

Engie (ENGIE.PA)

A restructuring story with attractive valuation & high income

Buy

ENGIE.PA 12m Price Target: **€23.40** Price: **€17.24** Upside: **35.8%**

Market Update points to sizable EPS upgrades ahead. Engie provided a Market Update on February 27, unveiling a new growth capex plan of €21-24bn for the period 2025-27 with 75% dedicated to Renewables, Batteries and Power Networks. For 2025, net income guidance was revised to €4.4-5.0bn from €3.9-4.5bn; for 2026, it was raised to €4.2-4.8bn from €3.7-4.3bn; and for 2027, new net income guidance was set at €4.4-5.0bn. On net income, our new estimates are 11%, 10% and 15% ahead of Reuters consensus for 2025, 2026 and 2027, respectively.

A plan that creates a higher-quality business. Over the period 2021-27, the exposure of Engie's portfolio to commodities is changing. Nuclear closures and new hydro concession arrangements reduce exposure to commodity price movements. Thermal Generation profit margins and Energy Management profitability should both be on normalised levels by 2027. With strong investment spend and cost-cutting, this should result in a higher-quality business by the end of the plan. On our new estimates and post the upcoming 2024 dividend, Engie trades on a c.8.2x 2027 P/E (c.30% below the sector average of 12x on GSe) and comes with a c.9% dividend. Versus Iberdrola, Engie trades at a 40% discount on P/E by 2027. With similar growth beyond, we expect multiples to converge over time as Engie executes its plan.

Buy, €23.4 PT. We remain Buy rated with a new 12m price target of €23.4 (from €21.5) which is largely driven by higher estimates. We believe that, over the medium term, Engie's strategy will serve to focus investor attention towards the sum of the parts, unlocking the value embedded. Furthermore, we believe the repositioning towards Renewables, Batteries and Power Networks will focus the portfolio on areas where the energy transition to net-zero emissions drives sizable investment opportunity, growth and value.

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Key Data

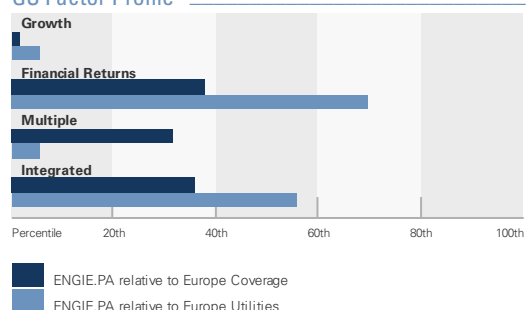
Market cap: €41.6bn / \$45.3bn
Enterprise value: €112.4bn / \$121.5bn
3m ADTV: €95.4mn / \$99.9mn
France
Europe Utilities
M&A Rank: 3
Leases incl. in net debt & EV?: Yes

GS Forecast

| | 12/24 | 12/25E | 12/26E | 12/27E |
|--------------------------|-----------------|-----------------|-----------------|-----------------|
| EBITDA (€ mn) New | 14,505.1 | 13,565.0 | 13,069.4 | 13,660.5 |
| EBITDA (€ mn) Old | 14,113.9 | 13,052.1 | 12,582.2 | 13,101.0 |
| EBIT (€ mn) | 10,426.0 | 9,414.0 | 9,255.5 | 9,587.0 |
| EPS (€) New | 2.28 | 1.95 | 1.84 | 1.94 |
| EPS (€) Old | 2.25 | 1.77 | 1.67 | 1.73 |
| EV/EBITDA (X) | 5.8 | 7.2 | 7.7 | 7.5 |
| P/E (X) | 6.7 | 8.8 | 9.4 | 8.9 |
| Dividend yield (%) | 9.7 | 7.6 | 7.7 | 8.1 |
| FCF yield (%) | (0.5) | (8.0) | 1.0 | 1.2 |

| | 12/24 | 3/25E | 6/25E | 9/25E |
|---------|-------|-------|-------|-------|
| EPS (€) | 0.48 | 0.78 | 0.43 | 0.33 |

GS Factor Profile



Source: Company data, Goldman Sachs Research estimates.
See disclosures for details.

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Buy

Engie (ENGIE.PA)

Rating since Jun 13, 2019

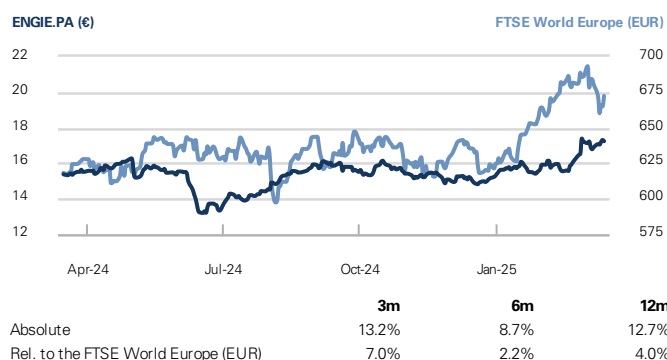
Ratios & Valuation

| | 12/24 | 12/25E | 12/26E | 12/27E |
|-------------------------|-------|--------|--------|--------|
| EV/EBITDAR (X) | 5.8 | 7.2 | 7.7 | 7.5 |
| EV/EBIT (X) | 8.9 | 11.8 | 12.6 | 12.4 |
| P/E (X) | 6.7 | 8.8 | 9.4 | 8.9 |
| Dividend yield (%) | 9.7 | 7.6 | 7.7 | 8.1 |
| FCF yield (%) | (0.5) | (8.0) | 1.0 | 1.2 |
| CROCI (%) | 7.2 | 6.4 | 6.0 | 6.0 |
| ROE (%) | 14.6 | 11.6 | 10.6 | 10.8 |
| ROIC (%) | 9.7 | 8.0 | 7.3 | 7.3 |
| Net debt/EBITDA (X) | 2.3 | 3.1 | 3.3 | 3.3 |
| EBIT interest cover (X) | 4.9 | 3.7 | 3.2 | 3.3 |
| Capex/D&A (%) | 250.4 | 306.8 | 215.3 | 211.2 |

Growth & Margins (%)

| | 12/24 | 12/25E | 12/26E | 12/27E |
|----------------------|--------|--------|--------|--------|
| Total revenue growth | (10.6) | (6.5) | (3.7) | 4.5 |
| EBITDA growth | 4.1 | (6.5) | (3.7) | 4.5 |
| EBIT growth | 4.1 | (11.5) | (3.6) | 3.4 |
| Net inc. growth | 4.6 | (13.2) | (6.1) | 5.5 |
| EPS growth | 4.4 | (14.3) | (6.0) | 5.5 |
| DPS growth | 3.5 | (11.8) | 1.0 | 5.3 |

Price Performance



Source: FactSet. Price as of 14 Mar 2025 close.

