Axpo Holding AG

Swiss Confederation, Utilities

Short-term debt

S-1+

Key metrics

			Scope estimates	
Scope credit ratios*	**FY 2023**	**FY 2024**	**FY 2025E**	**FY 2026E**
Scope-adjusted EBITDA interest cover	45.7x	97.4x	12.4x	11.6x
Scope-adjusted debt/EBITDA	0.1x	Net cash	Net cash	Net cash
Scope-adjusted free operating cash flow/debt	142%	Net cash	Net cash	Net cash
Liquidity	230%	440%	751%	1008%

Rating sensitivities

The upside scenario for the ratings and Outlook is:

- Stronger business risk profile, e.g. through improved diversification and stable, high profitability (remote)

The downside scenarios for the ratings and Outlook are (individually or collectively):

- Deteriorating financial risk profile for a prolonged period, as indicated by debt/EBITDA moving towards 1.0x, driven by negative FOCF (remote)
- Any change that impairs Scope's view of the potential for support from public authorities

*All credit metrics refer to Scope-adjusted figures.

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Related methodologies

General Corporate Rating Methodology, Feb 2025

European Utilities Rating Methodology, Jun 2025

Government Related Entities Rating Methodology, Sep 2025

Table of content

1. Key rating drivers

Positive rating drivers	Negative rating drivers
• Strong financial risk profile, with large available cash balance and leverage (debt/EBITDA) expected to remain net cash • Vertically integrated business model with leading domestic position in power generation both in general and from renewables • Solid domestic position in energy supply; good presence through Europe (e.g. major player in energy trading) • Wide support from Swiss government and cantons (only in case of need) due to issuer's role as a systemically relevant utility, conferring status as government-related entity • Major European player in renewable energy, with low carbon footprint of power generation fleet and strong position in merit order (ESG factor) • Adequate historical profitability, mostly sustained by power generation	• Limited growth opportunities domestically for power generation (saturation of hydropower) and retail • Volatility in profitability, though expected to dampen in following years • Limited diversification outside Switzerland despite increasing contribution from other countries • Blended industry risk profile at BBB-, mainly constrained by non-regulated power generation (especially nuclear and hydropower) due to industry-inherent volatility of achievable power prices

2. Rating Outlook

The **Stable Outlook** reflects the expectation that credit metrics will remain strong, as shown by debt/EBITDA staying well below 1.0x over the next few years, supported by positive FOCF despite normalising margins and increasing capex. The Outlook is also based on our view that potential shareholder support from public authorities will remain unchanged, at least while the federal act on subsidiary financial aid remains in force until December 2026.

3. Corporate profile

Founded in 1914 as Nordostschweizerische Kraftwerke AG by northeastern Swiss cantons, Axpo is now the largest producer of renewable energy in Switzerland as well as an international leader in energy trading and the marketing of solar and wind power. An integrated utility, Axpo is engaged in several activities in the energy value chain: production, distribution, trading, and electricity sales and services.

The company has three business segments: i) generation and distribution, which operates and expands the Axpo power plant portfolio in Switzerland and abroad); ii) trading and sales, which deals with energy trading, risk and portfolio management, customer service and the deployment of the power plant portfolio; and iii) CKW, the subsidiary supplying energy to central Switzerland and ensuring that region's optimal use of hydro power through existing exchange agreements.

Axpo is a government-related entity as defined in our Government Related Entity Rating Methodology. This is based on the issuer's full public ownership (by cantons like Zurich and Aargau, along with cantonal utilities) and the essential public services it provides in Switzerland, signalled by its classification as a systemically relevant utility.

