

Rating Action: Moody's Ratings downgrades Enexis to A1; outlook stable

31 Oct 2025

Paris, October 31, 2025 -- Moody's Ratings (Moody's) has today downgraded Enexis Holding N.V. (Enexis)'s long-term issuer and senior unsecured ratings to A1 from Aa3. Concurrently, we have also downgraded the senior unsecured MTN program rating to (P)A1 from (P)Aa3. The Baseline Credit Assessment (BCA) has also been downgraded to a3 from a2 while the P-1 short term issuer rating has been affirmed. The outlook is changed to stable from negative.

RATINGS RATIONALE

On 31 October [1], Enexis announced it would increase its capital expenditures (capex) to above €2 billion in 2026, up from an estimated €1.7 billion in 2025. We expect capex to continue remaining well above €2 billion in the subsequent years beyond 2026. The company will display a largely negative free cash flow over the coming years with the shortfall being funded by increased debt issuances. Consequently, we expect Enexis' credit metrics to materially weaken over the next five years to a level that is no longer commensurate with an Aa3 rating.

The increased capex is largely a result of several projects, most of which are in the electricity distribution grid, having been brought forward following increased capacity of suppliers and contractors. More generally, the increased capex has to be seen in light of the Dutch government's ambitions to work toward a CO2-free energy supply by 2050. This requires, among others, several bottlenecks in the electricity grid to be relieved in order to make it ready for an increased penetration of renewables.

Financial strategy and risk management is a key consideration under our approach for assessing governance risks under our ESG framework. In light of the increased capex and subsequent tolerance for higher debt leverage, we have revised our ESG Governance issuer profile score to G-2 from G-1. However, the credit impact score (CIS) remains unchanged at CIS-2. This governance score change brings Enexis into line with scores more commonly seen among regulated energy network peers, and underscores the company's move from a relatively low level of debt leverage to levels more commonly seen in the industry.

In September 2025 [2], the Dutch regulator Autoriteit Consument & Markt (ACM) published the draft parameters for the next regulatory period starting 2027. Notably, the regulator envisages moving to a cost plus methodology with a nominal weighted average cost of capital (WACC) applied to remuneration of the electricity grid. Overall, the draft parameters appear favorable to Enexis and should allow for a faster cost recovery and remove uncertainties related to cost inflation. The current draft parameters support our expectations of Enexis continuing to deliver a high degree of stability in cash flow as it traverses through a period of high capex.

More generally, Enexis A1 ratings reflect the company's (1) low business risk associated with monopoly distribution network activities, with very limited contribution from unregulated businesses; (2) the stable and transparent regulatory regime, further supported by the 2023 ruling of the Dutch Trade and Industry Appeals Tribunal (CBb) on certain parameters of the current regulatory framework; (3) its hitherto modest leverage, compared with the wider European peer group, but which will increase in the coming years; and (4) the expectation of strong support from local government shareholders and the Dutch state because of the essentiality of assets and the key role the company plays in facilitating the energy transition in its service area.

The ratings are however constrained by (1) a significant increase in capital spending requirements to support the country's energy transition; (2) a comparably low WACC in the current regulatory period ending in 2026, which reduces financial flexibility; (3) some stranded asset risk faced by gas networks in the context of the energy transition; and (4) some uncertainty still surrounding Enexis' role in the operation of the district heating

infrastructure in the future.

Enexis is rated under our Government-related Issuers methodology. Therefore, the company's A1 rating incorporates two-notches of uplift from its stand-alone credit quality, expressed as a BCA of a3, reflecting the strong probability of extraordinary financial support being provided by its owners, the largest of which is the Province of Noord-Brabant with a 31% shareholding, coordinated if necessary by the Government of Netherlands (Aaa stable) if this was ever needed. There is a very high default dependence between Enexis and its owners, given that the company's operations are provided within its owners' areas.

RATIONALE FOR THE STABLE OUTLOOK

The stable outlook reflects our expectation that Enexis will display credit metrics that will gradually decline over the next few years in tandem with its increased capex. We expect that there will be some volatility in credit metrics as reported under IFRS until 2028 as during these years Enexis partly benefits from cash flows that are trued up from previous years. Nonetheless, absent mitigating measures, we forecast credit metrics could drop towards levels that could be on the weak end for the current A1 rating by the end of the decade.

LIQUIDITY

We expect Enexis liquidity profile to remain good over the next few quarters, although the company will have to enter capital markets in order to maintain a satisfactory liquidity through 2026 and beyond. As at the end of June 2025, Enexis had cash and cash equivalents on balance sheet of around EUR363 million. A further liquidity cushion is provided by access to an undrawn EUR1 billion syndicated Revolving Credit Facility, maturing in October 2030 (could be extended by one year) as well as two committed loan facilities with the European Investment Bank (Aaa stable) in a combined amount of EUR590 million with drawdowns possible until 2026 and 2027, respectively. The company has also recently entered into three bilateral RCFs of EUR100 million each (tenor 1+1), signed in September 2025. Enexis has a €500 million bond maturing in April 2026. We expect the company to access capital markets in a timely manner.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Given the recent downgrade, we consider a rating upgrade unlikely over the medium term. Over time, upward pressure could build should Enexis manage to maintain funds from operations (FFO)/net debt sustainably above 16%. For upward pressure to develop, Enexis would also have to maintain a net debt/fixed assets ratio well below 50%.

Downward pressure on the A1 rating could develop should Enexis fail in maintaining its FFO/ Net Debt ratio above 12% for a prolonged period of time. Downward pressure could also develop should the net debt/fixed assets ratio move significantly above 55%. The respective ratio guidances could be re-assessed upon the final determination of the new regulatory period starting in 2027.

The A1 rating could also be subject to downward pressure if the credit profiles of the municipalities and provinces owning Enexis weaken significantly or our assessment of extraordinary support is lowered.

The methodologies used in these ratings were Regulated Electric and Gas Networks published in April 2022 and available at <https://ratings.moody.com/rmc-documents/386754>, and Government-related Issuers published in May 2025 and available at <https://ratings.moody.com/rmc-documents/443641>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.com> for a copy of these methodologies.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

Enexis Holding N.V. owns and manages low and medium voltage electricity and gas distribution networks in the Dutch provinces of Noord Brabant, Overijssel, Limburg, Groningen and Drenthe. The company serves approximately 3.0 million customers for electricity and 2.3 million customers with gas connections. For the year 2024, the company reported EUR2,596 million of revenues and an operating profit of EUR386 million.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and

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At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at <https://ratings.moodys.com/rmc-documents/435880>.

The Global Scale Credit Rating(s) discussed in this Credit Rating Announcement was(were) issued by one of Moody's affiliates outside the UK and is(are) endorsed for use in the UK in accordance with the UK CRA Regulation.

REFERENCES/CITATIONS

[1] <https://www.enexisgroep.com/financial-news/expected-net-investments-by-enexis-will-exceed-2-billion-in-2026/>

[2] <https://www.acm.nl/nl/publicaties/overzichtspagina-publicaties-ontwerpmethodebesluiten-reg2027>

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