Income Statement (€ mn)

| | 12/24 | 12/25E | 12/26E | 12/27E |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Total revenue | 73,812.0 | 69,028.1 | 66,506.1 | 69,514.1 |
| Total operating expenses | (59,306.9) | (55,463.1) | (53,436.7) | (55,853.6) |
| R&D | 0.0 | 0.0 | 0.0 | 0.0 |
| Other operating inc./exp.) | — | — | — | — |
| EBITDA | 14,505.1 | 13,565.0 | 13,069.4 | 13,660.5 |
| Depreciation & amortisation | (5,141.0) | (5,281.2) | (5,087.6) | (5,407.0) |
| EBIT | 9,364.1 | 8,283.7 | 7,981.8 | 8,253.5 |
| Net interest inc./exp.) | (1,908.4) | (2,267.4) | (2,491.2) | (2,504.2) |
| Income/(loss) from associates | 1,061.9 | 1,130.2 | 1,273.7 | 1,333.5 |
| Profit/(loss) on disposals | — | — | — | — |
| Total other net | (89.4) | (134.9) | (117.0) | (117.0) |
| Pre-tax profit | 8,428.1 | 7,011.7 | 6,647.3 | 6,965.8 |
| Provision for taxes | (2,034.4) | (1,443.5) | (1,319.9) | (1,380.7) |
| Minority interest | (866.7) | (827.5) | (865.2) | (873.3) |
| Preferred dividends | — | — | — | — |
| Net inc. (pre-exceptionals) | 5,527.0 | 4,740.7 | 4,462.1 | 4,711.8 |
| Post-tax exceptionals | 89.4 | 134.9 | 117.0 | 117.0 |
| Net inc. (post-exceptionals) | 5,616.4 | 4,875.7 | 4,579.2 | 4,828.8 |
| EPS (basic, pre-except) (€) | 2.28 | 1.95 | 1.84 | 1.94 |
| Wtd avg shares out. (basic) (mn) | 2,425.0 | 2,428.0 | 2,431.0 | 2,434.0 |
| Tax rate (%) | 24.1 | 20.6 | 19.9 | 19.8 |
| DPS (€) | 1.48 | 1.31 | 1.32 | 1.39 |
| Div. payout ratio (%) | 64.9 | 66.9 | 71.8 | 71.7 |

Balance Sheet (€ mn)

| | 12/24 | 12/25E | 12/26E | 12/27E |
|---------------------------------------|------------------|------------------|------------------|------------------|
| Cash & cash equivalents | 16,928.0 | 12,000.0 | 12,000.0 | 12,000.0 |
| Accounts receivable | 16,173.0 | 16,173.0 | 16,173.0 | 16,173.0 |
| Inventory | 5,061.0 | 5,061.0 | 5,061.0 | 5,061.0 |
| Other current assets | 41,196.5 | 41,196.5 | 41,196.5 | 41,196.5 |
| Total current assets | 79,358.5 | 74,430.5 | 74,430.5 | 74,430.5 |
| Net PP&E | 64,388.0 | 75,312.1 | 79,176.1 | 83,189.9 |
| Net intangibles | 21,255.0 | 21,255.0 | 21,255.0 | 21,255.0 |
| Total investments | 15,062.0 | 15,062.0 | 15,062.0 | 15,062.0 |
| Other long-term assets | 9,479.5 | 9,479.5 | 9,479.5 | 9,479.5 |
| Total assets | 189,543.0 | 195,539.1 | 199,403.1 | 203,416.9 |
| Accounts payable | 19,153.0 | 19,153.0 | 19,153.0 | 19,153.0 |
| Short-term debt | 9,127.0 | 9,127.0 | 9,127.0 | 9,127.0 |
| Short-term lease liabilities | — | — | — | — |
| Other current liabilities | 44,604.0 | 44,604.0 | 44,604.0 | 44,604.0 |
| Total current liabilities | 72,884.0 | 72,884.0 | 72,884.0 | 72,884.0 |
| Long-term debt | 42,880.0 | 46,910.5 | 48,452.8 | 49,925.6 |
| Long-term lease liabilities | — | — | — | — |
| Other long-term liabilities | 32,322.0 | 33,178.6 | 34,124.7 | 35,075.9 |
| Total long-term liabilities | 75,202.0 | 80,089.1 | 82,577.5 | 85,001.5 |
| Total liabilities | 148,086.0 | 152,973.1 | 155,461.5 | 157,885.5 |
| Preferred shares | — | — | — | — |
| Total common equity | 34,556.0 | 34,958.5 | 35,468.9 | 36,185.3 |
| Minority interest | 6,901.0 | 7,607.5 | 8,472.7 | 9,346.0 |
| Total liabilities & equity | 189,543.0 | 195,539.1 | 199,403.1 | 203,416.9 |
| Capital employed | 93,464.0 | 98,603.5 | 101,521.4 | 104,583.9 |
| Adj for unfunded pensions & GW | — | — | — | — |

Cash Flow (€ mn)

| | 12/24 | 12/25E | 12/26E | 12/27E |
|----------------------------------|-------------------|-------------------|------------------|------------------|
| Net income | 5,527.0 | 4,740.7 | 4,462.1 | 4,711.8 |
| D&A add-back | 5,141.0 | 5,281.2 | 5,087.6 | 5,407.0 |
| Minority interest add-back | 866.7 | 827.5 | 865.2 | 873.3 |
| Net (inc)/dec working capital | (227.0) | 0.0 | 0.0 | — |
| Other operating cash flow | 1,317.2 | 991.5 | 1,063.1 | 1,068.3 |
| Cash flow from operations | 12,625.0 | 11,840.9 | 11,478.1 | 12,060.4 |
| Capital expenditures | (12,872.0) | (16,205.3) | (10,951.6) | (11,420.7) |
| Acquisitions | — | — | — | — |
| Divestitures | (3,374.0) | 0.0 | 2,000.0 | 2,000.0 |
| Others | 4,038.0 | (121.0) | — | — |
| Cash flow from investing | (12,208.0) | (16,326.3) | (8,951.6) | (9,420.7) |
| Post-capex cash flow yield (%) | (0.7) | (10.4) | 1.3 | 1.5 |
| Repayment of lease liabilities | — | — | — | — |
| Dividends paid (common & pref) | (4,147.0) | (4,473.1) | (4,068.8) | (4,112.4) |
| Other financing cash flows | 0.0 | 0.0 | 0.0 | 0.0 |
| Net cash flow | (4,394.0) | (8,837.5) | (3,542.3) | (3,472.8) |
| Net cash flow yield (%) | (11.9) | (21.1) | (8.5) | (8.3) |

Source: Company data, Goldman Sachs Research estimates.

A restructuring story with attractive valuation & high income

Engie provided a Market Update on February 27, unveiling a new growth capex plan of €21-24bn for the period 2025-27 with 75% dedicated to Renewables, Batteries and Power Networks. Updating our estimates, we are 11%, 10% and 15% ahead of Reuters consensus net income for 2025, 2026 and 2027, respectively. Over the period 2021-27, the exposure of Engie's portfolio to commodities is changing. Nuclear closures and new hydro concession arrangements reduce exposure to commodity price movements. Thermal Generation profit margins and Energy Management profitability should both be on normalised levels by 2027. With strong investment spend and cost-cutting, this should result in a higher-quality business by the end of the plan. On our new estimates and post the upcoming FY 2024 dividend, Engie trades on a c.8.2x 2027 P/E (c.30% below the sector average of 12x on GSe) and comes with a c.9% dividend. We reiterate our Buy rating on Engie, with a new 12-month price target of €23.4 (from €21.5) which is largely driven by higher estimates. We believe that, over the medium term, Engie's strategy will serve to focus investor attention towards the sum of the parts, unlocking the value embedded. Furthermore, we believe the repositioning towards Renewables, Batteries and Power Networks will focus the portfolio on areas where the energy transition to net-zero emissions drives sizable investment opportunity, growth and value.

2024 was another strong year

Engie reported its 2024 results on February 27, followed by a Market Update in the afternoon. 2024 Adj EBIT (ex-nuclear) came in at €8.9bn, with net income at €5.5bn. This is 3% ahead of Reuters consensus at the net income level. Net financial debt stood at €33.5bn, with the net economic debt to EBITDA standing at 3.1x (versus the 'up to 4.0x' long-term target). The proposed dividend for 2024 was announced at €1.48/share or 9% dividend yield.

