

Research Update:

# Portuguese Integrated Utility EDP S.A. 'BBB' Rating Affirmed; Outlook Stable On Expected Deleveraging

December 11, 2025

## Rating Action Overview

- We expect EDP to improve its reported funds from operations (FFO)-to-debt ratio to about 22% by 2028, based on its strategic plan presented at its capital market day on Nov 6, 2025. We expect the plan to create some ratings headroom, given the current downside threshold of 19%, but it also indicates modest growth in the next few years.
- In our view, EDP's reiterated commitment to its financial policy and to the 'BBB' rating indicates the management will implement all necessary measures to ensure it builds financial headroom as planned.
- We therefore affirmed our 'BBB/A-2' long- and short-term issuer credit ratings on EDP, our 'BBB' issue rating on the company's senior unsecured notes, and our 'BB+' rating on its hybrids.
- The stable outlook reflects our expectation that EDP's FFO to debt will reach 19% by 2025 and remain comfortably above 19% over the 2026-2028 plan.

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## Rating Action Rationale

**EDP's updated strategy builds financial headroom, with modest growth.** The plan provides for reported EBITDA to increase 6% to €5.2 billion in 2028, from €4.9 billion expected in 2025. This is modest growth, compared with that seen in 2022-2025 when reported EBITDA grew 14%. The growth should mostly come through:

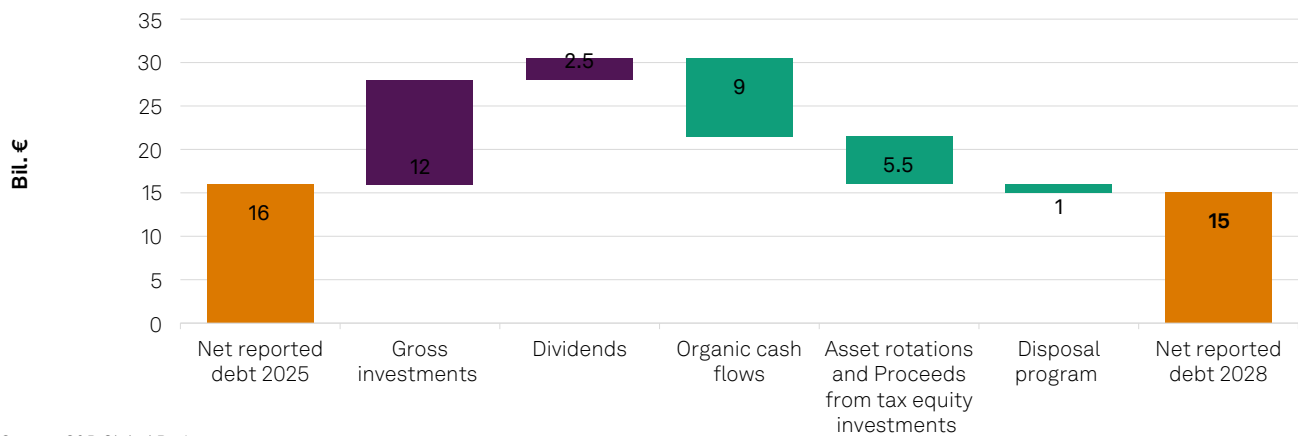
- EDP Renováveis (EDP-Renewables; EDP-R), which is 71% owned by EDP and accounts for 40% of EDP's total EBITDA, has a planned net installed capacity addition of about 1.5 gigawatts (GW) over the plan. This growth will be mostly debt, asset rotation, and tax equity financed, leading to our expectation that EDP-R will represent more than 50% of EDP's net financial debt by the end of the plan, from 46% as of year-end 2024. This, in our view, marginally better EDP's business risk profile.
- In the networks business, representing about 30% of EDP's EBITDA over the plan, we expect the new regulatory periods starting in Portugal and Spain to bring some improvements

compared with the existing methodology (albeit more limited in Spain). We continue to view this business segment operates under regulations less supportive than those of most western European jurisdictions. This is because we view the Spanish framework as lagging in terms of cost and inflation recovery with limited investment incentives. In Portugal, we view the potential removal of the CESE (Extraordinary Contribution on the Energy Sector) tax for new investments as positive since this tax is currently constraining our assessment. In Brazil, the RAB should grow in the latter part of the regulatory period ending 2028 with all accumulated investments made over the period indicating our expectation that networks EBITDA will increase from 2029 and thereafter. We continue to view Brazilian networks as moderately supportive for EDP's business risk profile.

