FitchRatings

Corporates
Electric-Corporate
Portugal

EDP – Energias de Portugal, S.A.

Ratings

Rating Type	Rating	Outlook	Last Rating Action
Long-Term IDR	BBB	Stable	Upgrade 12 May 2021
Short-Term IDR	F2		Upgrade 12 May 2021

Click here for full list of ratings

The upgrade of EDP – Energias de Portugal, S.A. reflects sustainable improvement in leverage metrics to a level consistent with the 'BBB' rating following its strong business plan delivery in 2020 and Fitch Ratings' positive view on EDP's updated business plan for 2021-2025. The updated plan entails higher execution risk than the previous one but balances growth acceleration in low-risk activities and geographies and credit-metric protection.

The Stable Outlook reflects management's strong commitment – and available financial flexibility – to keep funds from operations (FFO) net leverage in line with the 'BBB' rating up to 2025.

We have relaxed EDP's negative sensitivity for FFO net leverage for 'BBB' rating to 4.7x from 4.5x to reflect our expectations of a stronger business profile by 2025 that is fully consistent with the energy transition.

Key Rating Drivers

Achieved Deleveraging: Operating resilience during the Covid-19 pandemic, successful execution of its asset rotation-and-disposal plan and the overall financially neutral acquisition of Viesgo Infrastructuras Energeticas S.L in 2020 allowed EDP to achieve its deleveraging target of net debt/EBITDA (as reported by EDP, net of regulatory receivables plus leases) of 3.5x at end-2020. This translates into FFO net leverage of about 4.3x, already below our positive sensitivity of 4.5x for the previous 'BBB-' rating.

Forecast Leverage Consistent with 'BBB': EDP is planning additional deleveraging until 2025 with net debt/EBITDA targets at 3.3x and 3.2x for 2023 and 2025, respectively. However, no additional deleverage is foreseen in our rating case – considering our more conservative operating assumptions on prices, volumes and competitive pressure – leading to a sustained annual FFO net leverage of 4.3x-4.5x for 2021 to 2025, which is consistent with the 'BBB' rating.

Credit-Protection Measures: High capex in 2021-2025 is accompanied by credit-protection measures being implemented in the period, i.e. an EUR1.5 billion capital increase in EDPR, the renewable arm of EDP; an EUR8 billion asset-rotation plan and a total EUR1.5 billion hybrids issuance. This positive impact should be seen in conjunction with increased minority interest leakage in the group structure, which we deduct from FFO.

We believe that EDP has additional financial flexibility in case of business underperformance in the form of slower capex growth, largely from capex not yet secured in 2024-2025, or additional hybrid debt issuance.

Improved Business Risk Profile: EDP's share of regulated earnings will increase to 30% from 25% as a result of the Viesgo acquisition (around EUR180 million of regulated EBITDA in 2021), but the company's profile is still less regulated than most European peers'.

In addition, the ambitious growth plan in renewables will increase the contribution from regulated plus quasi-regulated activities to 80% of EBITDA (85% including asset-rotation gains) by 2025 from 65% (75%) in 2020, according to our estimates, strengthening the business profile of the company. Contribution from merchant EBITDA is expected to decline to about 15%.

Applicable Criteria

Corporate Rating Criteria (December 2020)
Corporates Recovery Ratings and Instrument Ratings Criteria (April 2021)
Corporate Hybrids Treatment and Notching Criteria (November 2020)
Parent and Subsidiary Linkage Rating Criteria (August 2020)

Related Research

What Investors Want to Know: European Utilities (April 2021)
Fitch Assigns ESG.VS to 100 Utilities (April 2021)

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Reduced Exposure in Iberia: Exposure to the Iberian market will decline (particularly to Portugal) in favour of growth in North America and the rest of Europe (each attracting 40% of the capex plan to 2025), while exposure to the more volatile Brazilian market will be capped at below 20% (15% of new capex plan in Brazil/LatAm). Furthermore, we foresee de-risking of its exposure in Iberia and Brazil following recent asset reshuffling (Iberia) and new transmission lines to operations (Brazil).

Ambitious Growth Plan: In February 2021, EDP presented an ambitious growth plan to 2025 of EUR24 billion (average capex of EUR4.8 billion compared with EUR2.9 billion in 2019-2022), with about 20GW of gross renewables capacity additions (including equity investments).

Visibility on the capex plan comes from around 60% of it being secured (or expected to be secured in the short term) by purchasing power agreements (PPAs) or price-support mechanisms (i.e. CfD, FiT). The remaining 40% is backed by a total renewables pipeline of around 45GW at end-2020. Delay to project authorisations is a key risk.

Full Energy-Transition Capex: The large capex will mostly be allocated to renewables (80%), mainly in technologies in which EDP has long expertise (onshore wind and solar PV) with some projects in offshore wind, through a JV with Engie S.A. (A-/Stable), and to capture opportunities in storage and solar distributed generation (DG).