Exhibit 1: Divisional breakdown of COI (€bn)

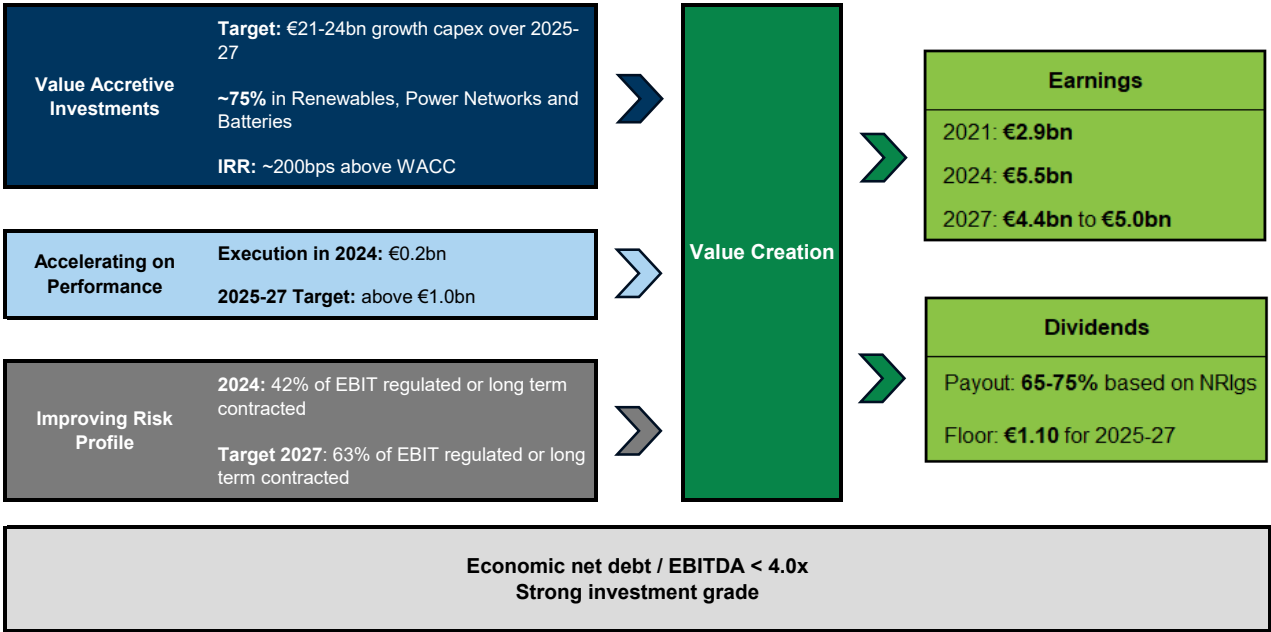
| | 2023 | 2024 |
|---------------------------------------|-------------|-------------|
| Renewables & Flex Power | 3.5 | 3.7 |
| <i>Renewables & BESS</i> | 2.3 | 2.4 |
| <i>Gas Generation</i> | 1.2 | 1.3 |
| Infrastructures | 2.8 | 3.0 |
| <i>Networks</i> | 2.2 | 2.4 |
| <i>Local Energy Infrastructures</i> | 0.5 | 0.5 |
| Supply & Energy Management | 4.1 | 3.1 |
| <i>B2C</i> | 0.6 | 0.7 |
| <i>B2B</i> | 1.6 | 1.1 |
| <i>Energy Management</i> | 2.0 | 1.3 |
| Other | -0.9 | -0.8 |
| COI (excluding nuclear) | 9.5 | 8.9 |
| Nuclear | 0.6 | 1.4 |
| COI (including nuclear) | 10.1 | 10.3 |

Source: Company data

... but the strategy update was the highlight of the day

Alongside the results, Engie updated its strategy giving new targets for the period 2025-27. The following exhibit summarizes the key elements of the update. We flag the increased dividend floor of €1.10/share versus €0.65/share previously leaves a minimum yield of 7%.

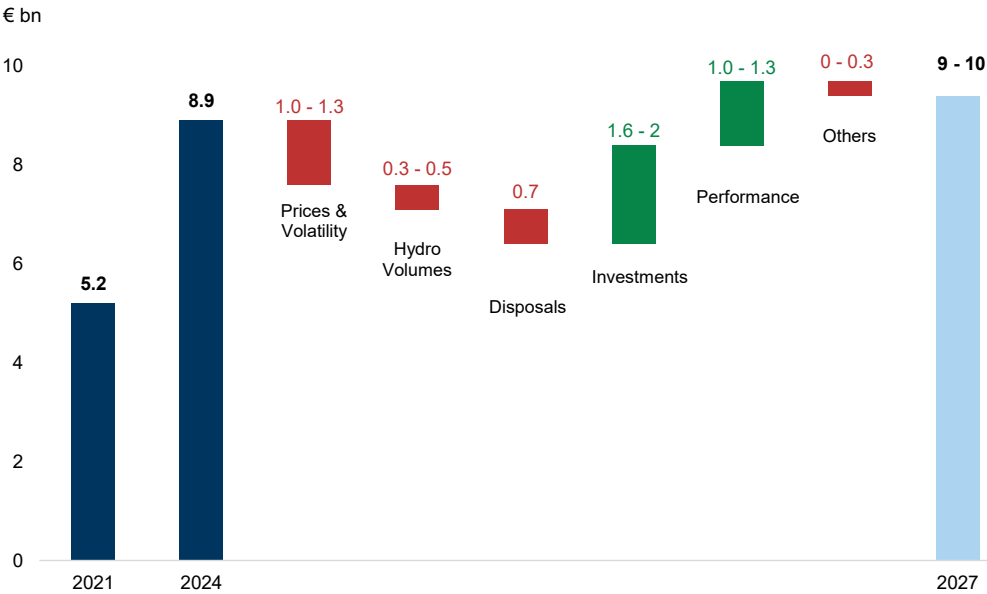
Exhibit 2: New strategy gives increased visibility on earnings & dividends
Value Creation Framework



Source: Company data

The following exhibit shows the EBIT bridge for the new guidance for 2027 to give a sense of the key drivers.

Exhibit 3: Growth driven by investment & cost cutting ...
EBIT (ex nuclear) bridge to 2027, € bn



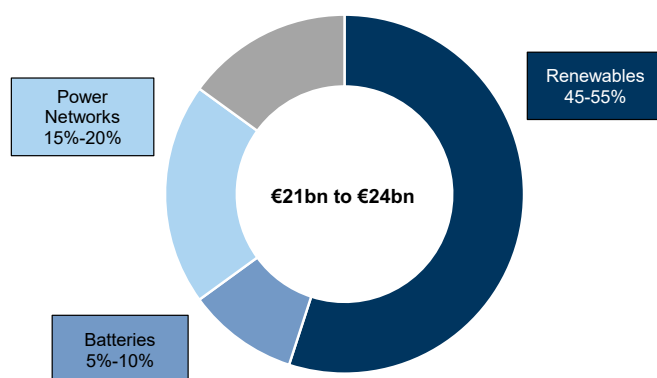
Source: Company data

A growth capex plan to reposition the portfolio

Engie unveiled a growth capex plan of €21-€24bn for the period 2025-27 with 75% dedicated to Renewables, Batteries and Power Networks. Per the plan, the 2025-27 EBIT contribution of new investments should exceed €1.5bn and earn an average return on capital employed in a range of 7%-9% by 2027. The company aims to keep the net economic debt to EBITDA ratio to less than or equal to 4.0x in the long term.

Exhibit 4: Growth capex continues to reposition the portfolio...

