S&P Global Ratings

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Research Update:

Germany-Based Energy Company Uniper Affirmed At 'BBB-' On Reduced Cash Flow Volatility; Outlook Stable

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Rating Action Overview

- Uniper SE's efforts to reduce earnings volatility, as well as its limited debt and modest capital expenditure (capex), will lead to funds from operations (FFO) to debt consistently above 45% and modestly negative free operating cash flow (FOCF).
- We expect the German government to begin reducing its 99% stake in Uniper over the next 12 to 18 months, as part of a plan to reduce it to 25% plus one share before the end of 2028.
- Although we lack visibility on the exact timing of the reduction, we think this weakens the link between the German government and Uniper, leading us to reassess our view of the likelihood that the government will provide extraordinary support to Uniper to moderately high, from high.
- We have revised our assessment of Uniper's stand-alone credit profile (SACP) to 'bb+' from 'bb' and affirmed our 'BBB-' issuer credit rating, including a one-notch uplift to the SACP due to the moderately high likelihood of the company receiving potential government support.
- The stable outlook reflects our expectation that Uniper will continue its efforts to improve risk management policies and will reduce the share of EBITDA from merchant activities, which together should allow Uniper's FFO to debt to stay above 45% - our expectation for the 'BBB-' rating. It also points to our expectation of the company retaining an important role for the German government beyond 2028, despite a progressive reduction in the government's shareholding.

Rating Action Rationale

S&P Global Ratings expects Uniper's credit metrics to be less volatile due to more stable earnings and ongoing efforts to improve risk management. We expect earnings volatility to be more contained going forward, as Uniper increases the share of long-term purchase power agreements (PPAs), hedged power generation, and capacity payments of 1-5 years in its EBITDA.

Over the next two years, on average, we expect 40% of Uniper's EBITDA to stem from capacity payments, hedged, or business-to-business PPAs from its flexible generation portfolio, which includes combined cycle gas turbines (CCGTs) and coal-fired power plants, and 15%-20% to come from hedged or PPA-contracted power generation from nuclear and low-cost hydro generation. In addition, management has taken steps to mitigate market, credit, and liquidity risks, which are inherent to its trading activities. For example, in 2024, it introduced more flexibility into trading contracts by reducing exposure to margin collateral postings by 35% in the event of a rating downgrade, and by extending the timing of margin calls. This added to the group's rebalancing of its trading position in 2024, when it became a net buyer of about 200 terawatt-hours (TWh) of gas, while remaining a net seller of 50.1 TWh of electricity on margin channels, which we expect will result in margin offsets when power and gas prices fluctuate. We believe the rating could absorb a drop in earnings of 25%, considering Uniper's €6 billion cash balance as of March 31, 2025, as well as its contained leverage, €800 million-€1 billion of proceeds from asset sales, and manageable investments of about €1 billion-€1.5 billion annually, which we expect will lead to neutral to moderately negative FOCF over the next two years.

Despite our reassessment of Uniper's financial risk profile, we anticipate that Uniper's earnings will remain exposed to volatility, notably from its merchant activities. We expect the company's gas supply business to operate at a loss in 2025, due to inventory effects of gas purchased at higher prices that is now being released. We do not think Uniper will hedge all of its hydro or nuclear generation, which will leave a portion entirely exposed to power prices and the quantity of energy produced, and we expect that the closure of long-term contracts for power generation will be more challenging under a declining power price curve. Also, we expect load factors for Uniper's coal-fired power plants will markedly decline before being shut down by 2029, according to the company's strategic plan.

Uniper's financial policy of maintaining FFO to debt of at least 45% contributed to our revision of the financial risk profile. In our calculation, FFO to debt is adjusted for the effect of margin calls, which we expect to decline. Our adjusted FFO to debt ratio excludes margining liabilities to reduce the effect of posted collateral on net debt. With this adjustment, we try to avoid a situation in which ratios are understated due to the effect of cash outflows incurred when Uniper posts collateral, while remaining neutral to the effect of cash collateral Uniper receives from its trading partners, as cash collateral received creates a margining liability which increases accounting debt.