Renewables capex is expected to be largely contracted, backed with PPAs and price-mechanism support for 12-15 years. The remainder will be invested 15% in grid reinforcement and digitalisation and 5% in client solutions (mainly solar DG and e-mobility).

Asset Rotation: EDP has announced asset rotations of around EUR8 billion (and associated capital gains for EUR1.5 billion) for 2021-2025, up from a EUR4 billion target for 2019-2022, 55% of which was already achieved by end-2020 with no meaningful delay/impact from the pandemic. This is related to the sale of stakes in wind and solar farms for around 7.2GW for 2021-2025 and full execution entails risks.

We assume lower enterprise value (EV)/MW versus the previous period, capturing current market trends. We treat capital gains as part of EBITDA and FFO as asset rotation is integral to the renewables business and a recurring revenue stream.

Capex Partially Pre-Funded: The issue of EUR750 million of hybrid debt in January 2021 and the completion of an EUR1.5 billion of capital increase in EDPR last April have increased visibility on the financeability of EDP's renewables capex plan to 2025. In addition, we expect capex plan execution to be contingent on the successful implementation of the EUR8 billion asset-rotation and the EUR1 billion disposal plans.

Short-Term Rating Upgrade: Fitch has upgraded EDP's Short-Term Issuer Default Rating (IDR) to 'F2' from 'F3'; the higher of two options mapping to a 'BBB' Long-Term IDR. This is based on our assessment of EDP's strong liquidity, conservative financial policy and an adequate financial structure and operating environment in which EDP operates.

Financial Summary

EDP - Energias de Portugal, S.A.

(EURm)	Dec 19	Dec 20	Dec 21F	Dec 22F	Dec 23F	Dec 24F
Operating EBITDA margin (%)	25.3	28.5	28.5	28.5	28.5	28.5
Operating EBITDA (before income from associates)	3,621	3,552	3,469	3,620	3,770	4,032
FFO margin (%)	16.8	18.5	18.9	18.0	18.5	18.7
FFO interest coverage (x)	5.1	4.9	6.1	5.7	5.7	5.7
FFO net leverage (x)	4.7	4.3	4.3	4.5	4.5	4.5

F – Forecast.
Source: Fitch Ratings, Fitch Solutions

Rating Derivation Relative to Peers

EDP is a vertically integrated utility and the incumbent in Portugal. EDP, along with Iberdrola S.A. (BBB+/Stable) and Enel S.p.A. (A-/Stable), anticipated the energy transition ahead of most other European utilities, although it has a smaller scale and its business risk profile is not fully comparable due to a lower share of fully regulated businesses.

EDP benefits from a higher share of long-term contracted and incentivised renewables business, which resulted in an overall regulated plus long-term contracted share (excluding asset-rotation capital gains) of 65% at end-2020.

EDP's higher leverage and business risk justify the two-notch rating differential with Enel, whereas, with Iberdrola the one-notch difference reflects the latter's stronger risk profile due to its larger scale, diversification and share of regulated revenues. We view Naturgy Energy Group, S.A.'s (BBB/Stable) business risk profile as similar to EDP's, due to Naturgy's larger share in regulated business (networks) being offset by a bias towards more volatile gas activities, subdued growth and a shareholder-friendly strategy.

We do not apply the one-notch uplift to EDP's senior unsecured rating as the company's fully regulated EBITDA share is below 50% (or below 40% regulated plus 10% of contribution from renewables).

Navigator Peer Comparison

Issuer		Business profile						Financial profile		
	IDR/Outlook	Operating Environment	Management and Corporate Governance	Position and Cash Flow Profile	Regulation	Market Trends and Risks	Asset Base and Operations	Profitability and Cash Flow	Financial Structure	Financial Flexibility
EDP - Energias de Portugal, S.A.	BBB/Sta	a-	a-	bbb	bbb	bbb	a-	bbb	bbb	bbb+
Electricite de France (EDF)	A-/Neg	aa	a-	bbb	bbb	bbb	a-	bb+	bbb+	bbb+
Enel S.p.A.	A-/Sta	bbb+	a-	a	bbb+	bbb	a	bbb+	bbb+	a-
Iberdrola, S.A.	BBB+/Sta	a	a-	a	bbb	bbb	a	bbb	bbb	a-
Naturgy Energy Group, S.A.	BBB/Sta	a	bbb	bbb+	bbb	bbb-	bbb+	bbb-	bbb-	bbb+