Growth capex plan of €21-24bn; 2025-27



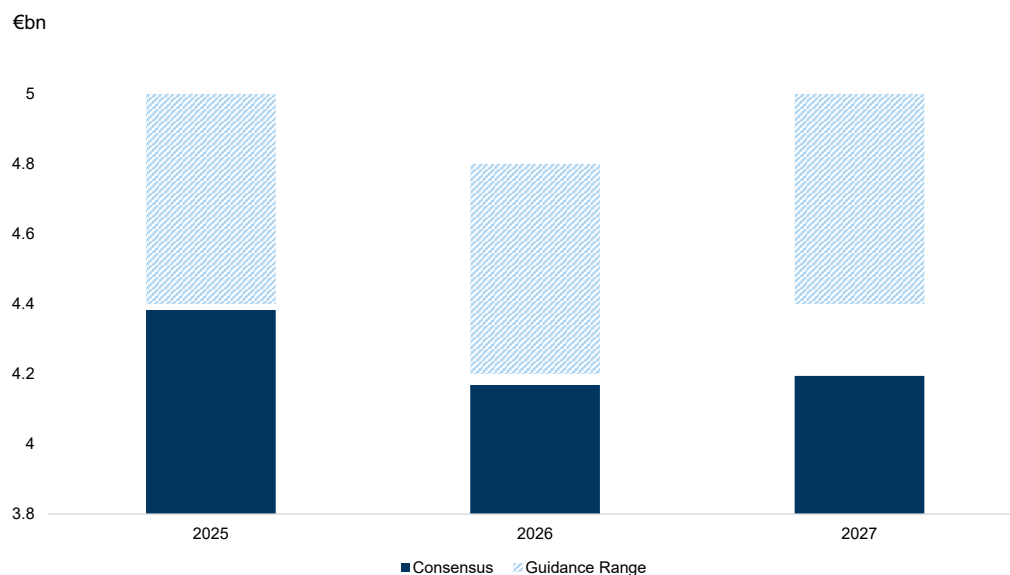
Source: Company data

2025-27 net income guidance implies consensus EPS upgrades

For 2025, Engie's guidance for EBIT (ex-nuclear) was increased to €8.0-9.0bn from €7.9-8.9bn. At the net income level, guidance for 2025 was revised to €4.4-5.0bn from €3.9-4.5bn; for 2026 it was raised to €4.2-4.8bn from €3.7-4.3bn for 2026; and for 2027 Engie gave new guidance at the net income level of €4.4-5.0bn. Post results, we revise our net income numbers by 11.5% on average over 2025-27.

Exhibit 5: New 2025-27 guidance significantly ahead of Reuters consensus

Net Income 2025-27, Consensus vs. Guidance Range

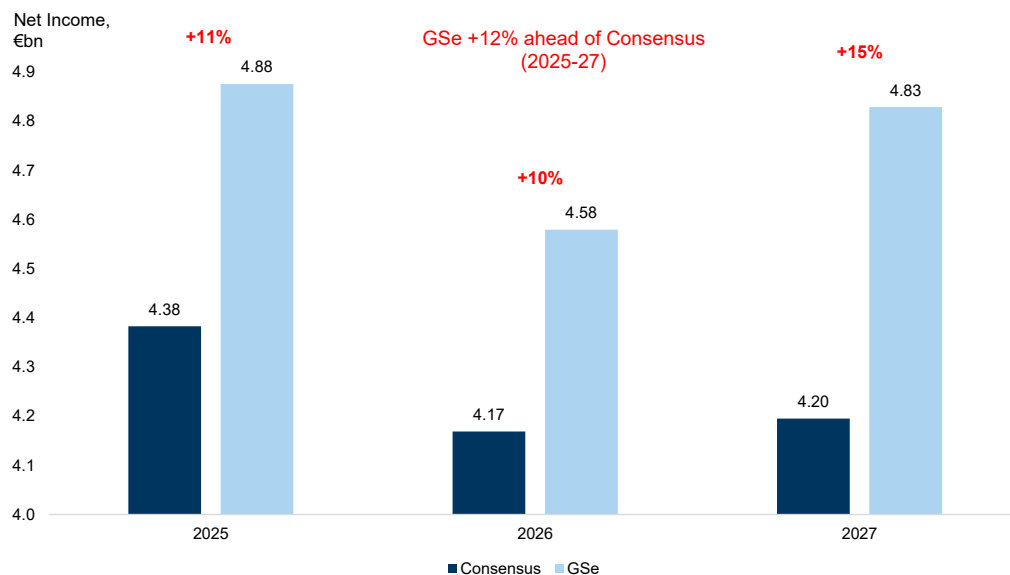


Source: LSEG Data & Analytics, Company data, Goldman Sachs Global Investment Research

Our new net income estimates are 11.2%, 9.8% and 15.1% ahead of Reuters consensus for FY 2025, FY 2026 and FY 2027, respectively.

Exhibit 6: Upgrades to Reuters consensus to come ...

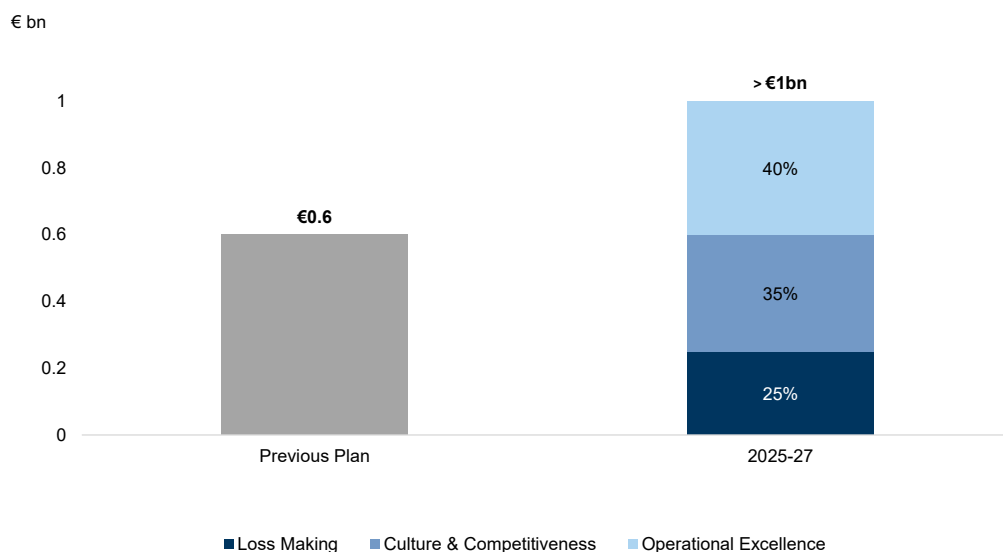
GSe vs Consensus net income; 2025-27



Source: Goldman Sachs Global Investment Research, LSEG Data & Analytics

Cost cutting a key component of growth

The company aims for a positive 2025-27 EBIT impact of more than €1bn from performance measures compared to €600m in the previous plan. The following chart gives the key assumptions assumed by Engie in its plan.

Exhibit 7: Driving growth through efficiency**Revised Performance Plan**

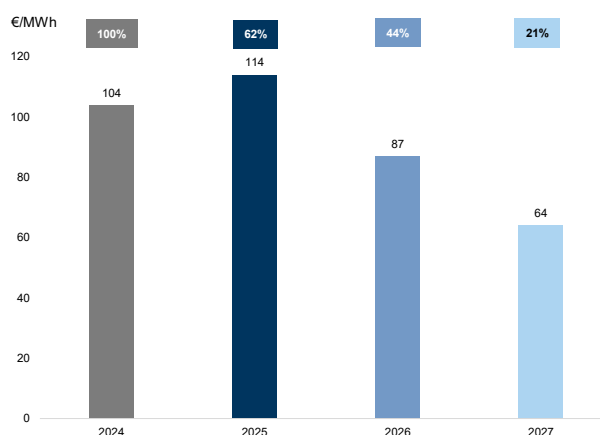
Source: Company data

Underlying assumptions are not overly optimistic

The following exhibit details the key assumptions behind the plan. FX assumptions are broadly in line with current spot FX prices. On the power prices assumptions, French power prices are c.€10/MWh lower currently than those assumed, though we note the company is less exposed to commodity movements given (1) hedging, (2) nuclear closures reducing fixed cost generation exposure, (3) hydro concessions and (4) inframarginal rent caps.