We believe the German government's stake in Uniper will decline over the next 12 to 18 months. This led us to reassess the likelihood of extraordinary government support to moderately high from high. The support package, agreed in 2022 and approved by the European Commission, states that the government must reduce its ownership in Uniper to 25% plus one share by the end of 2028. We expect the reprivatization process to begin as soon as the restrictions under German Energy Security Law (Energiesicherungsgesetz), which constrain Uniper from distributing dividends as long as it continues to receive state aid, are lifted. We expect the government's influence on Uniper's supervisory and management boards to progressively diminish as new shareholders enter the company. The evolving government influence could lead us to further revise down our assessment of the likelihood of extraordinary government support. As such, our rating continues to capture the transition in Uniper's link to the government that could lead us to further lower our assessment of the likelihood of extraordinary government support. We reflect this by using a negative transition notch on our likelihood of support assessment, according to our government-related entities methodology, which translates into one notch of support from the SACP, instead of two.

By contrast, we expect the government to retain a long-term strategic stake in Uniper, even beyond 2028, given the company's important role, particularly in relation to Germany's energy transition. Uniper has 7.2 billion cubic meters of gas storage capacity, which accounts for one third of Germany's total capacity. It is also a major supplier of fossil natural gas, a provider of liquified natural gas regasification capacity, and is increasingly important to Germany's incipient hydrogen sector. Uniper also holds one of the largest installed power generation fleets in Germany, with 8.9 gigawatts (GW).

We view improvements in Uniper's business risk profile as dependent on external capital. These improvements hinge on the company demonstrating that it can expand profitably from new investments and remain relevant as coal is phased out and gas demand progressively declines. Uniper's investment capabilities are partly constrained by the conditions in the support package, which prevent the German government from providing equity exceeding Uniper's capital position before 2022. The support package, approved by the European Commission in 2022, also restricts Uniper from expanding inorganically and requires it to dispose of certain assets, such as the Datteln 4 coal fired power plant, or Gönyu CCGT power plant in Hungary, which was sold in 2024. Peers such as RWE AG, which has 44 GW of installed power generation capacity, and EnBW Energie Baden-Württemberg AG, which has 12 GW of installed capacity, plan to make investments of €5 billion-€6 billion annually under their current strategic plans, partly to shift toward greener assets. Although these companies have a different business mix and larger earnings bases, Uniper's annual capex of €1 billion-€1.5 billion is modest in comparison, considering its 22 GW power generation capacity (of which over 14 GW are coal and gas-fired power plants). We believe the pace at which Uniper can shift its business to greener assets will depend on it finding new shareholders as well as the degree of their supportiveness. We will monitor changes to Uniper's strategic plan as new shareholders enter the company.

Outlook

The stable outlook reflects our expectation that Uniper will operate profitably over the next 24 months while gradually increasing the share of its EBITDA from PPAs and capacity payments to about 50%. It also reflects our expectation that management will execute Uniper's strategic plan while adhering to tight risk management and financial discipline to maintain FFO to debt of above 45%, commensurate with Uniper's 'bb+' SACP.

We also consider that Uniper will retain its strategic importance for the German government beyond 2028, despite our opinion that the link between Uniper and the German government will progressively weaken as the government reduces its stake to 25% plus one share by 2028.

Downside scenario

We currently believe that Uniper's 'bb+' SACP is sufficient to sustain a 'BBB-' issuer rating, despite our view that the support from the German government could diminish. However, we expect the rating will be less resilient to an abrupt deterioration of Uniper's SACP.

We could downgrade Uniper if the company were to post FFO to debt below 45% without any prospect of recovery. Extreme volatility leading to an abrupt increase in liquidity needs in

Uniper's trading activities would put immediate pressure on the rating, since it would mean that solutions introduced by management to mitigate such risks were insufficient.

Upside scenario

We currently see no likelihood of an upgrade of Uniper over the next 24 months because of the reduced likelihood of government support, and we see further improvements in Uniper’s SACP as unlikely under the current strategic plan due to limited options for an accelerated business transformation. We believe an acceleration of Uniper’s business transformation will depend largely on additional capital, which would only be possible after the restrictions under the existing support package are lifted.