Source: Fitch Ratings. Importance: Higher, Moderate, Lower

Issuer		Business profile						Financial profile		
Name	IDR/Outlook	Operating Environment	Management and Corporate Governance	Position and Cash Flow Profile	Regulation	Market Trends and Risks	Asset Base and Operations	Profitability and Cash Flow	Financial Structure	Financial Flexibility
EDP - Energias de Portugal, S.A.	BBB/Sta	2.0	2.0	0.0	0.0	0.0	2.0	0.0	0.0	1.0
Electricite de France (EDF)	A-/Neg	4.0	0.0	-2.0	-2.0	-2.0	0.0	-4.0	-1.0	-1.0
Enel S.p.A.	A-/Sta	-1.0	0.0	1.0	-1.0	-2.0	1.0	-1.0	-1.0	0.0
Iberdrola, S.A.	BBB+/Sta	2.0	1.0	2.0	-1.0	-1.0	2.0	-1.0	-1.0	1.0
Naturgy Energy Group, S.A.	BBB/Sta	3.0	0.0	1.0	0.0	-1.0	1.0	-1.0	-1.0	1.0

Source: Fitch Ratings. Worse positioned than IDR; In line with IDR; Better positioned than IDR

Rating Sensitivities

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

- Improvement of the business mix towards a higher weight in regulated activities
- FFO net leverage below 4.0x and FFO interest coverage above 4.6x on a sustained basis, assuming no major changes in activity mix other than that expected by Fitch
- Sustained positive free cash flow (FCF) after divestments, together with a consistent narrowing of the tariff deficit in Portugal, in line with Fitch's expectations

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

- FFO net leverage above 4.7x (relaxed from 4.5x previously) and FFO interest coverage below 4.1x for a sustained period, for example as a result of delays in asset rotation or greater regulatory or political scrutiny
- Evolution of the business mix towards higher-risk activities or countries could weaken EDP's debt capacity

Liquidity and Debt Structure

Strong Liquidity: EDP had EUR3 billion of readily available cash and EUR5.9 billion of available committed credit lines at end-2020 (of which EUR5.5 billion are due after 2023). This, plus the EUR750 million of hybrids issued in January 2021 and the capital increase in EDPR of EUR1.5 billion in April 2021, is sufficient to cover debt maturities and negative FCF till end-2023.

Standard Funding Structure: EDP has a largely centralised debt structure with no impact on its ratings. Capital-market debt issued by EDP is mostly via Dutch-registered finance subsidiary EDP Finance B.V. (BBB/Stable). The relationship between EDP and EDP Finance is governed by a keep-well agreement under English law.

EDP Brasil, which is 53.4% owned by EDP and fully consolidated, is ring-fenced, self-funded in local currency and non-recourse to EDP. As of December 2020, about 83% of subsidiary EDP Renovaveis' gross debt was funded by EDP.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This 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. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Liquidity and Debt Maturities

EDP - Energias de Portugal, S.A. – Liquidity Analysis

(EURm)	2021F	2022F	2023F
Available liquidity			
Beginning cash balance	2,920	1,221	-1,511
Rating-case FCF after acquisitions and divestitures	-1,929	-1,422	-1,504
Hybrid bond issued in January 2021	750		
Capital increase of April 2021	1,500		
Total available liquidity (A)	**3,241**	**-201**	**-3,015**
Liquidity uses			
Debt maturities	-2,020	-1,310	-2,093
Total liquidity uses (B)	**-2,020**	**-1,310**	**-2,093**
Liquidity calculation			
Ending cash balance (A+B)	1,221	-1,511	-5,108
Revolver availability	5,540	5,540	5,540
Ending liquidity	**6,761**	**4,029**	**432**
Liquidity score (x)	4.3	4.1	1.2

F – Forecast.
Source: Fitch Ratings, Fitch Solutions, EDP

Scheduled debt maturities (EURm)	Original 31 December 2020
2021	2,020
2022	1,310
2023	2,093
2024	2,499
2025	1,862
Thereafter	6,248
Total	**16,032**

Source: Fitch Ratings, Fitch Solutions, EDP

Key Assumptions

- EBITDA of about EUR3.5 billion in 2021 (excluding IFRS16) and CAGR of about 4% for 2020-2025, due to organic growth (largely in renewables and networks in Brazil) and acquisition of Viesgo with an EBITDA contribution of about EUR240 million (without synergies) from 2021.
- Average gross capex of EUR4.8 billion (including financial investments) for 2021-2025
- Asset-rotation plan for a cumulative EUR8 billion during 2021-2025
- EUR1.5 billion of hybrid debt to be issued in 2021-2023
- Disposals of around EUR1 billion until 2025
- Dividends in line with a dividend floor of EUR0.19 a share
- Brazilian real and US dollar to depreciate against the euro

Financial Data

EDP - Energias de Portugal, S.A.

