S&P Global Ratings

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Tear Sheet:

Engie Energía Chile S.A.

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This report does not constitute a rating action.

Engie Energía Chile is executing its transformative investment strategy on time and within budget. In 2025, Engie Chile had a 2.9 gigawatt (GW) generation capacity that remained 51% reliant on coal and gas. By the end of 2027, it will shift toward renewables and battery energy storage systems (BESS). With a targeted total capacity of about 3.6 GW, close to 70% of the portfolio will be renewable energy, with all coal assets decommissioned, and gas providing the remaining 30%.

In 2026, six new renewable assets will start operations for a total of 0.7 GW, of which almost all was energized by June 30. The remaining 0.5 GW of wind assets will reach completion in the first half of 2027. S&P Global Ratings expects the resulting portfolio to favor operating margins due to lower exposure to commodity prices (coal and gas).

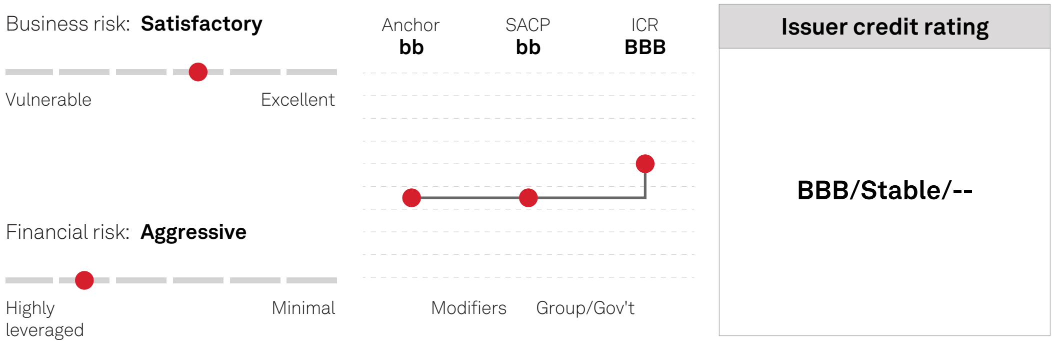
The maturity of power purchase agreements (PPAs) in 2026-2027 reduces the company's output but improves operational efficiency. Engie Chile delivered about 12.9 GW of energy in 2025, supported by its own generation (55%), backup PPAs (29%), and spot market purchases (16%). Engie has been a net buyer in the spot market, exposing the company to coal and gas price volatility as well as hydrological risks.

By the end of 2027, Engie will deliver 10 GW-11 GW of energy as PPAs expire. However, this will reduce the company's need to buy energy in the market, mainly reducing the reliance on spot purchases and backup PPAs to a lower extent and allowing for a more efficient energy mix and greater use of higher margin renewable assets.

We expect this transition to support EBITDA margins of 40% or higher, in line with the 39% margin in first-quarter 2026. Although this should enhance Engie Chile's profitability margins over three to four years, it could also result in erosion of PPA prices in the long term because the country's energy matrix is shifting toward renewables. We expect new PPAs to be supported by own generation or backup PPAs, limiting the need to purchase energy in the spot market.

Ongoing capital expenditure (capex) will keep leverage within manageable levels while testing liquidity buffers. We expect net debt to EBITDA to remain below 4x through 2026 and 2027 while the company is executing its renewable development plan. We anticipate liquidity to remain adequate although significant capex remains a credit consideration.

Ratings Score Snapshot



ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Recent Research

- Engie Energia Chile S.A., April 25, 2025
- Engie Energia Chile S.A. Is Set To Outperform Expectations In 2025, Nov. 17, 2025

Company Description

Engie Chile is one of the leading electricity generators in Chile, with a 7% market share of capacity. It's the fourth-largest player after Enel Chile S.A. (27%; BBB/Stable/--), Colbun S.A. (16%; BBB/Stable/--), and AES Andes S.A. (11%; BBB-/Stable/--). The company's installed capacity, as of December 2025, consisted of coal (25%), gas (26%), and renewables (49% including BESS).

The company is also the third-largest transmission operator in Chile, operating about 2,000 kilometers (km) of high- and medium-voltage transmission lines with 38 substations. Engie Chile has a 50% stake in Transmisora Eléctrica del Norte that operates a 600 km double circuit 500 kV national transmission system. The company also operates 1,066 km of gas pipelines and the Tocopilla port. The Andino port is in the process of being sold.