4. Rating history

Date	Rating action/monitoring review	Debt category rating
21 Oct 2025	Upgrade	S-1+
28 Oct 2024	Affirmation	S-1
4 Dec 2023	Affirmation	S-1
8 Dec 2022	New Rating	S-1

5. Financial overview (financial data in CHF m)

				Scope estimates		
Scope credit ratios	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025E**	**FY 2026E**	**FY 2027E**
EBITDA interest cover	2.7x	45.7x	97.4x	12.4x	11.6x	9.6x
Debt/EBITDA	8.8x	0.1x	Net cash	Net cash	Net cash	Net cash
Free operating cash flow/debt	-57%	142%	Net cash	Net cash	Net cash	Net cash
Liquidity	145%	230%	440%	751%	1008%	954%
EBITDA						
Reported EBITDA	(579)	5,260	2,168	1,509	1,460	1,179
Management adjustments (for one-off items)	1,343	(2,100)	163	-	-	-
less: disposal proceeds, fixed assets	(166)	(169)	(19)	-	-	-
add: changes in provisions	(83)	(916)	44	-	-	-
less: share of result of partner plants and other associates	(103)	(88)	(78)	(80)	(81)	(71)
add: recurring dividends from associates	79	63	50	39	39	39
EBITDA	**491**	**2,050**	**2,328**	**1,469**	**1,418**	**1,147**
Free operating cash flow (FOCF)						
Funds from operations	5,909	(7,846)	586	1,532	1,105	886
Change in working capital	(7,894)	8,604	1,107	(301)	(5)	81
Non-operating cash flow	(55)	40	(44)	(46)	(45)	15
less: capital expenditures (net)	(397)	(440)	(483)	(520)	(940)	(897)
less: lease amortisation	(19)	(19)	(19)	(19)	(19)	(19)
Free operating cash flow	**(2,457)**	**339**	**1,146**	**645**	**95**	**66**
Interest						
Net cash interest per cash flow statement	100	(39)	(61)	34	37	35
add: interest expense, pensions	(0)	(0)	(0)	(0)	(0)	(0)
add: interest attributable to asset retirement obligations	83	84	85	85	85	85
Interest	**183**	**45**	**24**	**118**	**122**	**120**
Debt						
Reported financial (senior) debt	7,745	7,152	5,564	5,672	5,172	4,673
less: cash and cash equivalents	(3,917)	(7,394)	(7,202)	(7,374)	(6,870)	(6,301)
add: asset retirement obligations (net)	478	476	230	230	230	230
add: other debt-like items (contingencies)	9	5	4	-	-	-
Debt	**4,314**	**238**	**(1,404)**	**(1,472)**	**(1,468)**	**(1,398)**

6. Environmental, social and governance (ESG) profile[1]

Environment	Social	Governance
Resource management (e.g. raw materials consumption, carbon emissions, fuel efficiency)	Labour management	Management and supervision (supervisory boards and key person risk)
Efficiencies (e.g. in production)	Health and safety (e.g. staff and customers)	Clarity and transparency (clarity, quality and timeliness of financial disclosures, ability to communicate)
Product innovation (e.g. transition costs, substitution of products and services, green buildings, clean technology, renewables)	Clients and supply chain (geographical/product diversification)	Corporate structure (complexity)
Physical risks (e.g. business/asset vulnerability, diversification)	Regulatory and reputational risks	Stakeholder management (shareholder payouts and respect for creditor interests)

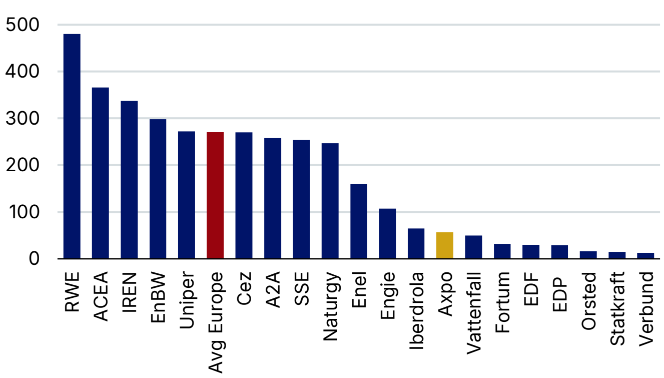
ESG factors: credit-positive credit-negative credit-neutral

Axpo is the top renewable power generator in Switzerland, especially thanks to its experience and expertise in hydropower technology. Even at the European level, Axpo is one of the main energy companies engaged in renewables and has one of the smallest carbon footprints among power generators thanks to its high share of low-carbon electricity production (nuclear and hydro).