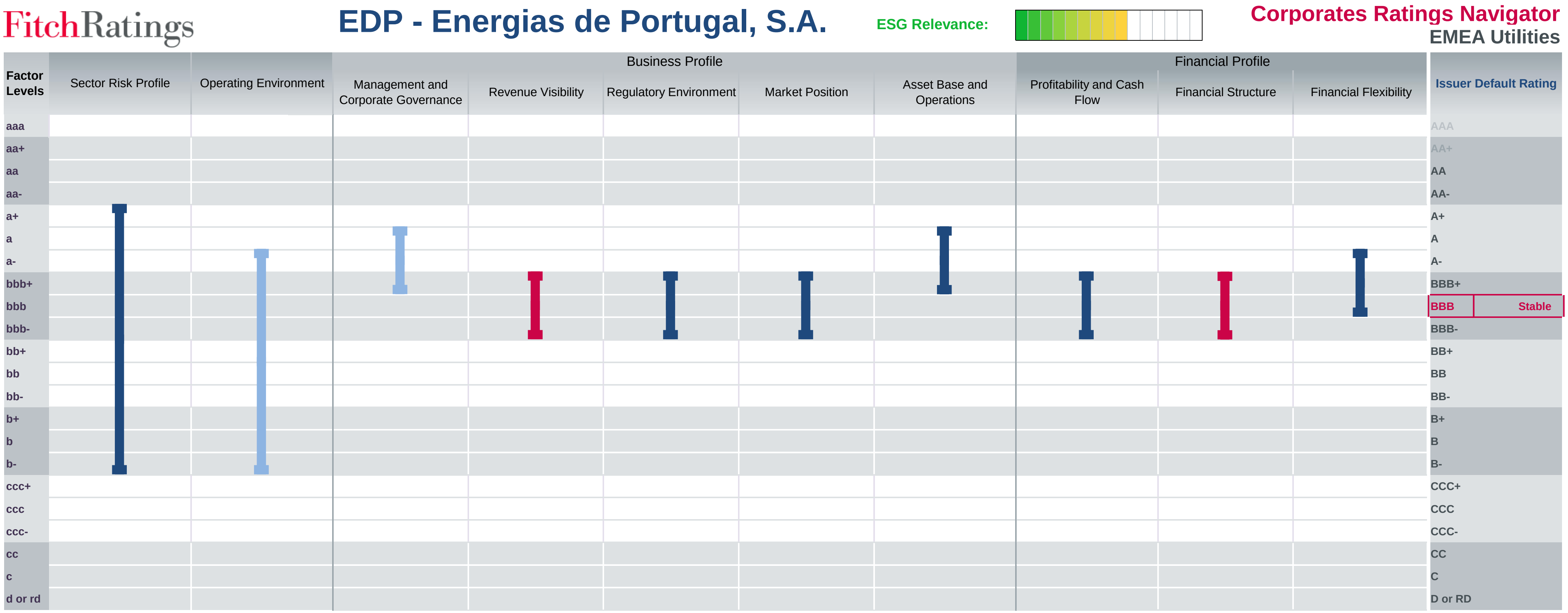
	Historical		Forecast				
(EURm)	Dec 19	Dec 20	Dec 21F	Dec 22F	Dec 23	Dec 24	Dec 25
Summary income statement							
Gross revenue	14,333	12,448	12,159	12,689	13,212	14,132	14,965
Revenue growth (%)	-6.2	-13.2	-2.3	4.4	4.1	7.0	5.9
Operating EBITDA (before Income from Associates)	3,621	3,552	3,469	3,620	3,770	4,032	4,270
Operating EBITDA margin (%)	25.3	28.5	28.5	28.5	28.5	28.5	28.5
Operating EBITDAR	3,717	3,654	3,571	3,722	3,872	4,134	4,372
Operating EBITDAR margin (%)	25.9	29.4	29.4	29.3	29.3	29.3	29.2
Operating EBIT	1,912	1,982	1,869	1,970	2,020	2,132	2,270
Operating EBIT margin (%)	13.3	15.9	15.4	15.5	15.3	15.1	15.2
Gross interest expense	-649	-584	-448	-481	-519	-559	-592
Pretax income (including associate income/loss)	1,125	1,470	1,459	1,527	1,538	1,611	1,716
Summary balance sheet							
Readily available cash and equivalents	1,543	2,952	1,755	1,775	1,581	1,572	1,387
Total debt with equity credit	15,414	15,162	13,518	14,083	14,890	15,891	16,529
Total adjusted debt with equity credit	16,026	15,814	14,334	14,899	15,706	16,707	17,345
Net debt	13,871	12,210	11,763	12,308	13,310	14,319	15,142
Summary cash flow statement							
Operating EBITDA	3,621	3,552	3,469	3,620	3,770	4,032	4,270
Cash interest paid	-578	-580	-448	-481	-519	-559	-592
Cash TAX	-285	-173	-289	-325	-328	-328	-362
Dividends received less dividends paid to minorities (inflow/(out)flow)	-92	-64	-100	-160	-160	-200	-200
Other items before FFO	-317	-464	-365	-400	-340	-330	-315
Funds flow from operations	2,411	2,299	2,294	2,281	2,450	2,642	2,828
FFO margin (%)	16.8	18.5	18.9	18.0	18.5	18.7	18.9
Change in working capital	-269	72	-200	-200	-200	-200	-200
Cash flow from operations (Fitch defined)	2,142	2,371	2,094	2,081	2,250	2,442	2,628
Total non-operating/non-recurring cash flow	-312	-200					
Capital expenditure	-2,313	-2,391					
Capital intensity (capex/revenue) (%)	16.1	19.2					
Common dividends	-691	-691					
Free cash flow	-1,174	-911					
Net acquisitions and divestitures	-101	1,965					
Other INVESTING AND FINANCING CASH FLOW ITEMS	340	-254	502	502	502	502	502
Net debt proceeds	627	-319	-1,270	940	807	1,001	638
Net equity proceeds	-62	928	1,500	0	0	0	0
Total change in cash	-370	1,409	-1,197	20	-194	-8	-185
Leverage ratios							
Total net debt with equity credit/operating EBITDA (x)	3.9	3.5	3.5	3.6	3.7	3.7	3.7
Total adjusted debt/operating EBITDAR (x)	4.4	4.4	4.1	4.2	4.2	4.2	4.2
Total adjusted net debt/operating EBITDAR (x)	4.0	3.6	3.6	3.7	3.8	3.8	3.8
Total debt with equity credit/operating EBITDA (x)	4.4	4.3	4.0	4.1	4.1	4.1	4.1
FFO adjusted leverage (x)	5.3	5.4	5.1	5.3	5.2	5.1	5.0
FFO adjusted net leverage (x)	4.8	4.4	4.5	4.6	4.6	4.6	4.6
FFO leverage (x)	5.3	5.3	5.0	5.1	5.1	5.0	4.9
FFO net leverage (x)	4.7	4.3	4.3	4.5	4.5	4.5	4.5
Calculations for forecast publication							
Capex, dividends, acquisitions and other items before FCF	-3,417	-1,316	-4,023	-3,503	-3,753	-3,953	-3,953
Free cash flow after acquisitions and divestitures	-1,275	1,054	-1,929	-1,422	-1,504	-1,511	-1,325
Free cash flow margin (after net acquisitions) (%)	-8.9	8.5	-15.9	-11.2	-11.4	-10.7	-8.9
Coverage ratios							
FFO interest coverage (x)	5.1	4.9	6.1	5.7	5.7	5.7	5.7
FFO fixed-charge coverage (x)	4.5	4.3	5.1	4.9	4.9	5.0	5.0
Operating EBITDAR/interest paid + rents (x)	5.4	5.3	6.3	6.1	6.0	6.0	6.0
Operating EBITDA/interest paid (x)	6.1	6.0	7.5	7.2	7.0	6.9	6.9
Additional metrics							
CFO-capex/total debt with equity credit (%)	-1.1	-0.1	-20.0	-19.3	-17.1	-14.8	-13.1
CFO-capex/total net debt with equity credit (%)	-1.2	-0.2	-23.0	-22.1	-19.2	-16.5	-14.3

