

Tear Sheet:

EnBW Energie Baden-Wuerttemberg AG

July 7, 2025

This report does not constitute a rating action.

Enabled by the up to €3.1 billion proposed capital increase, EnBW is to raise its ambitious energy transition investments by €10 billion to €50 billion on a gross basis for 2024-2030. We expect that the additional capital expenditure (capex) will be allocated in line with the previous strategic allocation; 60% for grids, 30% for sustainable generation infrastructure, including renewables and hydrogen-ready/flexible generation, and 10% for smart infrastructure for customers. Gross investments for the three-year period of 2025-27 total about €25.5 billion, having been €6.2 billion in 2024. Hence, of the €50 billion in gross investments planned for 2024-30, about €32 billion will be invested in 2024-27, frontloading the investment program. In view of the high level of investment required for sustainable and secure energy infrastructure, EnBW is implementing a capital increase of up to €3.1 billion. The two main shareholders have both irrevocably undertaken to exercise their subscription rights by up to €1.5 billion each.

We believe the investments will lead to sustainable growth in the company's EBITDA base. EnBW had been targeting consolidated adjusted EBITDA (company's definition) of €5.5 billion-€6.3 billion by 2030, compared with €4.9 billion in 2024. We now expect a higher figure due to the €10 billion additional gross capex. In addition, we assess that the investments will help EnBW to preserve a business mix that makes about 70% of EBITDA from regulated transmission and distribution activities (mostly power) and long-term contracted renewable generation. This will provide stable and predictable cash flows over the long term.

However, the frontloaded capex profile puts pressure on credit metrics in 2025-2027. We expect adjusted funds from operations (FFO) to debt (on a proportionate basis, excluding minority interests) to weaken to about 18.1% on average for 2025-2027. As contracts hedged at favorable 2022 and 2023 prices expire in 2026, EnBW's exposure to power and gas price fluctuations will also increase, since new contracts will likely close at lower prices. In our opinion, this leaves EnBW with limited headroom for financial underperformance at the current 'A-' rating. Therefore, financial policy will be fundamental to preserve the current rating.

We expect S&P Global Ratings-adjusted EBITDA to strengthen to €4.9 billion-€5.4 billion in 2025-2027. This is supported by our assumption that the 960 megawatt He Dreiht offshore wind power plant will start EBITDA contributions (based on 51% ownership) from 2026. We also think the company's regulatory asset base will steadily increase, resulting in EBITDA from regulated activities growing by more than 20% by 2027 from the 2024 base. However, credit metrics also depend heavily on EnBW receiving significant external capital from partial asset sales and

Primary contact

Wen Li
Frankfurt
49-69-33999-101
wen.li
@spglobal.com

Secondary contacts

Massimo Schiavo
Paris
33-14-420-6718
Massimo.Schiavo
@spglobal.com

Gerardo Leal
Frankfurt
49-69-33-999-191
gerardo.leal
@spglobal.com

partners' capital contributions by 2027. We believe this will increase the company's reliance on external parties to execute its strategic plan.

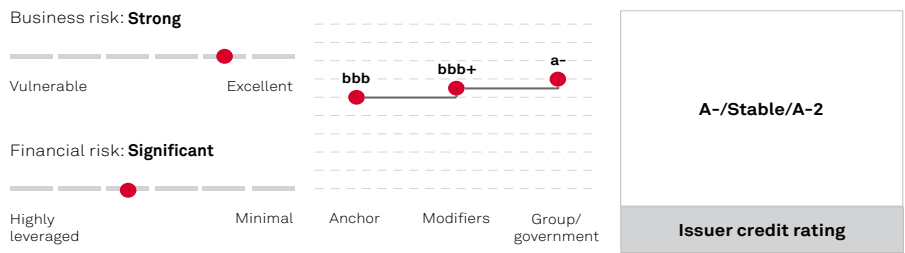
Our rating factors in the track record of supportive financial policy and shareholders' strong commitment to supporting EnBW's credit quality. We assume that if EnBW's proportionate FFO to debt was not on track to recover to 18% or more, management would take remedial steps as in the past, such as hybrid issuance, capex reduction or deferral, and further asset disposals. We also note EnBW's favorable track record of shareholder support, including relatively low dividend payouts in recent years and capital increases, such as the up to €3.1 billion capital increase to be completed in July 2025. The support from the local government reflects a moderate likelihood of extraordinary support, which translates into one-notch uplift from the stand-alone credit profile (SACP).