Credit-supportive: leadership in renewables and low carbon footprint

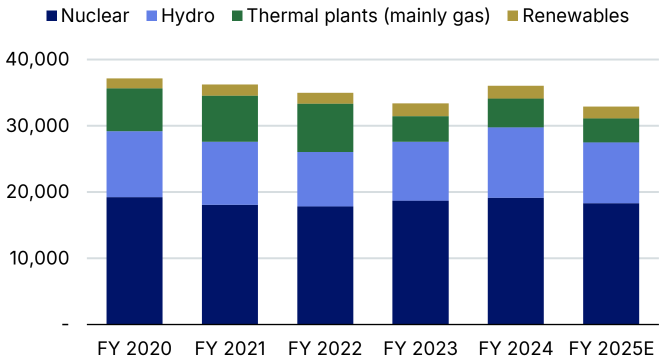
Axpo's carbon footprint was 56 gCO2e/kWh in FY 2024, stable on the previous year (95 gCO2e/kWh in FY 2022), one of the lowest levels among main European power generators and widely below the average (around 270 gCO_2e/kWh). This positions Axpo as a leader in the energy transition and is a credit-supportive aspect from an ESG perspective.

Figure 1: Carbon footprint, European power generators, 2024 (gCO_2e/kWh)



Source: Public information, Scope

Figure 2: Electricity generation by type (GWh)



Source: Axpo, Scope

The group's large exposure to nuclear power generation (around 50% of total production) also no longer poses significant risks in our view after policymakers changed their view on this technology. Nuclear is no longer expected to be phased out by a specific time and was classified by the EU Taxonomy as the least-polluting fuel. This unpredicted political tailwind further supports Axpo's aspiration to shift its business model towards decarbonised power generation.

Large exposure to nuclear no longer an ESG risk

Axpo is highly committed to ESG goals and its results are evidence of this. Especially in relation to the environmental factor, Axpo is facing the challenge of the energy transition head on, with strong planned investments on renewables – especially wind and solar – and new clean technologies (i.e. hydrogen, batteries). We expect these investments to total about CHF 2.0bn by 2030.

Supportive investment strategy to enable energy transition

[1] These evaluations are not mutually exclusive or exhaustive as ESG factors may overlap and evolve over time. We only consider ESG factors that are credit-relevant, i.e. those that have a discernible, material impact on the rated entity's cash flow and, by extension, its credit quality.

7. Business risk profile

Blended industry risk profile

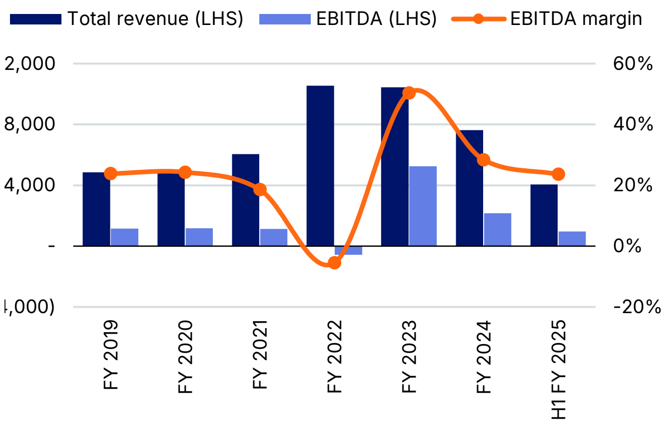
Given Axpo's exposure to utility segments driven by different fundamentals – regulated versus unregulated; upstream versus downstream operations – our assessment reflects a blended industry risk. We applied a normalised segment split of 49% for non-regulated power generation (BB), 40% for retail (BBB), 6% for trading (BB) and 5% for regulated power generation (A), based on historical EBITDA contributions. The major exposure to nuclear and hydro power generation (non-regulated) constrains the assessment, even though the increasing contribution from highly profitable, regulated renewable power generation will likely sustain a stronger industry risk profile in the coming years.