Source: Fitch Ratings, Fitch Solutions.

How to Interpret the Forecast Presented

The forecast presented is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

Ratings Navigator



Bar Chart Legend:			
Vertical Bars = Range of Rating Factor		Bar Arrows = Rating Factor Outlook	
Bar Colours = Relative Importance		⇧	Positive
■ (red)	Higher Importance	⇩	Negative
■ (dark blue)	Average Importance	⇳	Evolving
■ (light blue)	Lower Importance	▭	Stable

FitchRatings

EDP - Energias de Portugal, S.A.

Corporates Ratings Navigator
EMEA Utilities

Operating Environment

a	Economic Environment	bbb	Average combination of countries where economic value is created and where assets are located.
a-	Financial Access	a	Strong combination of issuer-specific funding characteristics and the strength of the relevant local financial market.
	Systemic Governance	aa	Systemic governance (eg rule of law, corruption, government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
b-			
ccc+			

Management and Corporate Governance

a+	Management Strategy	bbb	Strategy may include opportunistic elements but soundly implemented.
a	Governance Structure	a	Experienced board exercising effective checks and balances. Ownership can be concentrated among several shareholders.
a-	Group Structure	bbb	Some group complexity leading to somewhat less transparent accounting statements. No significant related-party transactions.
bbb+	Financial Transparency	a	High-quality and timely financial reporting.
bbb			

Revenue Visibility

a-	Size and Integration	bbb	Top-tier position in at least one market. Partially integrated (typically including generation, distribution and supply).
bbb+	Earnings from Regulated Network Assets	bbb	Less than 40% of EBITDA comes from high-quality regulated network assets.
bbb	Quasi-Regulated Earnings	a	Over 20% of EBITDA comes from quasi-regulated assets in markets or from long-term contracted sales with creditworthy counterparties.
bbb-			
bb+			

Regulatory Environment

a-	Regulatory Framework and Policy Risk	bbb	Less transparent frameworks, with emerging track record and multi-year tariffs; exposed to political risk. Medium-term predictability.
bbb+	Cost Recovery and Risk Exposure	bbb	Tariff setting that may limit efficiently incurred cost and investment recovery, with moderate regulatory lag, price and volume risk.
bbb			
bbb-			
bb+			

