

Tear Sheet:

MVM Energy Private LLC

June 25, 2025

This report does not constitute a rating action.

MVM is advancing its strategy to 2035, with a steady increase in investments. We forecast its organic capital expenditure (capex; net of subsidies and grants) will increase to about Hungarian forint (HUF) 420 billion in 2026, then HUF615 billion in 2027, from about HUF330 billion this year. Over 2025-2027, we expect more than 50% of its investments will be in power generation activities, as its main strategic pillar is to reduce the carbon intensity of its generation portfolio.

MVM plans to phase out its lignite capacity (coal power plants) by 2029 by replacing it with more than 1.5 GW of new flexible Combined Cycle Gas Turbines (CCGTs), which should be operational by 2028. It already has 2.0 GW of nuclear capacity (80% of its electricity generation in 2024), which will be extended until the mid-2050s. Positively, MVM is not involved in new nuclear capacity construction, which in our view mitigates some risks compared to other large utilities. It also targets to add at least 3.0 GW of renewable energy capacity, mostly solar, by 2035. We deem this achievable given that in 2024 alone MVM added 0.3 GW, to reach 0.9 GW. Integrating a rising share of renewable energy sources into the grid will also require higher investments in its networks (about 35% of total investment in 2025-2027, mostly power), which will allow MVM to maintain its share of regulated infrastructure activities at about 20-25% of EBITDA on average. While lower than some of its closest peers, we see this as supportive of the business mix and the rating.

While headroom will be reduced, we anticipate credit metrics will remain in line with the 'BBB-' rating. With the long-tail benefits of high commodity prices fading, we forecast MVM's S&P Global Ratings-adjusted EBITDA to decrease to about HUF780 billion in 2025, and then hover around HUF700 billion-HUF715 billion in 2026-2027. This reflects still significant growth from higher investments, the full-year consolidation of its 5% stake in the Shah Deniz gas field, and the gradual recovery of past losses from the universal energy retail service.

Amid continued healthy cash-flow generation and lower working capital volatility, we expect a steady but contained debt increase, only gradually reducing balance sheet flexibility. In our 2025-2027 base case we also assume about HUF200 billion in cash for M&A, of which approximately half in 2025 for the acquisition of E.ON's Romanian energy retail clients. This will lead to S&P Global Ratings-adjusted funds from operations (FFO) to debt being at or slightly below 30%, our threshold for the 'BBB-' rating, before improving to 34%-35% and 31%-32% in 2026 and 2027. This builds on solid results in 2024, with adjusted FFO to debt at 34.6% and debt to EBITDA at 1.6x (41.3% and 1.3x pro forma the intra-year acquisition of Shah Deniz). We are

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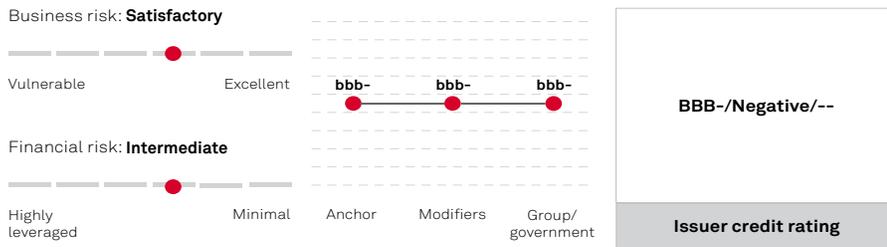
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mindful that a reasonably high share of MVM’s debt at year-end relates to financing gas inventories, as it operates about 70% of Hungary’s total storage capacity.

The financial policy is supportive of the rating. MVM targets 25% of EBITDA to be generated outside Hungary by 2035 (from about 13% in 2024). Because of this, and the company’s track record, we do not rule out additional acquisitions beyond those already captured in our base case. We also foresee government support to finance MVM’s acquisition in Romania, in line with its past track record. We assume the dividend payout to return to 20% starting 2026, after high dividend payments over 2023-2025 on exceptionally high profits, though we cannot rule out further increases in the future. That said, we understand this is subject to MVM keeping its FFO to debt above 30%, the guidance for the 'BBB-' rating, to which both management and the government are committed.

The negative outlook reflects our outlook on the sovereign. The Hungarian sovereign’s creditworthiness is a key credit factor for MVM because we view it as a government-related entity and most of its cash flow is generated in Hungary. Most importantly, MVM has a strong link with the government due to its full ownership and control, which leads to its operations and strategy being closely aligned with the government's interests. As such, in our view it currently lacks sufficient protection against potential extraordinary negative intervention under a sovereign stress scenario. Because of this, we do not think it can be rated above the sovereign.