Exhibit 8: Key assumptions and hedging profile

| | |
|------------------------|--|
| Pricing Assumptions | <ul style="list-style-type: none"> Average forex: €/USD: 1.05 – 1.07 – 1.09 for 2025-26-27 €/BRL: 6.38 over 2025-27 Market commodity prices as of December 31, 2024 |
| Cost Assumptions | <ul style="list-style-type: none"> Full pass through of supply costs in French B2C retail tariffs Recurring net financial costs of €2.1-2.5bn per year Contingencies on Belgian operations - €0.15bn for 2025 |
| Nuclear Assumptions | <ul style="list-style-type: none"> Belgian nuclear availability: 81% for 2025 Nuclear phase-out: Doel 1, 2 and 4, Tihange 1 and 3 from Feb 2025 to Dec 2025, LTO start: Tihange3 on Sept 1st 2025 / Doel4 on Nov 1st 2025 |
| Regulatory Assumptions | <ul style="list-style-type: none"> Taking into account updated regulatory framework for 2024-2028 on French networks Recurring effective tax rate: 22-25% over 2025-27 Tax based on current legal texts and additional contingencies No major regulatory or macro-economic changes No change in accounting policies |

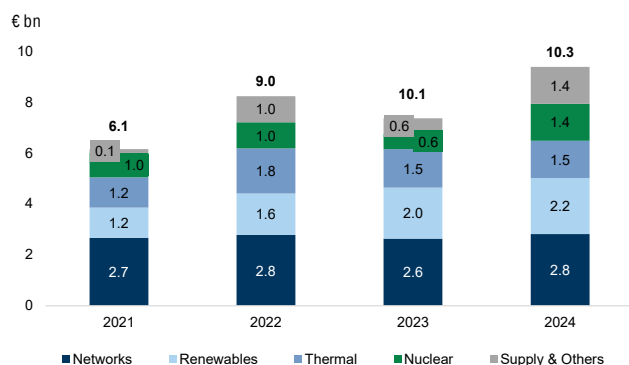


Source: Company data, Goldman Sachs Global Investment Research

Commodity exposure of Engie has sizably reduced

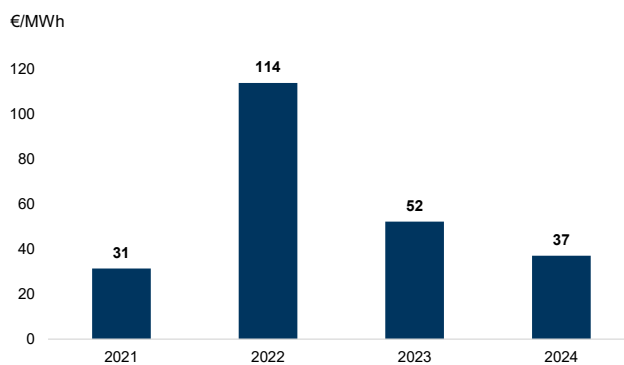
Since the start of 2021, rising commodity prices have been a sizable benefit for Engie. Over 2021-24, the company benefited from higher power prices in its fixed costs generation businesses (Nuclear & Hydro), higher profits in thermal due to tight supply demand and improved trading conditions in its Energy Management business. This drove a common opinion that the company is highly exposed to commodities relative to the sector.

Exhibit 9: 2021-2024 benefited from higher commodity prices ...
EBIT split 2021-24



Source: Company data, Goldman Sachs Global Investment Research

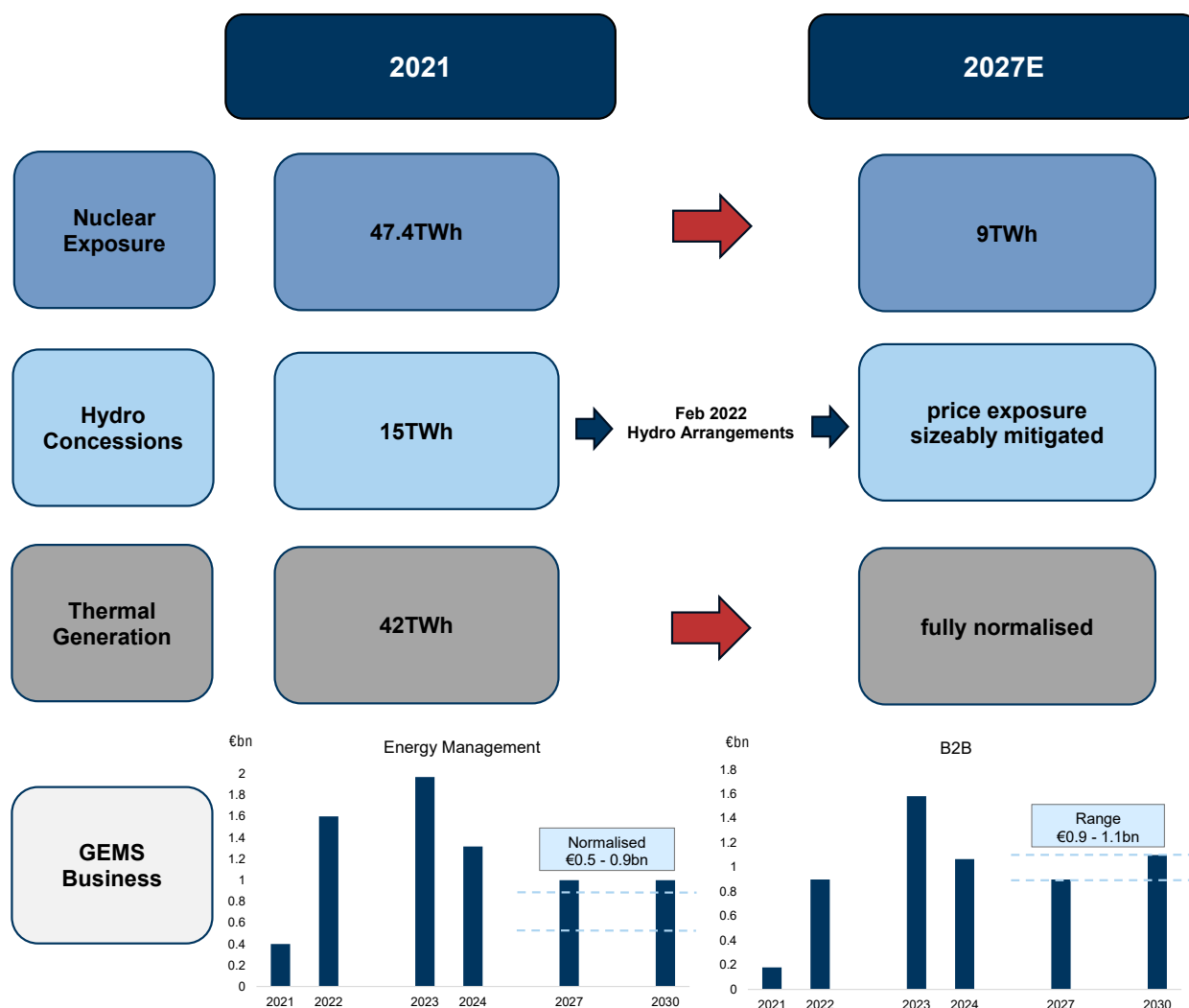
Exhibit 10: ... as gas prices saw a sizable rise
TTF Gas Price 1-yr Fwd; €/MWh



Source: Bloomberg

We would argue that over this period there have been changes that have reduced this exposure and this opinion is now less valid. Nuclear closures and new hydro concession arrangements reduce the company's exposure to commodity movements. Thermal Generation profit margins and Energy Management profitability should both be on more normalised conditions by 2027.