Market Position

a-	Fundamental Market Trends	bb	Markets with structural challenges.
bbb+	Generation and Supply Positioning	a	Strong position in the merit order; effective hedging; flexible fuel procurement. Generation balanced with strong position in supply and services.
bbb	Customer Base and Counterparty Risk	bbb	Economy of area served provides structurally stable background; medium counterparty risk; fair collection rates for supply operations.
bbb-			
bb+			

Asset Base and Operations

a+	Asset Quality	a	High asset quality likely to benefit opex and capex requirements compared with peers.
a	Asset Diversity	a	High diversification by geography, generation source, supplied product; multi-jurisdictional utility or regional multi-utility.
a-	Carbon Exposure	a	Energy production mostly from clean sources and low carbon exposure (< 300gCO2/kWh).
bbb+			
bbb			

Profitability and Cash Flow

a-	Free Cashflow	bbb	Structurally neutral to negative FCF across the investment cycle.
bbb+	Volatility of Profitability	bbb	Stability and predictability of profits in line with utility peers.
bbb			
bbb-			
bb+			

Financial Structure

a-	FFO Leverage	bbb	5.0x
bbb+	FFO Net Leverage	bbb	4.5x
bbb			
bbb-			
bb+			

Financial Flexibility

a	Financial Discipline	a	Clear commitment to maintain a conservative policy with only modest deviations allowed.
a-	Liquidity	a	Very comfortable liquidity. No need to use external funding in the next 12 months even under a severe stress scenario. Well-spread debt maturity schedule. Diversified sources of funding.
bbb+	FFO Interest Coverage	bbb	4.5x
bbb	FX Exposure	bbb	Some FX exposure on profitability and/or debt/cash flow match. Effective hedging.
bbb-			

Credit-Relevant ESG Derivation

EDP - Energias de Portugal, S.A. has 12 ESG potential rating drivers

- Emissions from operations
- Fuel use to generate energy
- Impact of waste from operations
- Plants' and networks' exposure to extreme weather
- Product affordability and access
- Quality and safety of products and services; data security

Showing top 6 issues

Overall ESG

key driver	0	issues	5
driver	0	issues	4
potential driver	12	issues	3
not a rating driver	2	issues	2
	0	issues	1

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

FitchRatings

EDP - Energias de Portugal, S.A.

Corporates Ratings Navigator
EMEA Utilities

Credit-Relevant ESG Derivation

EDP - Energias de Portugal, S.A. has 12 ESG potential rating drivers

- EDP - Energias de Portugal, S.A. has exposure to emissions regulatory risk but this has very low impact on the rating.
- EDP - Energias de Portugal, S.A. has exposure to energy productivity risk but this has very low impact on the rating.
- EDP - Energias de Portugal, S.A. has exposure to waste & impact management risk but this has very low impact on the rating.
- EDP - Energias de Portugal, S.A. has exposure to extreme weather events but this has very low impact on the rating.
- EDP - Energias de Portugal, S.A. has exposure to access/affordability risk but this has very low impact on the rating.
- EDP - Energias de Portugal, S.A. has exposure to customer accountability risk but this has very low impact on the rating.

Showing top 6 issues

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	12	issues	3
not a rating driver	2	issues	2
	0	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	3	Emissions from operations	Asset Base and Operations; Profitability and Cash Flow	5
Energy Management	3	Fuel use to generate energy	Asset Base and Operations; Market Trends and Risks; Profitability and Cash Flow	4
Water & Wastewater Management	2	Water used by hydro plants or by other generation plants; effluent management	Asset Base and Operations; Market Trends and Risks; Profitability and Cash Flow	3
Waste & Hazardous Materials Management; Ecological Impacts	3	Impact of waste from operations	Asset Base and Operations; Profitability and Cash Flow	2
Exposure to Environmental Impacts	3	Plants' and networks' exposure to extreme weather	Asset Base and Operations; Profitability and Cash Flow	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Profitability and Cash Flow; Regulation	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Profitability and Cash Flow	4
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Profitability and Cash Flow; Financial Structure; Financial Flexibility	3
Employee Wellbeing	2	Worker safety and accident prevention	Profitability and Cash Flow; Financial Structure; Financial Flexibility	2
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Asset Base and Operations; Profitability and Cash Flow	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance	5
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance	4
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance	3
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance	2
				1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