Company Description

Uniper is an international, diversified energy company that operates in more than 40 countries. Its operations include power generation in Europe, energy trading, and a broad gas portfolio, including long-term gas procurement, sale, and storage. Its core markets are Germany, the U.K., Sweden, and the Netherlands. As of year-end 2024, the company owned and operated a well-diversified power generation portfolio in Europe totaling about 19.5 GW, including facilities running on fossil fuels such as gas (11.2 GW) and coal (3.3 GW), as well as hydroelectric (3.6 GW), and nuclear in Sweden (1.4 GW).

On Dec. 20, 2022, the European Commission approved a support package that allowed the German government to take over 99% of Uniper's share capital, after injecting equity into the company and purchasing all of Fortum's shares. The approved package requires Uniper to divest its Russian operations by 2026 (about 9 GW of power generation capacity at Unipro, currently under Russian state administration), as well as its European gas pipeline infrastructure, several thermal power plants, and its North American power business, among other assets. We believe this will reduce Uniper’s scale of operations initially, but that the proceeds will ultimately be reinvested in the business.

Our Base-Case Scenario

Assumptions

- German hydro generation hedges: 85% of output at about €126 per megawatt-hour (MWh) for 2025 and 35% at €92 per MWh for 2026, based on Uniper’s first quarter 2025 report; we assume unhedged generation sold at about €90 per MWh in 2025 and €85 per MWh in 2026.
- Swedish hydro and nuclear generation hedges: 75% at about €38 per MWh for 2025 and 50% at €37 per MWh for 2026, based on Uniper’s first quarter 2025 report; we assume unhedged generation sold at €20 per MWh in 2025 and €22 per MWh in 2026.
- Non-merchant EBITDA trending toward 50% of total EBITDA on average over our forecast period. Merchant activities will represent about 40% of EBITDA in 2025, driven by the lower profitability of the gas business due to inventory effects.
- A cash outflow to fulfill Germany’s public claim from the equity claw back enforced under the support package of about €2.6 billion in March 2025. This cash outflow means we no longer account for the corresponding provision as debt from 2025.

- Declining load factors for Uniper's coal generation operations, coupled with the divestment of Datteln 4 (which benefits from long-term contracts) before the end of 2026, and a decline in EBITDA from coal assets following the retirement of 2.9 GW of coal-fired power assets in 2024, with EBITDA reducing to almost zero from 2026.
- Higher load factors for Uniper's CCGT plants as coal-fired generation capacity is retired in Germany, and an increase in the share of renewables in the country's energy mix. Uniper benefits from capacity payments in the U.K. and contracted revenue in Germany.
- Limited net margin collateral posted since gas and power positions roughly even out.
- About €800 million of proceeds from asset sales, spread over 2025-2027.
- Capex of €1.1 billion in 2025, €1.5 billion in 2026, and €1.5 billion in 2027, of which we expect investments in green energy (primarily renewable generation) to account for more than 50% of investments, while flexible generation accounts for 30%, and greener gases for the rest, such as a power-to-methanol project.
- Cost efficiencies supporting profitability through 2027.
- No dividend distributions.
- No additional reimbursements to the German government.
- Continuous access to KfW liquidity lines.
- No equity injections from new partners.

Key metrics

Uniper SE--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
(Mil. EUR)	2021a	2022a	2023a	2024a	2025e	2026f	2027f
EBITDA (reported)	(4,165)	(10,837)	9,070	2,754	1,000-1,100	1,100-1,200	1,000-1,100
Plus: Operating lease adjustment (OLA) rent	--	--	--	--	--	--	--
Plus/(less): Other	6,662	(292)	(2,996)	(514)	(0-100)	(0-100)	(0-100)
EBITDA	2,497	(11,129)	6,074	2,240	1,000-1,100	1,050-1,150	950-1,050
Less: Cash interest paid	(82)	(403)	(451)	(178)	(90-110)	(80-100)	(80-100)
Less: Cash taxes paid	(215)	(345)	(362)	(679)	(80-100)	(45-65)	(125-145)
Plus/(less): Other	--	--	--	--	--	--	--
Funds from operations (FFO)	2,200	(11,877)	5,261	1,383	800-900	900-1,000	700-800
EBIT	1,957	(11,562)	5,758	1,189	500-600	530-630	360-460
Interest expense	143	487	549	639	160-180	150-170	140-160
Cash flow from operations (CFO)	3,608	(15,646)	6,524	1,653	150-250	1,100-1,200	850-950

