

Research Update:

Dutch DSO Enexis Holding Downgraded to 'A+' On Capex Increase; Outlook Negative

October 31, 2025

Rating Action Overview

- We anticipate Enexis to substantially increase its capital expenditure (capex) program by about €2.9 billion over 2026-2029, compared with our previous expectations for upgrading the Dutch grid, which is constrained by congestion issues. This translates into average annual net capex of €2.5 billion, up from €1.4 billion in 2024.
- We think this will result in S&P Global Ratings-adjusted funds from operations (FFO) to debt falling well below 18% on average, while discretionary cash flow will turn very negative, averaging negative €1 billion annually over the period.
- While the proposed regulation changes, effective January 2027, should be mostly positive for Enexis' allowed revenues--through a faster recovery of actual costs and a higher nominal WACC--we view the lack of remuneration for assets under construction as a weakness, particularly given Enexis' investment plan.
- We therefore lowered our long- and short-term ratings on Enexis to 'A+/A-1' from 'AA-/A-1+.'
- The negative outlook indicates we could downgrade Enexis over the next 12-18 months if we view its business risk profile as weaker than that of peers, considering the operational and financial pressures attached to its heavy investment plan and the upcoming regulatory period starting January 2027. A downgrade would stem from Enexis' FFO to debt consistently falling below 15% over the next three years.

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Rating Action Rationale

Enexis' updated investment programme indicates a €2.9 billion increase in spending over 2026-2029 compared to our previous forecast, which will pressure metrics. We forecast Enexis' investments will amount to €2.5 billion annually on average including customer contributions. This is because distribution system operators (DSOs) in the Netherlands need to accommodate for a faster energy transition and address congestion by rapidly increasing grid capacity. Out of the €10 billion net investments planned over 2026-2029, we expect up to 25% to be allocated to long-term projects (three to four years before commissioning) including high voltage and medium

voltage (HV/MV) grids and transformers, designed to reduce congestion related to connection with the transmission grid. We think the remaining 75% will go toward short-term projects (about a year) which we view in line with usual DSO investments.

We therefore forecast annual negative DCF of about €1 billion-€1.5 billion and S&P Global Ratings-adjusted debt increasing to more than €10 billion by the end of the decade. We now forecast the discretionary cash flow (DCF) to fall to negative €1.0 billion-€1.5 billion annually, down from negative €0.6 billion in 2024, on the back of the steep investment plan increase. This indicates a DCF to debt of negative 20%-25% over the forecast horizon, which we view as a weakness for Enexis. This is a similar level to what we see for peers in the transmission world such as Elia Group, Eurogrid and TenneT Holding. Our DCF includes dividends capped at €100 million annually allowing for indexation inflation as per the recently updated dividend policy. This should translate in an S&P Global Ratings-adjusted debt increase by 215% between 2024 and 2029 reaching about €10.5 billion by the end of the decade from €3.4 billion in 2024. On the other side, we expect adjusted EBITDA to grow by about 100% over the same time frame, reaching close to €1.7 billion by the end of the decade from €0.8 billion in 2024. As a result, we expect FFO to debt to dip well below 18% from 2026 onwards and averaging 15% over our five-year forecast horizon (2025-2029).

The proposal from the Dutch regulator for the upcoming regulatory period starting January 2027 supports Enexis' allowed revenues. In September 2025, the Netherlands Authority for Consumers and Markets (ACM) published its draft decision on changes to the methodology for electricity and gas networks in the Netherlands for the regulatory period starting January 2027, which indicates an increase in total revenues over the period of about €2.2 billion compared to our last forecasts. The proposal includes:

- A transition to a cost-plus model (similar to that used in Belgium) from the current price cap system removing the need for networks to be efficient but allowing them to recover all their operating and investments costs; which we view as necessary in period of high investment intensity.
- A nominal weighted average cost of capital (WACC) for electricity networks from the real WACC currently applied. Compared to other regulatory frameworks we view as strong, the Dutch approach allows for adjustments to the reference WACC in year n to account for the difference between actual and forecast risk-free rates as well as the difference between actual and forecast cost of debt, based on data from two years prior. As such, the nominal WACC for 2027 should incorporate the reference WACC set by the regulator as well as the difference between the 2025 risk-free rate and cost of debt. We view this as positive for Dutch networks since it could increase the WACC applied to the capital cost calculation by up to 4%, placing the Dutch WACC the highest among its peer group (surpassing Norway and Finland).
- No remuneration of assets under construction, which is in our view a weakness for transmission system operators (TSOs) but also for DSOs with lengthier construction projects, such as Dutch DSOs entering into three-to-four-year medium-term projects. We understand that about 25% of Enexis' capex has a construction period lasting for more than a year