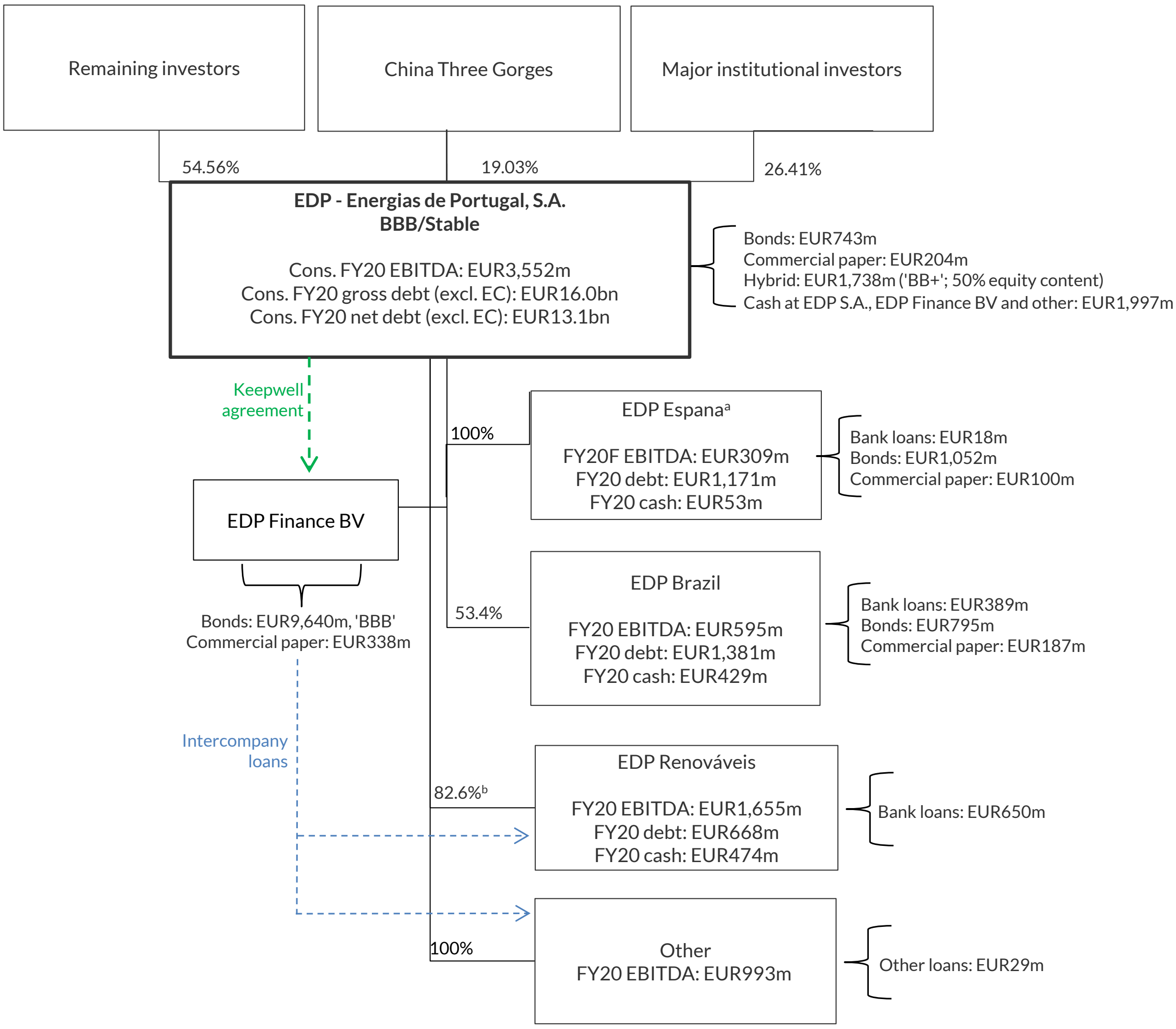
Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram



Note: Debt excluding fair value of the issued debt hedge risk. EC = equity credit.
[a] 2020 EBITDA forecast by Fitch. Viesgo will add an additional EUR180 million of EBITDA from 2021.
[b] 74.98% in April 2021 after the EUR1.5 billion capital increase.
Source: Fitch Ratings, Fitch Solutions, EDP, as of December 2020

Peer Financial Summary

Company	IDR	Financial statement date	Operating EBITDA (before income from associates) (EURm)	Operating EBITDA margin (%)	FFO margin (%)	FFO interest coverage (x)	FFO net leverage (x)
EDP - Energias de Portugal, S.A.	BBB						
		2023F	3,770	28.5	18.5	5.7	4.5
		2022F	3,620	28.5	18.0	5.7	4.5
		2021F	3,469	28.5	18.9	6.1	4.3
	BBB-	2020	3,552	28.5	18.5	4.9	4.3
	BBB-	2019	3,621	25.3	16.8	5.1	4.7
Iberdrola, S.A.	BBB+						
		2023F	12,240	30.4	22.5	7.4	4.9
		2022F	11,664	31.0	23.0	7.5	4.7
		2021F	10,338	30.5	22.2	7.5	5.1
	BBB+	2020	9,811	29.6	22.0	8.8	4.4
	BBB+	2019	9,851	27.0	20.0	7.9	4.4
Naturgy Energy Group, S.A.	BBB						
		2023F	3,990	18.7	12.3	5.0	4.6
		2022F	3,974	18.7	12.4	5.2	4.6
		2021F	4,024	18.7	12.7	5.5	4.5
	BBB	2020	3,281	21.4	12.8	4.6	5.6
	BBB	2019	4,297	18.7	13.1	6.7	4.3
Enel S.p.A.	A-						
		2023F	19,768	22.9	14.5	7.0	4.3
		2022F	19,127	22.7	14.6	6.9	4.1
		2021F	18,459	22.5	14.4	6.6	3.9
	A-	2020E	17,583	22.0	13.4	5.9	4.0
	A-	2019	17,588	22.6	13.1	4.9	3.8
REN - Redes Energeticas Nacionais, SGPS, S.A.	BBB						
		2024F	450	82.2	62.7	10.4	6.5
		2023F	453	81.9	61.6	9.2	6.6
		2022F	445	81.4	53.0	7.2	7.5
		2021F	451	80.4	53.2	7.3	7.8
	BBB	2020	463	82.1	65.3	7.8	6.6
	BBB	2019	477	84.3	61.5	6.8	6.9

