

Sector Navigators – Addendum to the Corporate Rating Criteria (pub. 27 Jun 2025)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 (08 Apr 2025, 27 Jun 2025)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Electrabel S.A.	EU Issued, UK Endorsed
Engie Invest International S.A.	EU Issued, UK Endorsed
Engie S.A.	EU Issued, UK Endorsed

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