We view Enexis' business risk profile as excellent but expect it to weaken due to intensive capital investment and the lack of remuneration for assets under construction. While we continue to view Enexis' regulatory framework assessment as strong--albeit in the mid-to-low end of our assessment compared to its peers--we think the investment plan increase will constrain the company's business risk profile, similar to Eurogrid, Elia Transmission Belgium, and TenneT. This is because strong supply chain management will be key for Enexis to ensure it can

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achieve its capex plan without any cost overruns or material delays, while maintaining affordability for consumers. However, we understand Enexis has concluded a €7 billion tender for services over a 12-year period from contractors, establishing long-term contracts for supply of raw materials and avoiding a steep increase in investment costs, similar to the strategy employed by power TSOs. In addition, unlike other DSOs, Enexis, is investing in medium-term projects (about three to four years) dedicated to expanding HV/MV grid capacity to connect to TenneT's HV grid and alleviate congestion. These projects will not be remunerated until they are commissioned, as per the latest ACM proposal as assets under constructions do not enter the regulatory asset base. We think such investments will represent up to 25% of the €10 billion investment plan over 2026-2029, which in turn should delay EBITDA growth.

Enexis' financial policy supports an 'A' rating, one notch below the issuer credit rating. Enexis has committed to maintaining FFO to debt above 12% and to keep a credit rating of at least 'A' (including government support) over the next five years. We view this as supportive since Enexis has historically operated with significant headroom under its financial policy. Although we anticipate this headroom will erode over the coming years, we continue to expect Enexis to maintain FFO-to-debt above 12% despite increasing capex due to its supportive shareholding.

Our rating on Enexis is given a one-notch uplift by the Dutch government to reach 'A+'. This is in line with the legally binding framework agreement between Enexis, Alliander, Stedin, and the Dutch government, which outlines conditions and requirements for state equity injections. We continue to assess the likelihood of extraordinary government support to Enexis as moderate, enhancing its capacity and willingness to meet its financial commitments, although this is not currently our base case. We incorporate our view of government support by applying a one-notch uplift to the 'a' stand-alone credit profile, resulting in the 'A+' rating on Enexis (see "[Dutch Networks Stedin, Alliander And Enexis Ratings Affirmed On Government Support; Enexis Outlook Revised To Positive](#)," Feb. 14, 2023, on RatingsDirect).

Outlook

The negative outlook indicates our expectation that Enexis' FFO to debt will remain above 15%, albeit with limited headroom, driven by the investment increase and persistently negative DCF to debt.

Downside scenario

We would downgrade Enexis if:

- Its business risk profile weakened relative to peers as the new regulatory period begins in January 2027; or
- Its adjusted DCF to debt continued to deteriorate, falling below negative 20%-25% on average; or
- Its adjusted FFO to debt deteriorated below 15% consistently.

We would also downgrade Enexis if we perceived a diminished likelihood of state support.

Upside scenario

We could revise the outlook to stable if Enexis consistently reports FFO to debt above 15% while maintaining sound DCF to debt. We could also revise the outlook to stable if we view Enexis'

operational risks as weaker, supported by stronger regulation and smooth execution of its capex program.

Company Description

Enexis installs, maintains, operates, and develops distribution grids for electricity and gas in the Netherlands. Through its main subsidiary, Enexis Netbeheer B.V., the company's electricity grid covers 148,400 kilometers (km) with 3.0 million connection points (cps), while its gas grid covers 46,100 km with 2.3 million cps, making it the second largest Dutch DSO after Alliander (as of first half 2025).

Through its network, the company provides electricity and gas in the Dutch provinces of Groningen, Drenthe, Overijssel, Noord-Brabant, and Limburg. After the Fudura sale, less than 5% of Enexis' revenue is derived from other utility services. These nonregulated businesses are complementary to the core activities. Enexis is owned by the Provinces of Noord-Brabant (30.8%), Overijssel (19.7%), Limburg (16.1%), and Groningen and Drenthe (9%). The rest is owned by 86 smaller municipalities.