- Iberian integrated activities are expected to remain stable at the current level upon stabilization of power prices, low expected growth in electricity consumption, and average hydro level assumptions.

**The updated strategic plan indicates a €1 billion reduction in net debt by 2028, supporting the 'BBB' rating and providing some headroom under the current 19% guidance.** Over 2026-2028, we expect EDP to invest up to €12 billion; of which about 60%-70% will go toward building an additional 5GW wind and solar capacity through EDP-R; mostly in the U.S., the rest going toward networks mostly in Iberia. The investment plan will mostly be funded with asset rotations (of which about 20% is related to assets in construction for which a buyer has already been signed up as construction begins), disposals, and proceeds from tax equity from U.S. investments, enabling reported net debt to decrease by about €1 billion to €15 billion in 2028 from expected €16 billion in 2025.

EDP expects a €1 billion net debt reduction by 2028



Source: S&P Global Ratings.

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This translates to an improvement in reported FFO to debt by about 300 basis points (bps) to 22% in 2028 from 19% expected in 2025. This improvement is, however, very much dependent on EDP receiving proceeds from asset rotations and tax equity on time. Although asset rotation has been a key element of EDP's strategy and it has a track record of successful execution, we believe there are some remaining risks, for example, EDP's FFO to debt metrics could dip below 19%, due to timing issues as we observed in 2023.

**Ocean Winds (OW), the 50/50 joint venture between Engie S.A. and EDP-R, bears about €9 billion of debt as of end-2024, which we do not include in our quantitative analysis.** We

currently do not include EDP's share of OW's debt in our debt adjustment because we consider the risks associated with OW's projects that are currently under construction is limited and insufficiently material. We understand that there will only be two projects remaining under construction as of year-end 2025 (Le Treport and Éoliennes Flottantes du Golfe du Lion [Golfe du Lion floating offshore wind farm]) which, combined, should represent a 30 bps negative impact for EDP's FFO to debt. In addition, we view EDP as mildly protected by the layers of ownership through EDP-R and OW and expect OW to first intervene should a project require additional equity injection before EDP-R and eventually EDP. We will, however, monitor OW's 15 GW pipeline of projects, which are in the development phase but not yet in construction. Should the construction start concurrently, the materiality of these risks might increase for EDP.

**EDP's strong commitment to the 'BBB' rating will be tested over the 2026-2028 plan.** We view that the company is committed to maintain the 'BBB' rating by ensuring its FFO to debt rises comfortably above 19%. We therefore expect EDP to monitor asset rotation and tax equity investments so that there are no timing issues, as well as continue its liability management exercises to reduce cost of debt over the plan. Finally, we view somewhat negatively that there is a mild increase in dividend per share to €0.21 in 2028 from €0.20 in 2025 resulting in a total of about €2.5 billion dividend paid over 2026-2028 (including to minorities) that we view as inflexible. We understand that, should asset disposals and rotation not occur as planned, the committed deleveraging could be achieved by reduction in capital expenditure (capex).

## Outlook

The stable outlook reflects our expectations that EDP will remain committed to its financial policy by implementing measures so that FFO to debt exceeds 19% at year-end 2025 and remains comfortably above 19% during 2026-2028.

### Downside scenario

We could lower the rating if FFO to debt fails to reach 19% by year-end 2025 and does not remain comfortably above 19% thereafter. This could result from the following:

- Operational setback, such as lower-than-expected profitability from installed assets or material delays in construction.
- Increasing presence in minorities, which would result in higher-than-expected cash flow leakage.
- Inability to achieve the asset rotation target and disposal plan over 2026-2028 without any remedial measures.
- Increasing dividends beyond our expectation, indicating a weakening of EDP's financial policy.

The rating could also come under pressure if we view

- A deterioration of EDP's business risk profile beyond our expectation.
- The development of material new projects at the OW level, indicating increasing off-balance-sheet debt.

### Upside scenario

We view an upgrade as unlikely over the medium term, despite the company's focus on balance-sheet management.

