S&P Global Ratings

Research

Tear Sheet:

Engie S.A.

July 9, 2025

(***Editor's Note:*** *On July 10, 2025, we republished this article, originally published on July 9, 2025, to update several 2024 numbers in the forecast summary table. A corrected version follows.)*

This report does not constitute a rating action.

We expect Engie's €22 billion growth investments will support a stable €14 billion-€14.5 billion S&P Global-adjusted EBITDA in 2025-2027. The company is investing into its long-term repositioning from a historically gas-focused utility toward electricity through a large capital expenditure (capex) plan mostly dedicated to renewable power production, batteries, and power networks. Engie reports ambitious targets of 95 gigawatt (GW) renewables and batteries by 2030, from 51 GW in 2024; it also aims to almost double its 5,400 km in power transmission lines. We expect 30% growth in renewables EBITDA in 2027 compared with 2024. This partly compensates for the loss of about €1.5 billion annual EBITDA from Belgian nuclear and reduced profits from gas generation and energy trading in a normalized price scenario.

In addition, we view positively the company's solid track record of exceeding its financial guidance and meeting its operating efficiency program. The company's power generation installed capacity is split evenly between gas and renewables. However, we expect the running hours of gas plants to materially decline partially due to merchant prices remaining below €100/megawatt hours (MWh) and sustained high French nuclear production of 335-350 TWh per year. We will monitor how strongly protected revenue sources--such as long-term power purchase agreements (PPAs) and capacity market contracts--contribute to Engie's cash flow mix, because these credit-supportive arrangements can enhance cash flow predictability.

We forecast Engie's FFO to debt to remain at 20%-21%, in line with the rating level. S&P Global Ratings expects Engie's EBITDA to stabilize at about €14 billion-€14.5 billion in 2025-2027 after exceptional 20% average annual growth in 2022 and 2023 due to high energy market prices and volatility. Lower energy prices, reduced profitability of gas-fired generation, and more stable prices should normalize the performance of B2B sales and energy management and conventional generation over 2025-2027. Nuclear installed capacity will decrease to 2.1 gigawatts (GW) in 2026 from 4.3 GW in 2024 (net ownership, including drawing rights on French nuclear) with only Doel 4 and Tihange 3 operating from November 2025 under a 50% equity-accounted joint venture with a contract-for-difference mechanism.

We forecast Engie's EBITDA to be sustained by accelerated commissioning of renewable plants and growth of networks, as the 2024-2028 regulatory remunerations catch up with inflation and higher interest rates. We expect renewables and batteries additional capacity of 7 GW on

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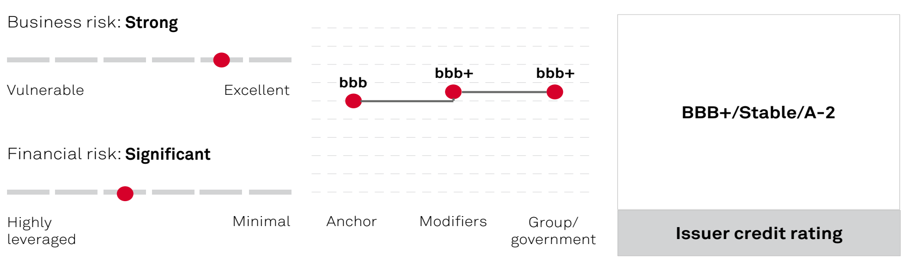
average annually in 2025-2027 (at 100% ownership), resulting in an estimated €1.1 billion of additional EBITDA. We expect B2B sales and energy management's annual EBITDA to normalize to €1.0 billion-€1.5 billion over that period after an exceptional €2.8 billion in 2022 and €3.4 billion in 2023, staying above the historical average of about €500 million. This is linked to structural changes in the energy environment with higher price volatility resulting from the rising use of renewable energy and flexible generation.

We anticipate economic debt to increase by €5 billion due to sustained high capex and an absence of large debt-funded acquisitions. We expect S&P Global Ratings-adjusted debt to increase to about €56 billion by 2027 from €51 billion at end-2024, and financial net debt to increase by about €12 billion. This is due to nuclear phase-out costs and waste liabilities payments to the Belgian state totalling about €8.5 billion, and anticipated negative free cash flow (after dividends, acquisitions, and disposals) of about €1.1 billion annually. Other factors will help fund the €10 billion annual capex plan (excluding nuclear phase-out). These include positive working capital trends, with a decrease of margin calls totalling €0.7 billion in 2025-2026, and planned disposals of about €4 billion. The continued ramp up of renewables will account for about 55% of the €8 billion of annual capex growth. Therefore, we estimate funds from operations (FFO) to debt at about 20% through 2027, down from 23.2% in 2024, but above the 20% that we expect for the 'BBB+' rating.

We expect Engie to maintain a conservative financial policy and strong liquidity and risk management, with the dividend policy at 65%-75% and a leverage target of economic net debt to EBITDA of 4.0x or lower. We don't expect large debt-funded acquisitions over 2025-2027 in our base case. We project annual discretionary cash flow to improve to €0 billion-€2 billion. Liquidity is supported by about €4 billion in proceeds from issuances in second-quarter 2024, a reversal of margin requirements, and €10 billion in undrawn credit lines.