Our Base-Case Scenario

Assumptions

- Real GDP growth in the Netherlands of 1.5% in 2025, and 1.1% in 2026.
- Easing inflation levels, with consumer price index growth of 2.8% in 2025, and 2.2% in 2026.
- Over the upcoming 2027-2031 regulatory period, nominal pretax WACC of 5.5%-5.8%, compared to the current inflation-adjusted pretax real WACC of 2.75 %.
- An adjusted EBITDA margin of about 35% until the end of this regulatory period and 45% afterward.
- Net average capex of about €2.5 billion over 2026-2030, driven by the energy transition target in the Netherlands and the requirement to expand Enexis' electric grid, including connecting new renewable energy projects and modernizing existing infrastructure through grid replacement and digitalization.
- Shareholders have agreed to include a dividend payout ratio of 50% of recurring net income capped at €100 million in the policy. This cap will be indexed by inflation.

Key metrics

Enexis Holding N.V.--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
Revenue	1,634	1,705	2,014	2,596	2,915	3,032	3,774	4,096
Gross profit	1,310	1,325	1,205	1,644	1,905	1,959	2,741	2,959
EBITDA (reported)	751	745	577	895	1,020	1,000	1,729	1,907
Plus: Operating lease adjustment (OLA) rent	--	--	--	--	--	--	--	--

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Enexis Holding N.V.--Forecast summary

Plus/(less): Other	(19)	(33)	(35)	(75)	(38)	(38)	(38)	(38)
EBITDA	732	712	542	820	982	962	1,691	1,869
Less: Cash interest paid	(37)	(39)	(29)	(46)	(81)	(130)	(189)	(243)
Less: Cash taxes paid	(65)	(55)	(11)	(37)	(118)	(91)	(247)	(257)
Plus/(less): Other	--	--	--	--	--	--	--	--
Funds from operations (FFO)	630	618	502	737	783	741	1,255	1,369
EBIT	323	281	128	355	550	495	1,161	1,257
Interest expense	42	31	38	55	81	130	189	243
Cash flow from operations (CFO)	614	552	503	810	762	807	1,203	1,338
Capital expenditure (capex)	763	775	1,014	1,372	1,687	2,244	2,533	2,674
Free operating cash flow (FOCF)	(149)	(223)	(511)	(562)	(925)	(1,437)	(1,330)	(1,335)
Dividends	80	105	198	41	133	107	107	107
Share repurchases (reported)	--	--	--	--	--	--	--	--
Discretionary cash flow (DCF)	(229)	(328)	(709)	(603)	(1,058)	(1,544)	(1,437)	(1,442)
Debt (reported)	3,283	2,986	2,984	3,531	4,635	6,210	7,710	9,210
Plus: Lease liabilities debt	106	92	91	112	112	112	112	112
Plus: Pension and other postretirement debt	--	--	12	13	13	13	13	13
Less: Accessible cash and liquid Investments	(107)	(867)	(127)	(46)	(50)	(50)	(81)	(108)
Plus/(less): Other	(246)	(246)	(246)	(246)	(246)	(246)	(246)	(246)
Debt	3,037	1,965	2,714	3,364	4,464	6,039	7,508	8,981
Equity	4,491	5,691	5,570	5,788	6,008	6,178	6,797	7,448
FOCF (adjusted for lease capex)	(176)	(244)	(541)	(618)	(967)	(1,469)	(1,362)	(1,366)
Interest expense (reported)	44	33	40	52	84	133	192	246
Capex (reported)	886	901	1,143	1,487	1,689	2,246	2,535	2,676
Cash and short- term investments (reported)	107	867	127	46	50	50	81	108
Adjusted ratios								
Debt/EBITDA (x)	4.1	2.8	5.0	4.1	4.5	6.3	4.4	4.8
FFO/debt (%)	20.7	31.4	18.5	21.9	17.5	12.3	16.7	15.2

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Enexis Holding N.V.--Forecast summary