Exhibit 11: Engie's commodity exposure has significantly reduced ...
Infographic



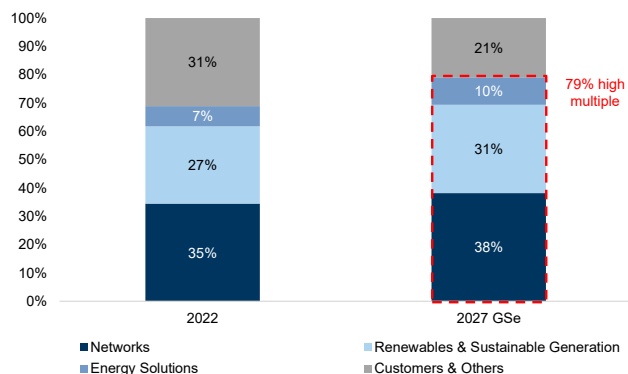
Source: Goldman Sachs Global Investment Research

Overall we see the investment improving Engie's risk profile, with EBIT being less exposed to energy prices in the future. In 2027, Engie plans to have 63% of its EBIT either regulated or contracted long term, compared to 42% in 2024. This should see Engie leaving its latest business plan with a much higher multiple business than when it enters it.

Taking this point one step further, we compare Engie to Iberdrola. We see the business profiles becoming more similar. Admittedly, Engie has more exposure to gas (via networks) than Iberdrola but the case for P/E multiples to converge has improved as a result of the updated plan.

Exhibit 12: Increasingly becoming a higher multiple business

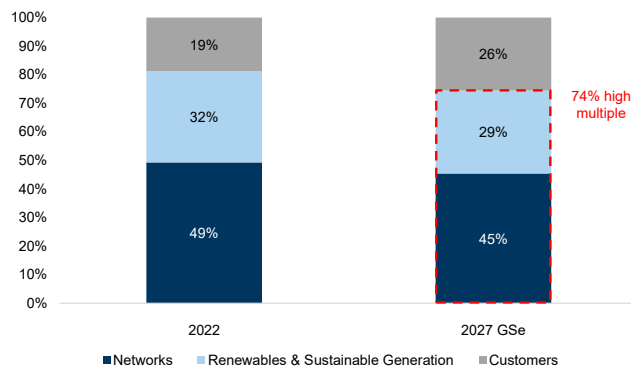
Engie EBITDA by business



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 13: ... and over time more similar to Iberdrola

Iberdrola EBITDA by business

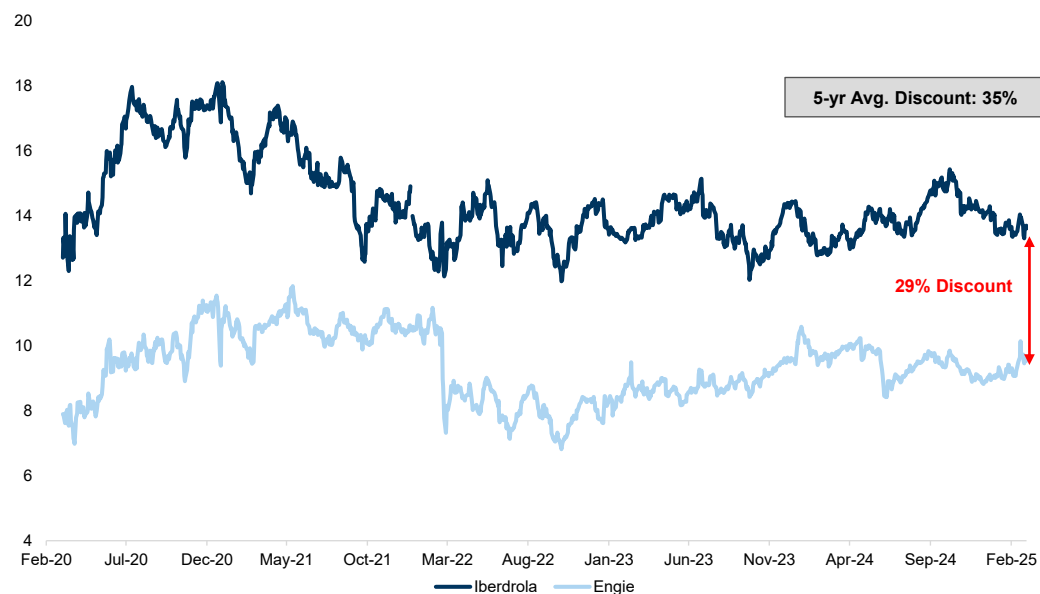


Source: Company data, Goldman Sachs Global Investment Research

Over the last 5 years, Engie has traded at a 35% discount to Iberdrola, with the gap narrowing over recent quarters.

Exhibit 14: We expect multiple convergence over time

Engie vs Iberdrola P/E time series

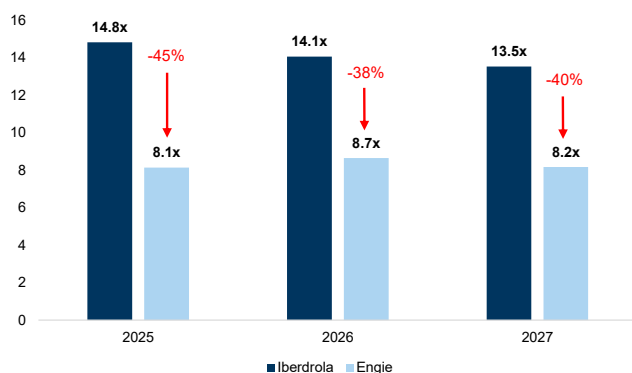


PE is BEst Next 2 Annuals

Source: Bloomberg

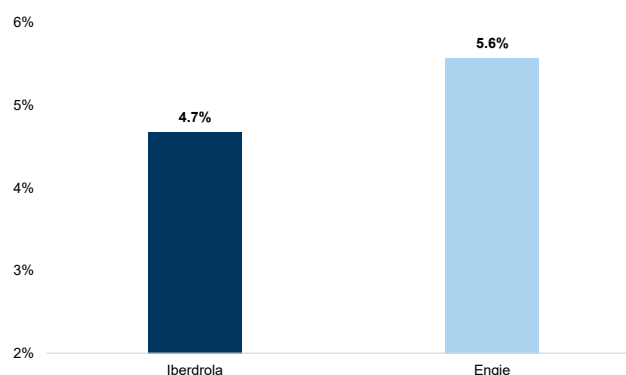
Looking forward to 2027, we see Engie trading at a 40% discount to Iberdrola on a business that is de-risking more aggressively. We expect multiple convergence over time as Engie executes its plan.

Exhibit 15: Heavily discounted versus Iberdrola ...
Iberdrola vs Engie PE GSe; 2025-27



Source: Goldman Sachs Global Investment Research

Exhibit 16: With similar growth beyond 2027
EPS Growth CAGRs from 2027-30

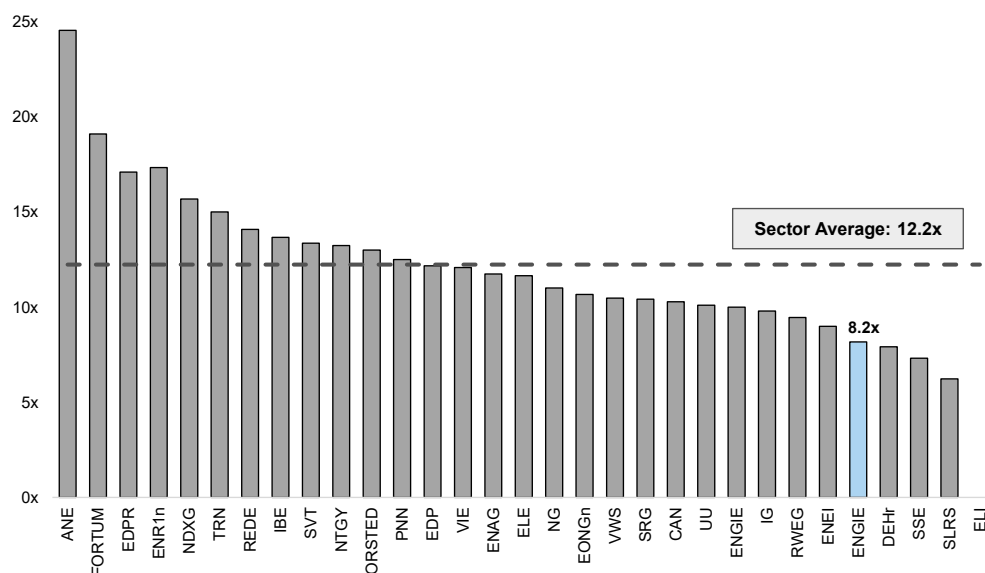


Source: Goldman Sachs Global Investment Research

A restructuring story with attractive valuation & high income

Overall we see the plan as a significant step change in the Engie story. With strong investment spend and cost-cutting, Engie continues to restructure itself into a higher-quality business by the end of the plan with scope to accelerate the journey in the future. On our new estimates, Engie trades on c.8.2x 2027 P/E (c.30% below the sector average of 12x on GSe) after stripping the €1.48/share dividend to be paid on 2024 results.