Engie S.A. (BBB+/Stable/A-2), its parent company, holds 60% in Engie Chile. The rest of the shareholding floats on Santiago's stock exchange and includes pension funds (about 14%) and institutional investors and others (approximately 26%).

Outlook

The stable outlook incorporates S&P Global Ratings' view that Engie Chile will continue to be a strategically important subsidiary to its parent company, which translates into a three-notch uplift from the company's stand-alone credit profile of 'bb'. We expect the company's sources of cash will be about 20% higher than uses in the next 12 months. We also expect that net debt to EBITDA will remain below 4x in 2026 and 2027 while the company continues investing in the development of renewable capacity.

Downside scenario

We could lower the ratings in the next 12 months if the company's cash sources-to-uses ratio deteriorates below 1.2x, which could happen if capex accelerates beyond expectations (including costs overruns) or if there is high volatility in commodity prices affecting cash flow.

Moreover, we could lower the ratings if we perceive that the company will deliver net debt to EBITDA consistently above 5x, which could occur, for instance, due to excessive capex, cost overruns, delays in the execution or excessive dividends.

Lastly, we could downgrade Engie if we reassess the group status because of a deterioration in the support from the parent or if we downgrade the parent.

Upside scenario

Under the current group status assessment, we could raise the ratings on Engie Chile if it maintains net debt to EBITDA consistently below 2x, which we view as unlikely in the next two years owing to the sizable investment plan.

We could revise our SACP with no impact on the final rating if, for example, we expected on a sustainable manner net debt to EBITDA below 3x, funds from operations to debt above 20%, and positive free operating cash flow to debt. The latter would require a reduction in expansion capex.

Key Metrics

Engie Energia Chile S. A.--Forecast summary

Period ending	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028
(Mil. $)	2023a	2024a	2025a	2026e	2027f	2028f
Revenue	2,188	1,836	2,077	2,000-2,100	1,800-2000	1,800-2000
EBITDA	362	510	652	650-750	700-750	700-750
Funds from operations (FFO)	232	365	546	500-550	+500	~500
Capital expenditure (capex)	535	655	1,053	650-700	~500	~500
Debt	1,938	2,033	2,462	2,500-2,700	~2,800	~2,800
Adjusted ratios						
Debt/EBITDA (x)	5.4	4.0	3.8	3.6	<4.0	<4.0
FFO/debt (%)	12.0	18.0	22.2	18.9	~15-20	15-20
EBITDA interest coverage (x)	2.8	3.9	4.6	5.8	~5.0	~5.0
EBITDA margin (%)	16.6	27.8	31.4	35-38	~40	~40

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

Liquidity

In our view, Engie Chile's cash sources should exceed uses by more than 1.2x in the next 12 months. In addition, we expect the sources-to-uses ratio to remain positive, even if forecast EBITDA declines by 15%. Our analysis incorporates Engie Chile's sound relationships with banks, as seen in the pool of loans and bonds currently in its portfolio and satisfactory standing in credit markets. From a more qualitative standpoint, we take note of the support received in the past from its parent under the form of short-term facilities to support liquidity.

Principal liquidity sources	Principal liquidity uses
• As of March 31, 2026, $296 million in cash and liquid investments • Expected funds from operations of about $500 million • $100 million unused portion of the CAF loan • $135 million equivalent from the recent issuance of 3 million Unidad de Fomento (UF) in the local market	• Short-term debt payments of $100 million as of March 31, 2026 • Total capex of $600 million-$650 million, including about $60 million of maintenance in the next 12 months • Working capital outflows reaching $30 million-$40 million • Dividend distributions calculated as 30% of previous year's net income

Rating Component Scores

Foreign currency issuer credit rating	**BBB/Stable/--**
Local currency issuer credit rating	**BBB/Stable/--**
Business risk	**Satisfactory**
Country risk	Intermediate
Industry risk	Moderately High
Competitive position	Satisfactory
Financial risk	**Aggressive**
Cash flow/leverage	Aggressive
Anchor	**bb**
Modifiers	
Diversification/portfolio effect	Neutral (no impact)
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**

Related Criteria

- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Corporate Methodology, 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

- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011