## Company Description

EDP is a vertically integrated utility company. It is the largest generator, distributor, and supplier of electricity in Portugal, and the third-largest electricity generator on the Iberian Peninsula. EDP is among the largest wind power operators worldwide. Through its subsidiary EDP-R, the company develops and operates wind and solar energy generation facilities in four regional hubs, North and Latin America, and, more recently, in the Asia-Pacific region with the Sunseap acquisition. EDP is Brazil's fifth-largest private electricity operator, with two electricity distribution concessions (EDP Sao Paulo and EDP Espirito Santo). Also, the company is the country's fourth-largest private electricity supplier in the liberalized market and is responsible for power transmission there.

EDP operates across two business segments:

- Renewables, including client solutions, and energy management (68% of Q3 2025 reported EBITDA): This segment includes the company's hydro, wind, and solar power assets across all regions. Client solutions and energy management include EDP's supply activities on the Iberian Peninsula and Brazil, thermal generation, and energy management businesses. The company had an installed capacity of 32 GW including 2.4 GW equity accounted and generated 48 terawatt-hours of electricity as of Sept. 30, 2025.
- Networks (32% of Sept. 30, 2025, reported EBITDA): This segment includes EDP's electricity distribution activities on the Iberian Peninsula and Brazil, transmission lines in Brazil, and electricity last resort supply activity in Portugal, with a total regulated asset base of around €7.3 billion as of Sept. 30, 2025.

## Our Base-Case Scenario

### Assumptions

- Annual network EBITDA growth with recovery of inflation with a year's delay and EDP-R's EBITDA growing to about €2.2 billion in 2028 from €1.5 billion in 2024 including about €200 million annual gains on asset rotations over the plan.
- This results in a total reported EBITDA expected at €4.9 billion in 2025 rising to about €5.2 billion in 2028.
- We assume an EBITDA margin of about 28%, in line with company guidance.
- Dividend payout (including dividends to minority shareholders) averaging about €850 million-€900 million over 2026-2028.
- Asset rotation proceeds of about €2 billion in 2025 followed by €1.5 billion per year over 2026-2028 and disposal proceeds of €1 billion over 2026-2028.
- Total gross capex in 2026-2028 of €12 billion, with 70% of capex going to the renewable segments and the remaining 30% to networks.
- €7.5 billion in renewables capex spread over 2026-2028 with 60% in North America, 20% in Europe, 10% offshore, and 10% in Asia-Pacific.
- €3.6 billion in networks capex spread over 2026-2028 with 47% in Portugal, 36% in Brazil, and 16% in Spain.

## Portuguese Integrated Utility EDP S.A. 'BBB' Rating Affirmed; Outlook Stable On Expected Deleveraging

- Cash taxes of approximately €220 million-€250 million on average per year, growing in line with net income.
- An average interest rate of almost 5% over the period, which is in line with company expectations and market conditions.
- Tax equity net cash inflow of about €345 million per year in line with our forecast for 2025.

## Key metrics

### EDP S.A.--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
(Mil. EUR)	2021a	2022a	2023a	2024a	2025e	2026f	2027f	2028f
EBITDA	3,289	4,167	4,589	4,683	4,882	4,951	5,011	5,089
Funds from operations (FFO)	2,669	3,185	3,209	3,239	3,586	3,693	3,783	3,842
Capital expenditure (capex)	3,261	3,454	5,268	5,317	3,976	3,930	3,930	3,930
Dividends	931	1,000	1,003	931	949	944	986	986
Discretionary cash flow (DCF)	(2,640)	(1,314)	(4,872)	(2,912)	(2,599)	(1,986)	(1,937)	(1,878)
Debt	14,581	16,908	19,058	20,363	18,861	18,478	18,313	18,128
<b>Adjusted ratios</b>								
Debt/EBITDA (x)	4.4	4.1	4.2	4.3	3.9	3.7	3.7	3.6
FFO/debt (%)	18.3	18.8	16.8	15.9	19.0	20.0	20.7	21.2
DCF/debt (%)	(18.1)	(7.8)	(25.6)	(14.3)	(13.8)	(10.7)	(10.6)	(10.4)

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

## Liquidity

We now view EDP's liquidity as adequate, versus strong previously. This is because projected sources of liquidity, mainly operating cash flow and available bank lines, exceed projected uses, which are mainly necessary capex, debt maturities, and dividends, by more than 1.2x for both the next 12 and 24 months as of Sept. 30, 2025, notwithstanding potential for cash flow volatility and timing of future asset rotations and disposals over the plan. In the calculation below, we also do not consider the net cash impact of the recent hybrid issuance and tender offer, nor the committed €1.2 billion term loans from EIB that have not yet been drawn, with a maturity period of up to 15 years. We also integrate into our assessment EDP's strong bank relationships, prudent financial discipline, proven access to debt capital markets and proactive refinancings, notably in the hybrid market.