Uniper SE--Forecast summary

Capital expenditure (capex)	695	514	538	669	1,050-1,150	1,400-1,500	1,500-1,600
Free operating cash flow (FOCF)	2,913	(16,160)	5,986	984	(900-1000)	(300-400)	(600-700)
Dividends	539	26	--	--	--	--	--
Share repurchases (reported)	7	6	13	13	--	--	--
Discretionary cash flow (DCF)	2,367	(16,192)	5,973	971	(900-1,000)	(300-400)	(600-700)
Debt (reported)	8,230	10,885	922	1,038	800-900	750-850	700-800
Plus: Lease liabilities debt	745	690	924	860	750-850	700-800	650-750
Plus: Pension and other postretirement debt	762	168	280	25	10-30	10-30	10-30
Less: Accessible cash and liquid Investments	(3,077)	(4,729)	(4,362)	(6,846)	(3,500-3,600)	(3,200-3,300)	(2,500-2,600)
Plus/(less): Other	(345)	(915)	3,226	3,757	1,400-1,500	1,300-1,400	1,200-1,300
Debt	6,315	6,099	990	--	--	--	100-200
Equity	6,788	4,423	10,436	10,544	10,850-10,950	11,300-11,400	11,550-11,650
FOCF (adjusted for lease capex)	2,801	(16,264)	5,964	939	(950-1,050)	(400-500)	(700-800)
Interest expense (reported)	123	479	462	564	80-100	70-90	70-90
Capex (reported)	708	523	563	681	950-1,050	1,400-1,500	1,500-1,600
Cash and short-term investments (reported)	2,966	4,634	4,257	6,731	3,400-3,500	3,050-3,150	2,400-2,500
Adjusted ratios							
Debt/EBITDA (x)	2.5	(0.5)	0.2	--	--	--	0.1-0.3
FFO/debt (%)	34.8	(194.7)	531.4	NM	NM	NM	400-500
FFO cash interest coverage (x)	27.8	(28.5)	12.7	8.8	9.5-9.8	11.2-11.5	9.6-9.9
EBITDA interest coverage (x)	17.5	(22.9)	11.1	3.5	6.3-6.6	6.9-7.2	6.3-6.6
CFO/debt (%)	57.1	(256.5)	659.0	NM	NM	NM	532-535
FOCF/debt (%)	46.1	(265.0)	604.6	NM	NM	NM	(384-387)
DCF/debt (%)	37.5	(265.5)	603.3	NM	NM	NM	(384-387)
Lease capex-adjusted FOCF/debt (%)	44.4	(266.7)	602.4	--	--	--	(445-448)
EBITDA margin (%)	1.5	(4.1)	5.6	3.2	3.3-3.6	3.2-3.5	3.1-3.4

Uniper SE--Forecast summary

Return on capital (%)	14.6	(97.9)	52.5	10.8	4.8-5.1	5.0-5.3	3.4-3.7
Return on total assets (%)	2.3	(9.3)	6.5	2.5	1.2-1.5	1.3-1.6	0.9-1.2
EBITDA/cash interest (x)	30.4	(27.6)	13.5	12.6	10.3-10.6	11.7-12.0	11.1-11.4
EBIT interest coverage (x)	13.7	(23.7)	10.5	1.9	3.0-3.3	3.5-3.8	2.5-2.8
Debt/debt and equity (%)	48.2	58.0	8.7	--	--	--	1.2-1.5
Debt fixed-charge coverage (x)	17.5	(22.9)	11.1	3.5	2.9-3.2	4.8-5.1	5.1-5.4
Debt/debt and undepreciated equity (%)	48.2	58.0	8.7	--	--	--	1.2-1.5
All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. EUR--euro.							