Ratings Score Snapshot



Recent Research

- S&P Global Ratings Makes Modest Change To AECO Natural Gas Price Assumption; Other Prices Unchanged, June 11, 2024
- France-Based Engie S.A.'s Proposed Green Hybrid Instrument Rated 'BBB-'; Equity Content Intermediate, June 6, 2024
- Lower Sovereign Rating On France Has No Immediate Credit Impact For French Utilities, June 3, 2024

- Research Update: Engie Energia Chile's Proposed Senior Unsecured Notes Rated 'BBB'; Issuer Credit Rating Affirmed, Outlook Remains Stable, April 8, 2024
- European Utilities: The Rating Relevance Of Net-Zero Commitments, May 2, 2024
- European Utilities' Net-Zero Ambitions Face Myriad Hurdles, May 2, 2024
- S&P Global Ratings Has Lowered Its North American And European Gas Price Assumptions For 2024 And 2025, Feb. 20, 2024
- Industry Credit Outlook 2024: EMEA Utilities, Jan. 9, 2024
- Engie , Nov. 23, 2023

Company Description

With the disposal of its upstream activities in oil and gas exploration and production, and LNG, 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 maintaining a stable consolidated share of regulated networks at about 30%. 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, 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 of 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 €49.4 billion as of Jul. 7, 2025.

The French government owns 23.64% of the company and holds 33.56% of the voting rights.

Outlook

The stable outlook reflects our expectation that Engie will maintain adjusted FFO to net debt at about 20%-21%. We expect the execution risk of renewable growth to be mitigated by Engie's large pipeline of projects and we will closely monitor the long-term transition risk on gas operations.

Downside scenario

We could lower the rating if FFO to debt sustainably falls below 20% or if business strengths diminish. This could occur if the group was unsuccessful in executing its renewable deployment program at attractive profitable levels or due to a deterioration in free cash flow generation to negative DCFs of €3 billion-€4 billion, with inflexible and high dividends. This could also happen in the event of a major energy market shock that prompted acute price volatility and potentially hard-to-predict adverse financial effects.

We could also lower the rating should we perceive a further dilution of the 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 see rating upside as remote; this would be conditional on higher free cash flow generation and a material increase in contribution from regulated activities or strongly protected earnings while gaining more visibility on Engie's future business mix and profitability, and on the continued role of gas in France.

Key Metrics

ENGIE SA--Forecast summary

Period ending	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
(Mil. EUR)	2023a	2024a	2025e	2026f	2027f
EBITDA	14,964	15,045	14,300-14,800	14,000-14,500	14,800-15,300
Funds from operations (FFO)	11,911	11,926	11,000-11,500	10,500-11,000	11,100-11,600
Cash flow from operations (CFO)	12,426	12,252	12,400-12,900	12,100-12,600	12,500-13,000
Capital expenditure (capex)	7,039	9,049	10,000-11,000	10,000-11,000	10,000-11,000
Dividends	4,027	4,098	3,500-4,000	3,500-4,000	3,500-4,000
Share repurchases (reported)	57	86	--	--	--
Debt	48,974	51,423	51,000-54,000	53,000-56,000	54,000-57,000
Adjusted ratios					
Debt/EBITDA (x)	3.3	3.4	3.5-3.7	3.7-3.9	3.6-3.8
FFO/debt (%)	24.3	23.2	20-22	19-21	20-22
FOCF/debt (%)	11.0	6.2	3.0-5.0	3.0-5.0	3.0-5.0
DCF/debt (%)	2.7	(1.9)	(4.0)-(2.0)	(4.0)-(2.0)	(4.0)-(2.0)

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

Financial Summary

ENGIE SA--Financial Summary

Period ending	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024
Reporting period	2019a	2020a	2021a	2022a	2023a	2024a
Display currency (mil.)	EUR	EUR	EUR	EUR	EUR	EUR
Revenues	60,058	55,751	57,866	93,865	82,565	73,812

ENGIE SA--Financial Summary

EBITDA	10,299	8,903	10,203	12,967	14,964	14,891
Funds from operations (FFO)	8,844	7,503	8,795	10,450	11,911	11,926
Interest expense	1,499	1,477	1,545	1,806	2,580	2,836
Cash interest paid	940	832	840	1,013	1,366	2,089
Operating cash flow (OCF)	7,415	6,888	6,102	7,643	12,426	12,252
Capital expenditure	6,418	5,012	5,895	6,226	7,039	9,049
Free operating cash flow (FOCF)	997	1,876	207	1,417	5,387	3,203
Discretionary cash flow (DCF)	(2,801)	1,318	(1,601)	(1,577)	1,303	(981)
Cash and short-term investments	10,433	12,912	13,718	15,558	16,578	16,928
Gross available cash	10,887	13,488	14,268	16,262	17,426	17,930
Debt	46,866	42,791	43,051	42,090	48,974	51,423
Common equity	36,081	31,817	40,096	37,589	34,028	39,116
Adjusted ratios						
EBITDA margin (%)	17.1	16.0	17.6	13.8	18.1	20.2
Return on capital (%)	7.3	5.5	6.4	10.6	12.5	10.7
EBITDA interest coverage (x)	6.9	6.0	6.6	7.2	5.8	5.3
FFO cash interest coverage (x)	10.4	10.0	11.5	11.3	9.7	6.7
Debt/EBITDA (x)	4.6	4.8	4.2	3.2	3.3	3.5
FFO/debt (%)	18.9	17.5	20.4	24.8	24.3	23.2
OCF/debt (%)	15.8	16.1	14.2	18.2	25.4	23.8
FOCF/debt (%)	2.1	4.4	0.5	3.4	11.0	6.2
DCF/debt (%)	(6.0)	3.1	(3.7)	(3.7)	2.7	(1.9)