Ratings Score Snapshot



Recent Research

- [Hungarian Integrated Utility MVM Group Outlook Revised To Negative On Similar Sovereign Action; 'BBB-' Rating Affirmed](#), May 1, 2025
- [MVM's Acquisition Of E.ON's Romanian Assets Is Neutral To The Rating](#), Dec. 20, 2024

Company Description

MVM is a 100% state-owned, vertically integrated energy company based in Hungary, and a leading natural gas trader in the Czech Republic. Founded in 1963, it operates in power generation, transmission, distribution, wholesale, and retail, as well as gas storage, distribution, wholesale, and retail.

MVM has activities across the entire electricity value chain. It is the main power generator in Hungary, with installed capacity of 4.4 GW as of April 2025. It operates the Paks nuclear plant,

which has 2.0 GW of capacity, as well as the Matra coal plant (to be phased out by the end of 2029), gas plants, and renewable energy assets. MVM also owns the only power transmission system operator (TSO) in Hungary and two of the six Hungarian power distribution system operators (DSOs; representing 23% of the power distribution market). MVM is also integrated within the gas value chain (except transmission) because it owns more than 30% of the gas distribution network and 70% of the gas storage market. Furthermore, MVM operates the universal electricity and gas supply service for domestic clients at a regulated fixed price, has a 70% market share in gas wholesale, and a more than 40% market share in the liberalized segments of both electricity and gas retail.

Outlook

The negative outlook mirrors that on Hungary.

Downside scenario

A sovereign downgrade could trigger a downgrade of MVM.

We could also downgrade MVM if we revise the SACP to 'bb+' from 'bbb-'. This could occur if the company posts FFO to debt sustainably below 30% without any prospects of recovery, due to factors such as:

- Low availability of MVM's generation fleet;
- A large loss of market share in its supply business;
- Poor capex execution under its strategic growth plan; and
- The group engaging in a large debt-funded acquisition.

Upside scenario

We could revise outlook back to stable if we take the same action on Hungary. We could also revise the outlook to stable if we think there is a reasonable likelihood that MVM could withstand a sovereign-linked macroeconomic stress scenario, which is currently not the case. This could require MVM to meaningfully increase its share of operations outside Hungary or reduce its link to the Hungarian government.

Key Metrics

MVM Energy Private LLC--Forecast summary

Period ending	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
(Bil. HUF)	2023a	2024a	2025f	2026f	2027f
EBITDA	931	844	780	696	713
Capital expenditure (capex)	327	325	333	421	617
Free operating cash flow (FOCF)	(9)	816	7	132	85
Dividends	417	141	319	58	49
Discretionary cash flow (DCF)	(426)	675	(312)	74	(134)
Debt	1,575	1,352	1,635	1,533	1,740
Adjusted ratios					

MVM Energy Private LLC

MVM Energy Private LLC--Forecast summary

Debt/EBITDA (x)	1.7	1.6	2.1	2.2	2.4
FFO/debt (%)	47.5	34.6	29.6	34.6	31.6
FOCF/debt (%)	(0.6)	60.3	0.4	8.6	(4.9)
DCF/debt (%)	(27.1)	49.9	(19.1)	4.8	(7.7)

Adjusted ratios pro-forma M&A

FFO/debt (%)	--	41.3	30.5	--	--
Debt/EBITDA (x)	--	1.3	2.0	--	--

All figures are adjusted by S&P Global Ratings, unless stated as reported. All figures are pro-rata unless otherwise specified. Pro-forma FFO/Debt and Debt/EBITDA refer to full-year earnings consolidation of intra-year acquisitions (5% stake in the Shah Deniz gas field and E.ON's Romanian assets in 2024 and 2025 respectively). a-- Actual. e--Estimate. f--Forecast. HUF--Hungarian forint.

Financial Summary

MVM Energy Private LLC--Financial Summary

Period ending	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024
Reporting period	2019a	2020a	2021a	2022a	2023a	2024a
Display currency (bil.)	HUF	HUF	HUF	HUF	HUF	HUF
Revenues	1,325	1,425	2,851	7,648	5,079	4,534
EBITDA	206	217	246	476	931	844
Funds from operations (FFO)	200	157	169	384	749	468
Interest expense	6	8	14	58	108	88
Cash interest paid	5	6	10	48	98	83
Operating cash flow (OCF)	76	293	645	(889)	317	1,141
Capital expenditure	149	167	238	504	327	325
Free operating cash flow (FOCF)	(73)	127	407	(1,393)	(9)	816
Discretionary cash flow (DCF)	(77)	119	407	(1,428)	(426)	675
Cash and short-term investments	28	244	766	408	246	298
Gross available cash	28	244	766	408	246	298
Debt	423	421	7	1,185	1,575	1,352
Common equity	1,262	1,619	2,132	2,234	1,937	2,169
Adjusted ratios						
EBITDA margin (%)	15.5	15.2	8.6	6.2	18.3	18.6
Return on capital (%)	4.0	1.5	0.7	8.4	19.7	16.3
EBITDA interest coverage (x)	35.4	26.4	18.2	8.2	8.6	9.6
FFO cash interest coverage (x)	45.5	25.8	17.6	9.0	8.6	6.6
Debt/EBITDA (x)	2.1	1.9	0.0	2.5	1.7	1.6
FFO/debt (%)	47.4	37.3	2,517.1	32.4	47.5	34.6
OCF/debt (%)	17.9	69.7	9,625.7	(75.0)	20.1	84.4
FOCF/debt (%)	(17.3)	30.1	6,071.8	(117.5)	(0.6)	60.3
DCF/debt (%)	(18.2)	28.2	6,068.5	(120.5)	(27.1)	49.9