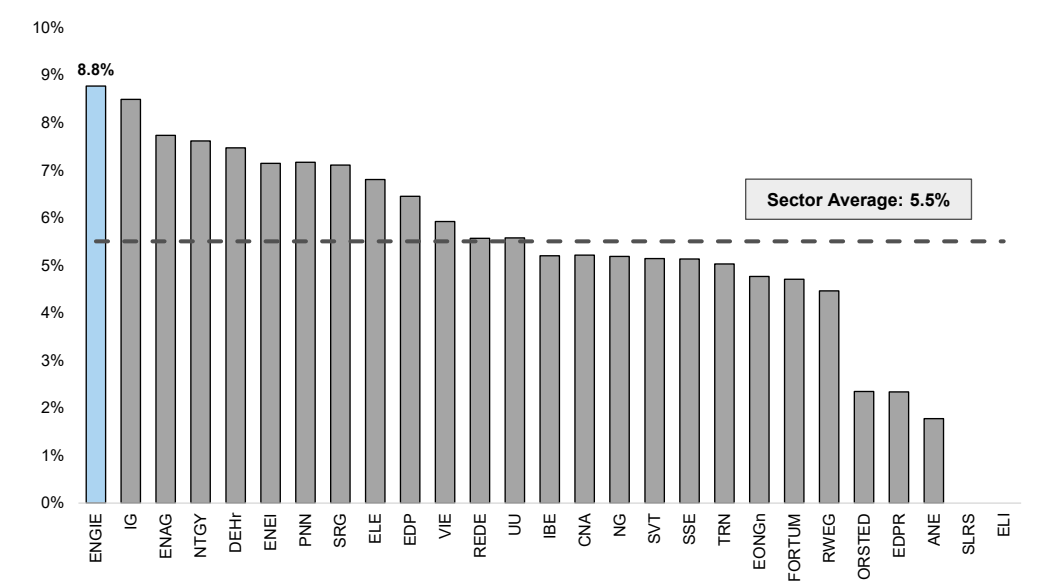
Exhibit 17: A deeply discount name versus the wider sector ...
GS pan-European Utilities Coverage FY27 P/E Ratio



Source: Goldman Sachs Global Investment Research

Post the upcoming 2024 dividend, Engie offers a 2027E 8.8% dividend yield, with a newly announced floor that is equivalent to a 7% yield. Ultimately, we believe the repositioning towards Renewables, Batteries and Power Networks will focus the portfolio on areas where the energy transition drives sizable investment opportunity, growth and value. We are Buy rated.

Exhibit 18: ... paying an attractive dividend yield
GS pan-European Utilities Coverage FY27 Dividend Yield



Source: Goldman Sachs Global Investment Research

Reiterate Buy on Engie; New €23.4 Price Target (36% Upside)

We reiterate our Buy rating on Engie. We believe that, over the medium term, Engie's strategy will serve to focus investor attention towards the sum of the parts, unlocking the value embedded. Furthermore, we believe the repositioning towards Renewables, Power Networks and Batteries will focus the portfolio on areas where the energy transition to net-zero emissions drives sizable investment opportunity, growth and value. We update our estimates to reflect the new investment plan, increasing our capex assumptions and costs cutting estimates, and update for commodity assumptions. Our EPS estimates increase c.11% on average over FY2025-27.

Exhibit 19: We revise our estimates for Engie

€mn, €/share

| | 2025E | 2026E | 2027E |
|-----------------------------------|--------------|--------------|--------------|
| Net Income (Engie definition) Old | 4,384 | 4,134 | 4,291 |
| Net Income (Engie definition) New | 4,876 | 4,579 | 4,829 |
| <i>Change</i> | <i>11.2%</i> | <i>10.8%</i> | <i>12.5%</i> |
| EPS Old | 1.77 | 1.67 | 1.73 |
| EPS New | 1.95 | 1.84 | 1.94 |
| <i>Change</i> | <i>10.2%</i> | <i>10.1%</i> | <i>11.9%</i> |
| DPS Old | 1.17 | 1.19 | 1.23 |
| DPS New | 1.31 | 1.32 | 1.39 |
| <i>Change</i> | <i>11.2%</i> | <i>10.8%</i> | <i>12.6%</i> |

Source: Goldman Sachs Global Investment Research

We are Buy rated on Engie with a new 12-month price target of €23.4 (from €21.5) which is largely driven by higher estimates. Our methodology is based 65% on a P/E-derived valuation of €22.3/share (from €20.6/share) and 35% on an SOTP-based valuation of €25.6/share (from €23.4/share). Our P/E valuation uses a CY27E peer average multiple of 11.5x reflecting peer group multiples. This is equivalent to a 15% discount to the historical sector-average P/E multiple of 13.5x, and reflects relatively weaker growth and business mix.

Key downside risks to our view and price target include:

- **Weaker-than-expected nuclear output:** Engie has 16TWh of nuclear volumes by 2027 which could be exposed to fluctuation of output and impact earnings.
- **French political & regulatory risk:** Engie has one third of its group EBITDA exposed to France. As such, changes in regulatory regime or changes in taxes can pose a risk to earnings.
- **A weakening EUR against the USD and BRL:** At the EBITDA level, 69% of the group is exposed to EUR, 12% exposed to USD, 10% to BRL. At the debt level, 65% of Engie's debt is exposed to EUR, 19% to USD and 10% to BRL. A weakening USD or BRL against EUR would be a downside risk to earnings.

Exhibit 20: Engie 2026 SoTP valuation

| SoTP | EBITDA | Tgt Multiple | €m | % | Methodology |
|-------------------------------|--------|--------------|----------------|-------------|--------------------------------------|
| Energy Solutions | 1,083 | 10.0x | 10,831 | 10% | EBITDA multiple, based on pure plays |
| Networks | 4,703 | 10.2x | 47,939 | 42% | EBITDA multiple, based on pure plays |
| Renewables | 3,427 | 10.3x | 33,132 | 29% | EBITDA multiple, based on pure plays |
| Thermal | 918 | 5.5x | 5,075 | 4% | EBITDA multiple, based on pure plays |
| Nuclear | 601 | 2.0x | 1,202 | 1% | DCF |
| Supply | 740 | 7.0x | 5,180 | 5% | EBITDA multiple, based on pure plays |
| Others | 1,596 | 6.0x | 9,578 | 8% | EBITDA multiple, based on pure plays |
| Enterprise value | | 8.7x | 112,937 | 100% | |
| JV & Associates | | | 15,956 | | |
| Loans & receivables | | | 7,722 | | |
| Financial Net debt | | | (42,243) | | |
| Pensions | | | (5,056) | | |
| Nuclear | | | (11,064) | | |
| Other provisions | | | (646) | | |
| Minorities | | | (12,090) | | |
| Hybrid | | | (3,390) | | |
| Equity value (€m) | | | 62,125 | | |
| Equity value (€/share) | | | 25.6 | | |
| Number of shares | | | 2,428 | | |

Source: Goldman Sachs Global Investment Research

Exhibit 21: Engie P/E valuation

| PE | Dec-24 | Dec-25 | Dec-26 | Dec-27 | Growth pa |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|
| EDP | 11.2 | 12.0 | 11.9 | 12.1 | -2.5% |
| E.ON | 11.5 | 11.8 | 11.9 | 10.6 | 2.8% |
| RWE | 10.9 | 15.2 | 13.0 | 9.2 | 5.8% |
| Iberdrola | 14.3 | 14.8 | 14.1 | 13.5 | 1.9% |
| Veolia | 16.4 | 14.8 | 13.3 | 12.1 | 10.7% |
| Average | 12.9 | 13.7 | 12.8 | 11.5 | 3.8% |
| Engie EPS | 2.28 | 1.95 | 1.84 | 1.94 | -5.3% |
| Valuation (PE - €/share) | | | | 22.3 | |

Source: Goldman Sachs Global Investment Research

Pricing in this report is as of March 14, 2025 close

Summary Financials

The following three exhibits summarise Engie's P&L, balance sheet and cash flow.