Principal liquidity sources	Principal liquidity uses
<ul style="list-style-type: none"> <li>• Unrestricted cash of about €1.85 billion.</li> </ul>	<ul style="list-style-type: none"> <li>• Long-term debt maturities of about €3.1 billion including subsidiaries' debt.</li> </ul>

- About €7.5 billion available committed lines mostly maturing over 2028-2030.
- Forecast cash FFO of about €3.8 billion.
- €1.3 billion of proceeds from signed asset rotations to cash in before end 2025.
- Estimated working capital outflows of about €1.1 billion.
- An estimated €4.01 billion of gross capex.
- Dividends of about €853 million, including dividends to subsidiaries' minority shareholders.

## Issue Ratings--Subordination Risk Analysis

### Capital structure

EDP's policy is to issue most of its debt at the parent company directly, or via its financial subsidiary EDP Finance B.V., and lend the proceeds to its operating companies (notably EDP-R). We calculate structural subordination at a moderate 16% as of Sept. 2025, well below our 50% threshold for notching. Also, we think EDP's size, diversity of cash flow generation, and financial ring-fencing of its Brazilian subsidiary and direct ownership of a fair amount of operating assets strongly mitigate structural subordination issues.

### Analytical conclusions

The issue rating on EDP's senior unsecured debt is 'BBB', in line with the issuer credit rating. We rate the hybrid bonds 'BB+', two notches below EDP's 'bbb' stand-alone credit profile to reflect

- A one-notch deduction for subordination because the rating on EDP is at 'BBB' or higher; and
- A one-notch deduction to reflect payment flexibility, since the deferral of interest is optional.

## 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	Intermediate risk
Industry risk	Intermediate risk
Competitive position	Strong
Financial risk	Significant
Cash flow/leverage	Significant
Anchor	bbb
<b>Modifiers</b>	
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Adequate
Management and governance	Neutral
Comparable rating analysis	Neutral
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: Corporate Methodology](#), Jan. 7, 2024
- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), 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
- [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

- [EDP S.A.'s Proposed Hybrid Instrument Assigned 'BB+' Rating; Equity Content Intermediate](#), Nov. 24, 2025
- [EDP's Updated Guidance Following First Half-2025 Results Supports The 'BBB' Rating](#), Aug. 6, 2025
- [EMEA Utilities Issuers Ranked Strongest To Weakest](#), July 23, 2025
- [The Phase-Out Of Renewable Energy Tax Credits Is Expected To Have A Neutral Impact On The Credit Quality Of Investor-Owned Utilities](#), July 7, 2025
- [EDP's Proposed Hybrid Instrument Rated 'BB+' With Intermediate Equity Content](#), May 20, 2025,
- [EDP's Consent Solicitation Would Qualify Four Hybrid Bonds For Intermediate Equity Content](#), March 3, 2025
- [EDP 'BBB/A-2' Ratings Affirmed Amid New Hybrid Criteria; Outlook Stable](#), Feb. 17, 2025

## Ratings List

Ratings List	
Ratings Affirmed	
<a href="#">EDP, S.A.</a>	
<a href="#">EDP Finance B.V.</a>	
Issuer Credit Rating	BBB/Stable/A-2
<a href="#">EDP, S.A.</a>	
Junior Subordinated	BB+
<a href="#">EDP, S.A.</a>	
<a href="#">EDP Finance B.V.</a>	
Commercial Paper	A-2
<a href="#">EDP, S.A.</a>	
<a href="#">EDP Finance B.V.</a>	
<a href="#">EDP SFE</a>	
Senior Unsecured	BBB
Short-Term Debt	A-2

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