Peer Comparison

ENGIE SA--Peer Comparisons

	Engie S.A.	Electricite de France S.A.	Enel SpA	Iberdrola S.A.	SSE PLC
Foreign currency issuer credit rating	BBB+/Stable/A-2	BBB/Positive/A-2	BBB/Stable/A-2	BBB+/Stable/A-2	BBB+/Stable/A-2
Local currency issuer credit rating	BBB+/Stable/A-2	BBB/Positive/A-2	BBB/Stable/A-2	BBB+/Stable/A-2	BBB+/Stable/A-2
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2024-12-31	2024-12-31	2024-12-31	2024-12-31	2024-03-31
Mil.	EUR	EUR	EUR	EUR	EUR
Revenue	73,812	118,690	76,446	44,739	12,242
EBITDA	15,045	31,662	20,623	14,043	3,775
Funds from operations (FFO)	11,926	24,310	13,106	10,021	3,121
Interest	2,836	3,534	4,060	3,139	514
Cash interest paid	2,089	3,968	3,605	2,358	220
Operating cash flow (OCF)	12,252	26,693	12,409	9,957	4,377
Capital expenditure	9,049	23,464	9,028	9,316	2,827

ENGIE SA--Peer Comparisons					
Free operating cash flow (FOCF)	3,203	3,229	3,381	641	1,550
Discretionary cash flow (DCF)	(981)	2,268	(2,184)	(3,863)	407
Cash and short-term investments	16,928	25,159	8,022	4,154	1,213
Gross available cash	17,930	25,159	8,022	4,249	1,213
Debt	51,423	89,481	69,730	57,320	10,982
Equity	39,116	68,861	46,046	56,526	12,716
EBITDA margin (%)	20.4	26.7	27.0	31.4	30.8
Return on capital (%)	10.7	13.7	12.0	9.1	12.8
EBITDA interest coverage (x)	5.3	9.0	5.1	4.5	7.3
FFO cash interest coverage (x)	6.7	7.1	4.6	5.3	15.2
Debt/EBITDA (x)	3.4	2.8	3.4	4.1	2.9
FFO/debt (%)	23.2	27.2	18.8	17.5	28.4
OCF/debt (%)	23.8	29.8	17.8	17.4	39.9
FOCF/debt (%)	6.2	3.6	4.8	1.1	14.1
DCF/debt (%)	(1.9)	2.5	(3.1)	(6.7)	3.7

Environmental, Social, And Governance

Environmental factors are a moderately negative consideration in our credit rating analysis of Engie, although company has made progress in managing its environmental risks since 2015 through an in-depth transformation. On its path to net-zero emissions by 2045 across all scopes, Engie plans to reduce its greenhouse gas emissions from energy production with a target to reach between 26 and 36 megatons of carbon dioxide equivalent (MtCO2 eq.) in 2030, then between 16 and 26 MtCO2eq in 2035 and between 7 and 17 MtCO2eq in 2040 from 48 MtCO2e in 2024. The group's coal exit plan and larger share of renewables in the mix should help meet these targets, even if they remain ambitious given that Engie's greenhouse gas emissions from energy production remains higher than best-in-class peers, such as Iberdrola, Orsted A/S, and EDP S.A.

The company's nuclear operations in Belgium represent a lesser challenge for the group following the agreement reached with the Belgian state in July 2023. Engie will effectively transfer the liabilities related to waste management of about €15 billion to the Belgian state, eliminating valuation risks, while retaining the more predictable obligations related to plant dismantling of about €8 billion. We now project decreasing liabilities net of dedicated assets to €4 billion by the end of 2027 from €12.3 billion as of year-end 2024.

Social risks have diminished in France, with lower affordability pressures compared with 2022 when energy prices were very high.

Rating Component Scores	
Foreign currency issuer credit rating	**BBB+/Stable/A-2**
Local currency issuer credit rating	**BBB+/Stable/A-2**
Business risk	**Strong**
Country risk	Low
Industry risk	Intermediate
Competitive position	Strong
Financial risk	**Significant**
Cash flow/leverage	Significant
Anchor	**bbb**
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Strong (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Positive (+1 notch)
Stand-alone credit profile	**bbb+**

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
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- 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
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- General Criteria: Methodology: Industry Risk, 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