Exhibit 22: Summary P&L (£ mn and £ per share)

| Summary P&L | 2023 A | 2024 A | 2025 E | 2026 E | 2027 E | 2028 E |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| EBITDA | 13,930 | 14,505 | 13,565 | 13,069 | 13,661 | 14,352 |
| D&A | (4,931) | (5,141) | (5,281) | (5,088) | (5,407) | (5,684) |
| EBIT | 8,999 | 9,364 | 8,284 | 7,982 | 8,254 | 8,668 |
| JV/associates | 1,087 | 1,062 | 1,130 | 1,274 | 1,333 | 1,379 |
| Net Financials | (1,869) | (1,782) | (2,141) | (2,365) | (2,378) | (2,461) |
| Other non recurring | (105) | (126) | (126) | (126) | (126) | (126) |
| EBT | 8,111 | 8,518 | 7,147 | 6,764 | 7,083 | 7,460 |
| Income taxes | (1,904) | (2,034) | (1,443) | (1,320) | (1,381) | (1,459) |
| Non-recurring tax items | | | | | | |
| Minority interests | (839) | (867) | (827) | (865) | (873) | (894) |
| Minority interests (non recurring) | | | | | | |
| Net Income (reported) | 5,367 | 5,616 | 4,876 | 4,579 | 4,829 | 5,107 |
| Net Income (clean) | 5367 | 5616 | 4876 | 4579 | 4829 | 5107 |
| Number of shares (m) | 2,422 | 2,425 | 2,428 | 2,431 | 2,434 | 2,437 |
| EPS (reported) | 2.18 | 2.28 | 1.95 | 1.84 | 1.94 | 2.05 |
| EPS (clean) | 2.18 | 2.28 | 1.95 | 1.84 | 1.94 | 2.05 |
| DPS paid | 1.43 | 1.51 | 1.31 | 1.32 | 1.39 | 1.47 |
| Capex | 14,019 | 12,872 | 16,205 | 10,952 | 11,421 | 10,977 |
| Net Debt | 29493 | 33223 | 42243 | 43786 | 45258 | 47872 |

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 23: Summary Cash flow (£ mn)

| Summary Cash flow | 2023 A | 2024 A | 2025 E | 2026 E | 2027 E | 2028 E |
|-------------------------------|----------------|----------------|----------------|---------------|---------------|---------------|
| Net income | 6,207 | 6,483 | 5,703 | 5,444 | 5,702 | 6,001 |
| D&A | 4,931 | 5,141 | 5,281 | 5,088 | 5,407 | 5,684 |
| Funds from Operations | 11,138 | 11,624 | 10,984 | 10,532 | 11,109 | 11,685 |
| Change WK and Others | 1,618 | 1,001 | 857 | 946 | 951 | 984 |
| Operating Cash Flows | 12,755 | 12,625 | 11,841 | 11,478 | 12,060 | 12,669 |
| Investments | (15,332) | (16,246) | (16,205) | (8,952) | (9,421) | (10,977) |
| Free Cash Flows | (2,577) | (3,621) | (4,364) | 2,526 | 2,640 | 1,692 |
| Dividends | (4,067) | (4,147) | (4,535) | (4,069) | (4,112) | (4,306) |
| Divs to Minorities and Others | 1,205 | 4,038 | (121) | 0 | 0 | 0 |
| Change in Cash | (5,439) | (3,730) | (9,020) | (1,542) | (1,473) | (2,614) |

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 24: Summary Balance Sheet (€ mn, December year end)

| Summary Balance Sheet | 2023 A | 2024 A | 2025 E | 2026 E | 2027 E | 2028 E |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Tangible | 57,950 | 64,388 | 75,312 | 79,176 | 83,190 | 88,483 |
| Goodwill | 12,864 | 13,291 | 13,291 | 13,291 | 13,291 | 13,291 |
| Other intangible | 8,449 | 7,964 | 7,964 | 7,964 | 7,964 | 7,964 |
| Financial Assets & Associates | 21,977 | 15,062 | 15,062 | 15,062 | 15,062 | 15,062 |
| Other non current | 17,783 | 9,480 | 9,480 | 9,480 | 9,480 | 9,480 |
| Non current assets | 119,023 | 110,185 | 121,109 | 124,973 | 128,986 | 134,280 |
| Receivables | 20,092 | 16,173 | 16,173 | 16,173 | 16,173 | 16,173 |
| Inventories | 5,343 | 5,061 | 5,061 | 5,061 | 5,061 | 5,061 |
| Financial Assets & Assets for sale | 2,170 | 11,959 | 11,959 | 11,959 | 11,959 | 11,959 |
| Cash & Equivalents | 16,578 | 16,928 | 12,000 | 12,000 | 12,000 | 12,000 |
| Other assets | 31,434 | 29,238 | 29,238 | 29,238 | 29,238 | 29,238 |
| Current Assets | 75,617 | 79,359 | 74,431 | 74,431 | 74,431 | 74,431 |
| Total Assets | 194,640 | 189,543 | 195,539 | 199,403 | 203,417 | 208,710 |
| Equity (ex-Minorities) | 30,057 | 34,556 | 34,897 | 35,407 | 36,124 | 36,924 |
| Minority Interests | 5,667 | 6,902 | 7,608 | 8,474 | 9,347 | 10,241 |
| Pension Provisions | 5,126 | 4,885 | 5,056 | 5,244 | 5,433 | 5,629 |
| Nuclear Provisions | 11,948 | 10,616 | 11,064 | 11,558 | 12,056 | 12,570 |
| Other Provisions | 1,718 | 408 | 646 | 909 | 1,174 | 1,448 |
| Debt | 37,920 | 42,880 | 46,972 | 48,515 | 49,987 | 52,601 |
| Other l.t. liabilities | 26,177 | 16,412 | 16,412 | 16,412 | 16,412 | 16,412 |
| L.t. Liabilities & Equity | 118,613 | 116,659 | 122,655 | 126,519 | 130,533 | 135,826 |
| S.t. Debt | 9,367 | 9,127 | 9,127 | 9,127 | 9,127 | 9,127 |
| Payables | 22,976 | 19,153 | 19,153 | 19,153 | 19,153 | 19,153 |
| Other current liabilities | 43,684 | 44,604 | 44,604 | 44,604 | 44,604 | 44,604 |
| Current Liabilities | 76,027 | 72,884 | 72,884 | 72,884 | 72,884 | 72,884 |
| Stockholder Equity + Liabilities | 194,640 | 189,543 | 195,539 | 199,403 | 203,417 | 208,710 |

Source: Company data, Goldman Sachs Global Investment Research

Disclosure Appendix

Reg AC

We, Ajay Patel and Alberto Gandolfi, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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