Source: Fitch Ratings, Fitch Solutions.

Fitch Adjusted Financials

Fitch Adjustments and Reconciliation Table for EDP - Energias de Portugal, S.A.

(EURm)	Notes and Formulas	Reported Values	Sum of Adjustments	Other Adjustments	Adjusted Values
31 December 2020					
Income Statement Summary					
Revenue		12,448			12,448
Operating EBITDAR		3,947	-293	-293	3,654
Operating EBITDAR After Associates and Minorities	(a)	3,883	-293	-293	3,590
Operating Lease Expense	(b)	0	102	102	102
Operating EBITDA	(c)	3,947	-395	-395	3,552
Operating EBITDA After Associates and Minorities	(d) = (a-b)	3,883	-395	-395	3,488
Operating EBIT	(e)	2,315	-333	-333	1,982
Debt and Cash Summary					
Total Debt with Equity Credit	(f)	16,217	-1,056	-1,056	15,162
Lease-Equivalent Debt	(g)	0	653	653	653
Other Off-Balance-Sheet Debt	(h)	0			0
Total Adjusted Debt with Equity Credit	(i) = (f+g+h)	16,217	-403	-403	15,814
Readily Available Cash and Equivalents	(j)	2,954	-2	-2	2,952
Not Readily Available Cash and Equivalents		0	34	34	34
Cash Flow Summary					
Operating EBITDA After Associates and Minorities	(d) = (a-b)	3,883	-395	-395	3,488
Preferred Dividends (Paid)	(k)	0			0
Interest Received	(l)	27			27
Interest (Paid)	(m)	-580			-580
Cash Tax (Paid)		-173			-173
Other Items Before FFO		-235	-229	-229	-464
Funds from Operations (FFO)	(n)	2,923	-624	-624	2,299
Change in Working Capital (Fitch-Defined)		-650	722	722	72
Cash Flow from Operations (CFO)	(o)	2,273	98	98	2,371
Non-Operating/Nonrecurring Cash Flow		0	-200	-200	-200
Capital (Expenditures)	(p)	-2,391			-2,391
Common Dividends (Paid)		-691			-691
Free Cash Flow (FCF)		-809	-102	-102	-911
Gross Leverage (x)					
Total Adjusted Debt/Operating EBITDAR[a]	(i/a)	4.2			4.4
FFO Adjusted Leverage	(i/(n-m-l-k+b))	4.7			5.4
FFO Leverage	(i-g)/(n-m-l-k)	4.7			5.3
Total Debt with Equity Credit/Operating EBITDA[a]	(i-g)/d	4.2			4.3
(CFO-Capex)/Total Debt with Equity Credit (%)	(o+p)/(i-g)	-0.7%			-0.1%
Net Leverage (x)					
Total Adjusted Net Debt/Operating EBITDAR[a]	(i-j)/a	3.4			3.6
FFO Adjusted Net Leverage	(i-j)/(n-m-l-k+b)	3.8			4.4
FFO Net Leverage	(i-g-j)/(n-m-l-k)	3.8			4.3
Total Net Debt with Equity Credit/Operating EBITDA[a]	(i-g-j)/d	3.4			3.5
(CFO-Capex)/Total Net Debt with Equity Credit (%)	(o+p)/(i-g-j)	-0.9%			-0.2%
Coverage (x)					
Operating EBITDA/(Interest Paid + Lease Expense)[a]	a/(-m+b)	6.7			5.3
Operating EBITDA/Interest Paid[a]	d/(-m)	6.7			6.0
FFO Fixed-Charge Coverage	(n-l-m-k+b)/(-m-k+b)	6.0			4.3
FFO Interest Coverage	(n-l-m-k)/(-m-k)	6.0			4.9

[a] EBITDA/R after dividends to associates and minorities.
Source: Fitch Ratings, Fitch Solutions, EDP - Energias de Portugal, S.A.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.