Liquidity

We view Uniper's liquidity as adequate despite the company's very robust cash position and liquidity lines exceeding projected uses by more than 2.0x, mostly because Uniper still relies on state-funded liquidity lines. We also view liquidity as adequate because trading activities are subject to contingent collateral margin calls, including in the event of a downgrade, although we recognize that margin calls have significantly declined since 2022. We also believe that Uniper has yet to regain a satisfactory status in capital markets and we expect it to continue diversifying its funding sources, thereby reducing its reliance on KfW liquidity lines. We note that Uniper hasn't drawn any resources from the KfW line since 2023.

Principal liquidity sources

- €6 billion of cash and liquid investments as of March 31, 2025;
- €8 billion in available credit lines with maturity beyond the next 12 months, including KfW financing and a €3 billion syndicated loan; and
- Forecast cash FFO of about €850 million.

Principal liquidity uses

- Debt maturities of €408 million over next 12 months;
- Exposure of trading activities to sudden margin collateral needs; and
- Capex of about €1.2 billion.

Covenants

Uniper’s trading activities are subject to contingent collateral margin calls in the event of a downgrade. These declined by 35% in 2024 from 2023.

Environmental, Social, And Governance

Governance factors are a neutral consideration in our credit rating analysis of Uniper. We believe that management’s updated risk policies have reduced the risk of sudden liquidity needs, and that a diversified gas procurement strategy coupled with shorter contract tenors protects the company against long-term volume and price risks.

Environmental factors remain a moderately negative consideration in our analysis. We believe the company will have to transform its business to ensure its long-term competitiveness, since it currently relies heavily on gas supply and thermal power generation (coal and gas). Germany intends to phase out gas consumption by 2045 and retire all coal power generation by 2038 at the latest. Uniper's power generation portfolio is very carbon intensive, with 272 grams of carbon dioxide (CO_2) per kilowatt-hour (kWh) generated in 2024, above the European average of about 200 grams of CO_2 per kWh and the European industry leaders’ average of less than 100 grams of CO_2 per kWh. As of 2024, about 50% of Uniper's power generation was from coal and gas power plants.

Uniper plans to decarbonize its asset mix, for instance by participating in tenders for hydrogen-ready gas-fired power plants (open cycle gas turbines or CCGTs) once there is a scheme to replace the former German government’s strategy for hydrogen-ready power plants. It also plans to participate in tenders for CCGT plants with carbon capture and storage in the U.K. and to deploy renewable generation of between 1.5 GW and 2 GW by 2030. However, we believe Uniper's strategy carries execution risks and largely depends on the development of public policies that remunerate back-up capacity to guarantee security of supply. More importantly, we believe that Uniper will depend on external capital to accelerate the pace of its business transformation, and we expect this will be conditional on the government successfully selling stakes in Uniper to supportive shareholders, one of the key factors we will monitor over the next 18-24 months.

Rating Component Scores

Rating Component Scores

Component	
Foreign currency issuer credit rating	BBB-/STABLE/--
Local currency issuer credit rating	BBB-/STABLE/--
Business risk:	4 - Fair
Country risk	1 - Very low risk
Industry risk	4 - Moderately high risk
Competitive position	4 - Fair
Financial risk:	3 - Intermediate
Cash flow/leverage	3 - Intermediate
Anchor	bb+
Modifiers:	
Diversification/portfolio effect	3 - Neutral/undiversified
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile:	bb+
Likelihood of government support	Moderately high (+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: 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

Related Research

- EMEA Utilities Issuers Ranked Strongest To Weakest, Jan. 22, 2025
- S&P Global Ratings Revises Oil And Gas Price Assumptions On Uncertain Geopolitics And Market Fundamentals, March 6, 2025
- For A Resilient Global Infrastructure Sector, The Immediate Impact From Tariffs Will Be Limited, May 14, 2025
- German Electricity And Gas Preliminary Regulatory Advantage Assessment: Strong, May 19, 2025
- Uniper SE 'BBB-' Rating Affirmed As Stronger SACP Offsets Declining Need For German Government Support; Outlook Stable, March 8, 2024
- Tear Sheet: Uniper SE, Jan. 13, 2025

Ratings List

Ratings list	
Ratings Affirmed	
Uniper SE	
Issuer Credit Rating	BBB-/Stable/--