EnBW targets a business mix with more than 70% of EBITDA on a consolidated basis from low-risk business (71% in 2024), including regulated grid operations and mostly long-term contracted or guaranteed renewable power generation, which underpins our 'A-' rating.

EnBW has a unique integrated business model with a robust portfolio spanning the entire value chain. Its strategic focus remains on investing in regulated grid assets (which accounted for about 46% of EBITDA in 2024) as well as renewable generation (about 25% of EBITDA).

Nevertheless, as EnBW continues to pursue a risk-sharing strategy, divesting minority stakes in high-quality assets, we will monitor the quality of its earnings mix. We believe that there is a risk of dilution of EnBW's earnings quality because the company has sold equity stakes, mostly in high-quality assets, such as TransnetBW, He Dreiht, and other long-term contracted power generation assets. We estimate that, on average, the share of regulated activities and long-term contracted renewable generation will be 65%-67% when accounting for the dilution of minority stakes at the EBITDA level, compared with 70%-75% on a consolidated basis. In our opinion, this is not yet material enough to lead us to raise our credit metrics expectations for the 'A-' rating. However, we are monitoring this trend because we foresee potential for further dilution as minority interests' share of EnBW's regulated and renewable earnings increases, impacting, in particular, the quality of FFO.

Ratings Score Snapshot



Recent Research

- [Industry Credit Outlook 2025: EMEA Utilities](#), Jan. 14, 2025.
- [Equity Injection Into EnBW Would Be Positive For Its Credit Metrics](#), Sept. 23, 2024.

Company Description

EnBW is a leading vertically integrated utility in Germany. The group is principally engaged in electricity generation and trading, as well as the operation of electricity grids. Its gas activities include storage, trading, and portfolio management, while the downstream business covers the transmission, distribution, and sale of gas.

In addition to the traditional EnBW brand, the group serves its German household and industrial customers under the Yello and Naturenergie names, as well as those of its subsidiaries such as Stadtwerke Düsseldorf and VNG, targeting different market segments. EnBW aims to continue positioning its business mix toward less volatile renewable generation and stable grid operations, with both segments representing more than 70% of EBITDA on a consolidated basis by 2030. EnBW has a track record of achieving its strategic plans ahead of schedule.

EnBW is predominantly active in Germany, where it generates more than 85% of its EBITDA and where its operations focus on the State of Baden-Wuerttemberg, a center of manufacturing and engineering. The group is also the majority shareholder of Stadtwerke Duesseldorf AG (not rated). In addition, EnBW has operations in the U.K., France, Sweden, Denmark, the Czech Republic, Austria, Switzerland, and Turkey.

The State of Baden-Wuerttemberg and Zweckverband Oberschwäbische Elektrizitätswerke, an association of municipalities in Baden-Wuerttemberg, each own 46.75% of EnBW. The remaining shares are held in free float by several associations of municipalities in Baden-Wuerttemberg and private investors. EnBW is listed on the stock exchanges in Frankfurt and Stuttgart in the regulated market, with a market capitalization of about €19 billion as of June 30, 2025.

Outlook

We estimate the company will frontload about two-thirds of its €50 billion gross investments, planned from 2024 to 2030, in 2024-2027. This will burden its balance sheet, even if all planned asset disposals and partners' contributions are executed. However, the stable outlook reflects our view that:

- FFO to debt (excluding minority interests) will remain above 18% on average for 2025-2027.
- The company will receive contributions from partners according to its investment plan, although we view EnBW as increasingly dependent on these to execute its strategic plan.
- EnBW's financial policy is committed to maintaining solid investment-grade ratings, and we expect it would implement remedial measures such as hybrid issuance, capex deferral, or dividend reduction if FFO to debt remains below 18% for a prolonged period.

Downside scenario

We believe that EnBW's financial metrics remain exposed to commodity price and volume fluctuations, particularly to power prices beyond 2026, as contracts signed in 2022 and the favorable conditions of 2023 are fading. Consequently, an abrupt decline in power prices to below €70 per megawatt hour for a prolonged period, coupled with high capex, could pressure the rating, as this would likely result in FFO to debt (proportionate excluding minorities) of below 18%, all else being equal.

If EnBW were unable to monetize its projects in line with our expectations, this would pressure the rating, as we believe its credit metric recovery relies on selling projects and partners' capital contributions if the company is to adhere to its investments as planned.