Solid domestic market position, constrained by low growth opportunities

Axpo's business risk profile is based on its solid competitive position, especially in Switzerland, where the group is not only the largest producer of electricity, accounting for roughly 40% of generated power, but also the leader in hydropower (roughly 30% of its total production) and in overall renewable energy.

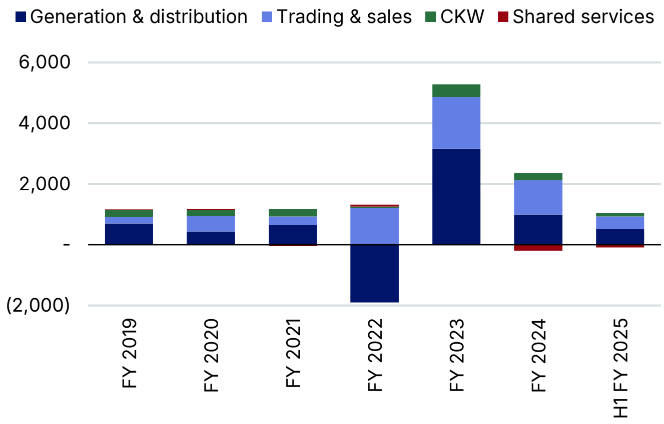
We expect Axpo's business volumes to be stable in the coming years, given the limited domestic growth opportunities due to the saturation of the retail market and power generation technologies like nuclear and hydro, as well as intense competition from established utilities across Europe. Business development abroad remains a key strategic area of Axpo.

Figure 3: Reported revenue and EBITDA (CHF m) versus EBITDA margin reported



Source: Axpo, Scope

Figure 4: EBITDA by business segment (CHF m)



Source: Axpo, Scope

Fully diversified business model across value chain

Axpo is fully integrated as it covers almost all the power utility value chain, from generation to distribution and B2C retail. As mentioned above, the underlying business fundamentals of the different segments are not fully correlated. The company's diversification across these segments is credit-supportive.

Significant dependency on nuclear despite growth of renewables

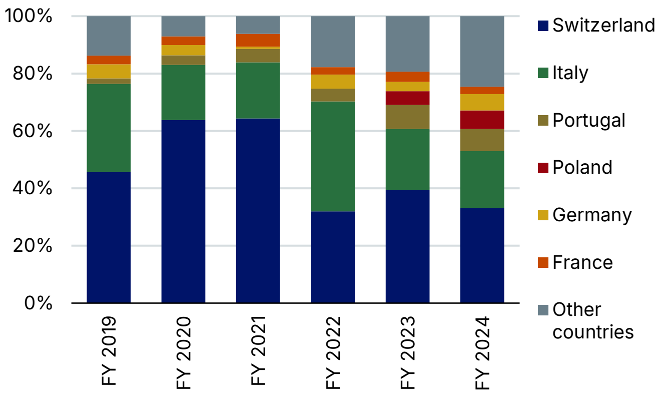
For FY 2025, we expect Axpo to generate 56% of electricity from nuclear in Switzerland and abroad. Hydropower remains an important part of its energy production, albeit is less predictable as it is affected by weather conditions.

Overall, the new renewable sources of solar and wind are growing but still contribute only roughly 5% of total production. The group is therefore significantly dependent on one major energy source, even though nuclear is no longer intended to be phased out by a specific date in the medium term and therefore does not pose significant ESG-related risks.