FFO cash interest coverage (x)	17.9	16.7	18.1	16.9	10.7	6.7	7.6	6.6
EBITDA interest coverage (x)	17.3	22.7	14.1	14.8	12.1	7.4	8.9	7.7
CFO/debt (%)	20.2	28.1	18.5	24.1	17.1	13.4	16.0	14.9
FOCF/debt (%)	(4.9)	(11.3)	(18.8)	(16.7)	(20.7)	(23.8)	(17.7)	(14.9)
DCF/debt (%)	(7.5)	(16.7)	(26.1)	(17.9)	(23.7)	(25.6)	(19.1)	(16.1)
Lease capex-adjusted FOCF/debt (%)	(5.8)	(12.4)	(19.9)	(18.4)	(21.7)	(24.3)	(18.1)	(15.2)
Annual revenue growth (%)	7.8	4.3	18.1	28.9	12.3	4.0	24.5	8.5
Gross margin (%)	80.2	77.7	59.8	63.3	65.4	64.6	72.6	72.2
EBITDA margin (%)	44.8	41.8	26.9	31.6	33.7	31.7	44.8	45.6
Return on capital (%)	4.4	3.7	1.6	4.1	5.6	4.4	8.8	8.2
Return on total assets (%)	3.6	2.8	1.2	3.2	4.5	3.6	7.4	7.1
EBITDA/cash interest (x)	19.7	18.1	18.4	17.7	12.1	7.4	8.9	7.7
EBIT interest coverage (x)	7.6	8.9	3.3	6.4	6.8	3.8	6.1	5.2
Debt/debt and equity (%)	40.3	25.7	32.8	36.8	42.6	49.4	52.5	54.7
Debt fixed-charge coverage (x)	17.3	22.7	14.1	14.8	12.1	7.4	8.9	7.7
Debt/debt and undepreciated equity (%)	40.3	25.7	32.8	36.8	42.6	49.4	52.5	54.7

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

Liquidity

We continue to assess Enexis' liquidity as adequate, based on our expectation that the company's sources will exceed its uses by more than 1.1x over the 12 months started Sept. 30, 2025, despite increasing capex needs and debt maturities. Our assessment captures qualitative factors such as Enexis' prudent risk management, reflected in its hedging strategy, and its diverse sources of funding. We also believe Enexis is highly regarded in credit markets. For instance, in first-half 2025, the company issued a dual-tranche €1 billion green bond with eight- and twelve-year maturities and interest of 3.25% and 3.625%, respectively.

Principal liquidity sources	Principal liquidity uses
- Unrestricted cash and short-term marketable securities of €290 million; - Access to an undrawn committed revolving credit facilities of about €1.9 billion; and	€500 million bond maturing in April 2026; - Capex of about €2 billion; and - Dividend distributions of about €100 million.

- Projected cash FFO of about €750 million.

Environmental, Social, And Governance

ESG factors have an overall neutral influence on our credit rating analysis of Enexis. The company is one of the most relevant stakeholders for the Dutch government to deliver on its energy transition objectives. Its pivotal role entails collaborating with Dutch local governments, industries, and communities to integrate new renewable capacity into its grid while managing congestion. We believe this will stimulate Enexis' electricity grid deployment by expanding its regulatory asset base over the next decade. In our opinion, the critical role of its electricity infrastructure more than compensates for the more uncertain long-term prospects of its gas grid, as the country strives to phase out gas by 2050 and embrace renewable alternatives.

Given the sharp rise in power and gas prices, political scrutiny on affordability remains high in Europe. Although we consider there could be negative government intervention in the sector, we believe any potential negative impact is amply covered by a supportive regulatory framework.

Issue Ratings--Subordination Risk Analysis

Capital structure

As of June 30, 2025, Enexis reported total interest-bearing liabilities of €4.5 billion, of which €4 billion corresponded to euro medium-term notes and €500 million to a convertible shareholder loan.

Analytical conclusions

We rate Enexis' debt 'A+', the same level as the issuer credit rating, reflecting our view that subsidiary debt does not represent a subordination risk that could result in credit disadvantages to bondholders.

Rating Component Scores

Rating Component Scores

Component	
Foreign currency issuer credit rating	A+/Negative/A-1
Local currency issuer credit rating	A+/Negative/A-1
Business risk	Excellent
Country risk	Very low risk
Industry risk	Very low risk
Competitive position	Strong
Financial risk	Intermediate
Cash flow/leverage	Intermediate (low volatility table)
Anchor	a
Modifiers	
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	a
Likelihood of government support	Moderate (+1 notch)

Related Criteria

- [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
- [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: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013

- [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

Related Research

- [Enexis Holding N.V.](#), Feb. 5, 2025

Ratings List

Ratings List		
Downgraded; Outlook Action		
	To	From
Enexis Holding N.V.		
Issuer Credit Rating	A+/Negative/A-1	AA-/Stable/A-1+
Enexis Netbeheer B.V.		
Issuer Credit Rating	A+/Negative/--	AA-/Stable/--
Downgraded		
	To	From
Enexis Holding N.V.		
Senior Unsecured	A+	AA-

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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