Upside scenario

We regard an upgrade as unlikely because we expect EnBW will exhaust all its financial headroom under the current rating, given its intensive capex program. In addition, we believe the partial sales of high-quality assets, such as TransnetBW, He-Dreht, and Hohe See, slightly dilute the quality of its cash flows.

Key Metrics

EnBW Energie Baden-Wuerttemberg AG--Forecast summary

Period ending	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
(Mil. EUR)	2022a	2023a	2024a	2025e	2026f	2027f
EBITDA (reported)	3,086	5,894	5,090	4,995	4,805	5,224
Plus/(less): Other	1,657	132	(524)	115	116	137
EBITDA	4,743	6,026	4,567	5,110	4,921	5,361
Less: Cash interest paid	(325)	(484)	(586)	(559)	(560)	(634)
Less: Cash taxes paid	(228)	(907)	(937)	(640)	(322)	(481)
Funds from operations (FFO)	4,191	4,635	3,044	3,911	4,039	4,246
Cash flow from operations (CFO)	1,883	907	2,629	3,006	3,130	3,519
Capital expenditure (capex)	2,614	4,178	5,170	10,014	8,117	6,904
Free operating cash flow (FOCF)	(731)	(3,271)	(2,541)	(7,009)	(4,988)	(3,386)
Dividends	420	437	668	847	991	1,044
Discretionary cash flow (DCF)	(1,151)	(3,708)	(3,208)	(7,855)	(5,978)	(4,429)
Debt (reported)	12,891	16,468	19,505	18,522	19,349	20,849
Plus: Lease liabilities debt	913	986	1,253	1,377	1,382	2,833
Plus: Pension and asset retirement obligation	2,683	3,420	2,509	2,107	1,821	1,513
Less: Accessible cash and liquid investments	(5,498)	(8,093)	(7,833)	(4,738)	(3,765)	(4,801)
Less: Intermediate-equity hybrid	(1,244)	(1,246)	(1,246)	(1,246)	(1,246)	(1,246)
Debt	9,745	11,536	14,189	16,022	17,541	19,149
Cash and short-term investments (reported)	7,824	5,995	8,486	1,192	219	1,254
Adjusted ratios						
Debt/EBITDA (x)	2.1	1.9	3.1	3.1	3.6	3.6
FFO/debt (%)*	43.0	40.2	21.5	24.4	23.0	22.2
FOCF/debt (%)	(7.5)	(28.4)	(17.9)	(43.7)	(28.4)	(17.7)

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

*FFO in this table include the portion attributable to minority interests.

Financial Summary

EnBW Energie Baden-Wuerttemberg AG--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	18,765	19,694	32,075	55,935	44,364	34,463
EBITDA	2,303	2,912	3,385	4,743	6,026	4,567
Funds from operations (FFO)	1,690	2,493	2,884	4,191	4,635	3,044
Interest expense	521	372	313	407	880	1,078
Cash interest paid	204	212	300	325	484	586
Operating cash flow (OCF)	789	1,189	7,638	1,883	907	2,629
Capital expenditure	1,921	2,020	2,225	2,614	4,178	5,170
Free operating cash flow (FOCF)	(1,131)	(831)	5,412	(731)	(3,271)	(2,541)
Discretionary cash flow (DCF)	(1,486)	(1,264)	4,827	(1,151)	(3,708)	(3,208)
Cash and short-term investments	1,106	948	5,216	5,972	5,630	7,940
Gross available cash	1,159	1,151	5,898	5,498	8,093	7,833
Debt	10,736	12,085	8,763	9,745	11,536	14,189
Common equity	8,684	8,997	9,742	14,014	17,099	19,013
Adjusted ratios						
EBITDA margin (%)	12.3	14.8	10.6	8.5	13.6	13.3
Return on capital (%)	5.1	7.6	10.3	15.9	18.2	11.0
EBITDA interest coverage (x)	4.4	7.8	10.8	11.7	6.8	4.2
FFO cash interest coverage (x)	9.3	12.8	10.6	13.9	10.6	6.2
Debt/EBITDA (x)	4.7	4.1	2.6	2.1	1.9	3.1
FFO/debt (%)	15.7	20.6	32.9	43.0	40.2	21.5
OCF/debt (%)	7.4	9.8	87.2	19.3	7.9	18.5
FOCF/debt (%)	(10.5)	(6.9)	61.8	(7.5)	(28.4)	(17.9)
DCF/debt (%)	(13.8)	(10.5)	55.1	(11.8)	(32.1)	(22.6)

Liquidity

We assess EnBW's liquidity as adequate because we forecast that its sources will exceed uses by more than 1.2x over the 12 months from March 31, 2025. We note that EnBW's liquidity has been exposed to large intra-year working capital swings at its trading activities. However, we believe that EnBW has prudent risk management policies in place, consistent with an adequate liquidity assessment.