Wide and diversified customer base with relatively large outreach

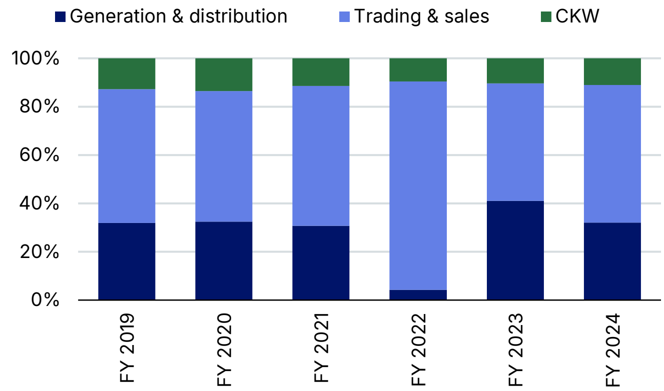
The diversification of the group's customer base is credit-supportive. In relation to end-customer markets (B2B and B2C), Axpo directly supplies large companies, small and medium-size companies and energy resellers, as well as private households and agricultural businesses in Switzerland.

Figure 5: Revenue by country (%)



Source: Axpo, Scope

Figure 6: Revenue by business segment (%)



Source: Axpo, Scope

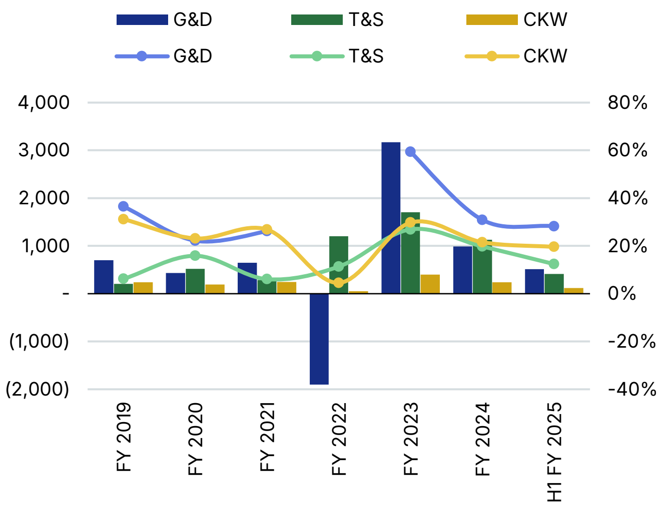
Limited geographical diversification outside Switzerland despite good penetration of certain markets

Axpo operates in 32 countries and more than 40 markets, mainly in Europe. Nevertheless, the domestic market and Italy remain preeminent, representing around 50% of revenue in FY 2024 (against an average of 75% over the recent past). However, the group reports a good and increasing penetration, even in other main countries, actively developing its business in Portugal, Poland and Germany. Activities in other continents, primarily US and Asia, are negligible. Overall, despite a good penetration of certain European markets, the concentration in two primary markets is a moderate constraint in terms of geographical diversification.

Profitability expected to stabilise in the coming years after some volatility

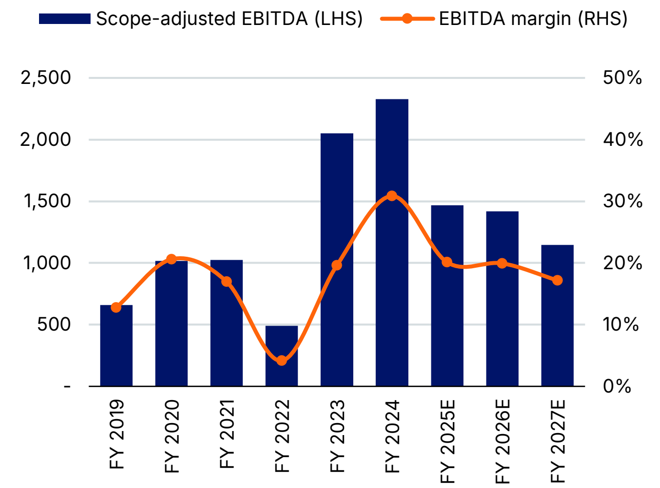
Following solid profitability in FY 2023, with EBITDA of CHF 2.1bn and a 20% EBITDA margin, margins remained robust in FY 2024 even with market conditions normalising. EBITDA reached CHF 2.3bn and the EBITDA margin peaked at 31%, sustained by significant gains in trading activity and increasing production from nuclear and hydro power plants. Looking ahead, we expect the EBITDA margin to normalise due to lower energy prices and production volumes, to around 20% in FY 2025, and remain at these levels for the next two years, supported by higher power prices hedged three years ahead.

Figure 7: EBITDA (columns, CHF m) versus EBITDA margin (lines, %) by business segment



G&D: Generation and distribution
T&S: Trading and sales
Source: Axpo, Scope

Figure 8: EBITDA (CHF m) and EBITDA margin, group



Source: Axpo, Scope estimates

8. Financial risk profile

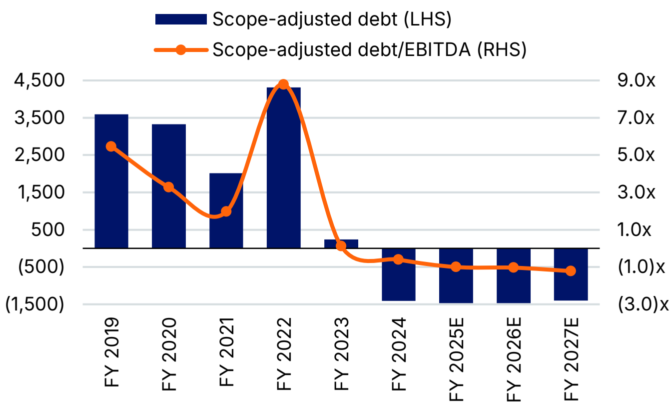
Following the solid result achieved in FY 2023, FOCF improved further to CHF 1.1bn in FY 2024 (up CHF 0.8bn YoY), sustained by the robust EBITDA and the additional release of cash collateral which resulted in a positive working capital change. At the same time, net capex grew only slightly to CHF 483m from CHF 440m in the previous year.

FOCF strongly positive in FY 2024, in line with previous year

For FY 2025, FOCF is expected to remain positive albeit declining (around CHF 0.6bn), dampened by a less favourable dynamic of working capital (assumed to absorb CHF 0.3bn). FOCF will be under pressure for the next two years when net capex increases to around CHF 0.9bn each year amid an ambitious investment plan, but we expect it to remain positive or around breakeven. This trend, along with historical positive FOCF (except in FY 2022), confirms the group's strong capacity to generate sufficient cash to finance its capex needs internally.

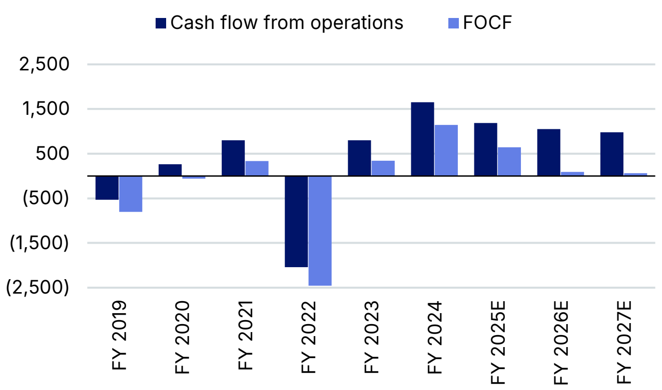
Solid internal financing capacity confirmed also in the next few years

Figure 9: Debt (CHF m) versus debt/EBITDA



Source: Axpo, Scope estimates

Figure 10: Cash flow from operations and FOCF (CHF m)