EnBW's proven diverse access to capital markets and good banking relationships support our assessment. In May 2025, EnBW extended its €2 billion sustainability-linked syndicated credit facility until 2030. It has a €2 billion commercial paper program in place.

Principal liquidity sources

- Cash and liquid investments of about €9.0 billion;
- Undrawn committed credit lines totaling nearly €3.4 billion, maturing beyond the next 12 months;
- Forecast cash FFO of about €3.0 billion-€3.5 billion;
- Assets sales of about €0.7 billion; and
- An equity injection of up to €3.1 billion to be completed in July 2025.

Principal liquidity uses

- Debt maturities of about €1.6 billion over the next 12 months;
- Moderate working capital outflows;
- Gross capex of €9.7 billion; and
- Dividend distributions of about €0.8 billion-€1 billion.

Environmental, Social, And Governance

ESG factors are a neutral consideration, in aggregate, in our credit rating analysis of EnBW.

EnBW's carbon footprint is significantly larger than that of the European peers such as Iberdrola, Verbund, EDP, and Vattenfall. We note that EnBW intends to fully shut down its remaining 3.1 gigawatt coal fleet by 2028--pending approval under the German government policy framework--and replace its coal plants with new dispatchable combined cycle gas turbine (CCGT) power plants, which would also be built to run on renewable gases when available. The announced disposal of the company's stake in the Lippendorf lignite power plant to co-owner EP Energy Transition in 2025 signals EnBW's commitment and progress toward the goal of coal phase-out by 2028. This mitigates the company's exposure to the regulatory and social scrutiny related to running coal power plants. We also think it will provide EnBW with cost-effective power generation to continue supplying its customers over the longer term.

EnBW has an ambitious target to adhere to the 1.5 degree Celsius scenario, including its accelerated path to decarbonize its business, which it published in March 2023. The plan entails transforming its power generation mix by reducing scope 1 and 2 emissions by 50% by 2027, by 70% by 2030, and by 83% by 2035, compared with 2018 as the base year. EnBW is ultimately targeting climate neutrality by 2035. Although this depends on the successful transformation of the group's power generation mix, we think EnBW has a good track record of delivering its strategy on or ahead of time, which leads us to expect that its transformation will position it among the strongest integrated European utilities in the long term.

Issue Ratings--Subordination Risk

Capital structure

As of Dec. 31, 2024, EnBW's financial debt of €19.5 billion mainly consisted of €12.8 billion senior unsecured bonds, €2.8 billion of bank liabilities, and €1.4 billion of other financial liabilities. In addition, EnBW has €2.5 billion of hybrid bonds outstanding.

Analytical conclusions

We rate EnBW's senior debt 'A-', in line with the issuer credit rating.

We arrive at our 'BBB-' issue rating on the group's hybrid debt by notching down from our 'bbb+' SACP on EnBW, because we do not anticipate that the moderate likelihood of extraordinary support from EnBW's shareholders would extend to its hybrid instruments.

In addition, the two-notch difference from the SACP reflects our notching methodology, which calls for deducting:

- One notch for subordination because our long-term issuer credit rating on EnBW is investment grade (that is, higher than 'BB+'); and
- An additional notch for payment flexibility, to reflect that EnBW can indefinitely defer interest payment without triggering an event of default.

Rating Component Scores

Foreign currency issuer credit rating	A-/Stable/A-2
Local currency issuer credit rating	A-/Stable/A-2
Business risk	Strong
Country risk	Very Low
Industry risk	Low
Competitive position	Strong
Financial risk	Significant
Cash flow/leverage	Significant (medial volatility table)
Anchor	bbb
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Positive (+1 notch)
Stand-alone credit profile	bbb+
Related government rating	AA+/Stable/A-1+
Likelihood of government support	Moderate (+1 notch)

Related Criteria

- [Criteria | Corporates | General: Sector-Specific Corporate Methodology](#), April 4, 2024
- [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: Hybrid Capital: Methodology And Assumptions](#), March 2, 2022
- [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

Copyright © 2025 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Some of the Content may have been created with the assistance of an artificial intelligence (AI) tool. Published Content created or processed using AI is composed, reviewed, edited, and approved by S&P personnel.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.