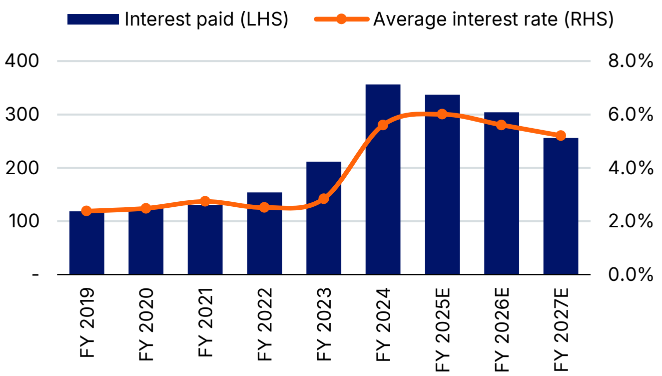


Source: Axpo, Scope estimates

In FY 2024 Axpo's financial structure improved further, thanks to another strong financial year with positive economic results and robust cash flow generation. Indeed, the strongly positive FOCF in the year allowed financial indebtedness to decrease significantly and result in a net cash position of CHF 1.4bn as of September 2024 (against net debt of CHF 0.2bn in September 2023). As described above, given the still solid margins, we expect FOCF to remain positive albeit lower from 2025, supporting a debt position remaining net cash.

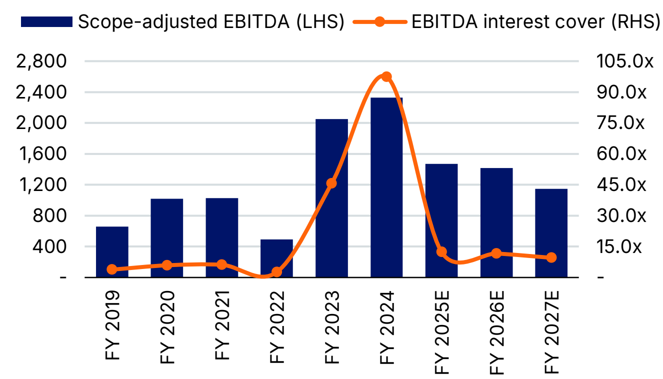
Debt turned net cash in FY 2024 and expected to remain so in coming years

Figure 11: Interest paid (CHF m) versus average interest rate



Source: Axpo, Scope estimates

Figure 12: EBITDA (CHF m) vs debt protection

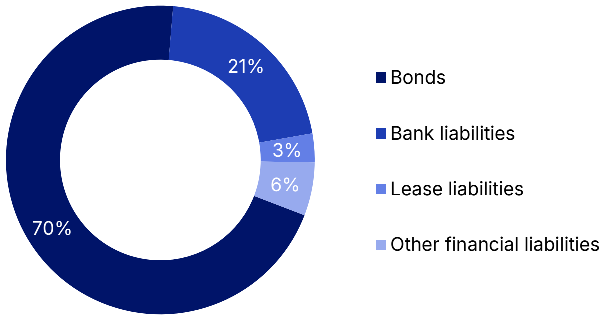


Source: Axpo, Scope estimates

The robust margins also bolstered debt protection. EBITDA interest cover reached a record high of 97.4x in FY 2024 following the previous peak of 45.7x in FY 2023. Net interest paid was also low due to liquidity optimisation that led to higher interest income. From FY 2025, we expect interest cover to decline significantly but remain above 10x, in light of higher net interest paid and a normalising EBITDA.

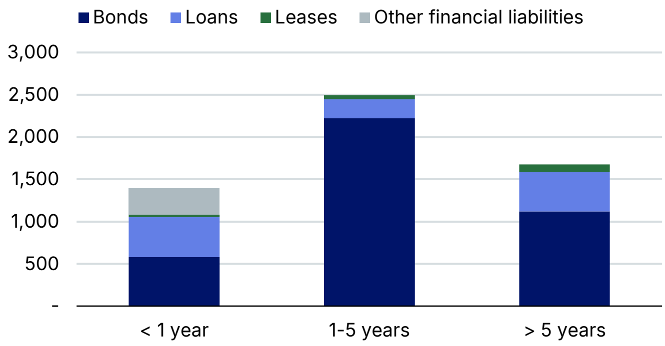
Record-high debt protection in FY 2024 to gradually normalise from FY 2025

Figure 13: Debt composition as of September 2024



Source: Axpo, Scope

Figure 14: Maturity profile as of September 2024 (CHF m)



Source: Axpo, Scope estimates

Robust liquidity profile supported by large cash availability

Axpo's internal liquidity ratio has always been well above 110%, reflecting the low amounts of short-term and long-term debt maturing every year compared to the usual large balances of available cash maintained within the group. We expect this ratio to far exceed 110% in FY 2025 and the following years, as occurred already in FY 2023 and FY 2024, supported by available cash and cash equivalents of constantly around CHF 7.0bn and to a minor extent by positive FOCF. When considering the large amount of committed unused bank facilities, Axpo's overall liquidity profile is even stronger, with liquidity ratios (internal and external) standing sharply above 200%.

Table 1. Liquidity sources and uses (in CHF m)

	FY 2024	FY 2025E	FY 2026E
Unrestricted cash (t-1)	7,394	7,202	7,374
Open committed credit lines (t-1)	2,603	2,603	2,603
FOCF (t)	1,146	645	95
Short-term debt (t-1)	2,535	1,392	999
Liquidity	**440%**	**751%**	**1,008%**

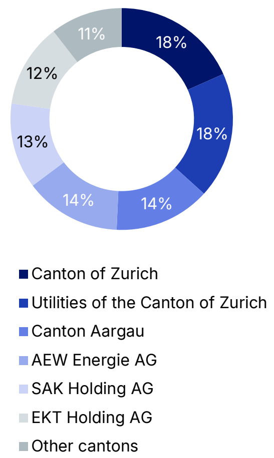
Source: Axpo, Scope estimates

9. Supplementary rating drivers: +2 notches

Two-notch uplift due to wide public support from Swiss authorities

Axpo is a government-related entity in accordance with our Government Related Entities Rating Methodology. This is based on the full public ownership by Swiss cantons and the essential public services provided by the company, signalled by its status as a systemically relevant utility.

Given the positive differential between Axpo's standalone credit assessment on the one hand and the Swiss Confederation's sovereign credit rating and the Canton of Zurich's sub-sovereign rating of **AAA/Stable** on the other, the capacity to provide financial support is 'high'. In light of Axpo's strategic role in the Swiss energy market as a critical power generator and electricity supplier with a strong public interest, we deem the willingness of Swiss authorities to provide support as 'high', as demonstrated when amid the energy crisis in 2022 the government granted the issuer CHF 4.0bn in credit facilities.



We highlight that in December 2023 the above-mentioned federal credit line was revoked at Axpo's request, while the Federal Act allowing the Swiss utility to apply for subsidiary financial aid remains in force until 31 December 2026. For this reason, we consider the willingness of the Swiss authorities to provide financial support to be unchanged. Based on the above, we have granted a two-notch uplift to the standalone credit assessment.

Credit-neutral financial policy

Management's risk appetite for discretionary spending is low and reflects a prudent approach, as demonstrated by its dividend policy and its M&A activity. Apart from investment dedicated to the development of renewables assets, we do not expect other debt-funded business acquisitions.

Axpo's management also demonstrates a commitment to keeping credit metrics under control to maintain its investment grade profile. Based on these elements, financial policy is still credit-neutral, supporting our view that Axpo's future financial setup is likely to underpin the rating.

10. Short-term debt rating

Guarantees provided to Axpo International SE on various debt positions

Axpo Holding AG provides an unconditional and irrevocable guarantee to the negotiable European commercial paper programme of Axpo International SA, started in December 2022 and promoted by Banque de France.

Short-term debt rating: S-1+

The upgrade of the short-term debt rating to S-1+ from S-1 reflects the improved credit quality of the issuers, supported by the good business risk profile and the strong financial risk profile of Axpo Holding paired with the utility's status as a government-related entity, which guarantees strong and extensive public support amid potential liquidity needs. At the same time, Axpo continues to benefit from a solid liquidity profile signalled by robust expected liquidity and good access to external funding from banks, the capital market and other funding channels.

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