Peer Comparison

MVM Energy Private LLC--Peer Comparisons

	MVM Energy Private LLC	Hrvatska Elektroprivreda d.d.	CEZ a.s.	Edison SpA	Vattenfall AB
Foreign currency issuer credit rating	BBB-/Negative/--	BBB/Stable/--	A-/Stable/--	BBB/Positive/A-2	BBB+/Stable/A-2
Local currency issuer credit rating	BBB-/Negative/--	BBB/Stable/--	A-/Stable/--	BBB/Positive/A-2	BBB+/Stable/A-2
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2024-12-31	2023-12-31	2024-12-31	2024-12-31	2024-12-31
Bil.	HUF	HUF	HUF	HUF	HUF
Revenue	4,534	1,546	5,556	6,427	8,817
EBITDA	844	214	2,305	684	1,513
Funds from operations (FFO)	468	193	1,401	471	1,279
Interest	88	29	175	(9)	118
Cash interest paid	83	15	95	7	133
Operating cash flow (OCF)	1,141	(42)	2,022	342	2,218
Capital expenditure	325	180	865	238	1,051
Free operating cash flow (FOCF)	816	(222)	1,157	104	1,167
Discretionary cash flow (DCF)	675	(222)	693	(76)	955
Cash and short-term investments	298	210	709	379	3,060
Gross available cash	298	210	709	379	3,060
Debt	1,352	724	5,273	459	2,452
Equity	2,169	1,086	4,096	2,823	7,643
EBITDA margin (%)	18.6	13.9	41.5	10.6	17.2
Return on capital (%)	16.3	1.3	18.5	6.8	9.1
EBITDA interest coverage (x)	9.6	7.3	13.2	(72.3)	12.8
FFO cash interest coverage (x)	6.6	13.8	15.8	64.6	10.6
Debt/EBITDA (x)	1.6	3.4	2.3	0.7	1.6
FFO/debt (%)	34.6	26.7	26.6	102.7	52.2
OCF/debt (%)	84.4	(5.8)	38.3	74.6	90.5
FOCF/debt (%)	60.3	(30.6)	21.9	22.8	47.6
DCF/debt (%)	49.9	(30.6)	13.1	(16.6)	39.0

Liquidity

We assess MVM's liquidity as adequate. We think that MVM has adequate access to bank financing and international capital markets. The group's large cash position, annual cash flows, and committed credit facilities should cover expected cash outlays--primarily capex, working capital, and dividends--by more than 2x over the next 12 months. Most of MVM's committed credit lines include material adverse clauses that in our view risk getting activated in case of a sovereign stress scenario.

In addition, while we do not include this in our calculation, we note the company's proactive stance on refinancing and managing maturities. That said, we consider MVM's liquidity as adequate, incorporating the exposure to seasonality in its working capital needs coming from gas storage requirements. Inventory is typically peaking ahead of the winter season in the fourth quarter each calendar year, and, as consumption lowers inventory levels, debt moderates towards the second half of the following year.

We forecast the following principal liquidity sources and uses are for the 12 months from March 31, 2025:

Principal liquidity sources

- HUF250 billion in cash and liquid investments;
- About HUF800 billion from the undrawn portion of long-term committed credit facilities (i.e. maturing in more than a year as of end of Q1 2025); and
- Cash FFO of HUF500 billion-HUF550 billion.

Principal liquidity uses

- Debt amortization of about HUF70 billion;
- Estimated net capital spending of about HUF350 billion-400 billion (maintenance and committed projects); and
- Dividends of approximately HUF250 billion.

Environmental, Social, And Governance

ESG factors have an overall neutral influence on our credit rating analysis of MVM. The group's generation fleet is transitioning toward low carbon dioxide and no coal, in line with the Hungarian energy plan. About 20% of MVM's EBITDA came from its power generation activities in 2024. It has total installed capacity of about 4.4 GW, mostly nuclear (2.0 GW), fossil fuel-fired (1.6 GW, of which coal is 784 MW; and natural gas, biomass, and waste 729 MW), and renewables (880 MW, of which 806 solar PV). The company has confirmed it is targeting to phase out coal by the end of 2029, with most of the provisions related to decommissioning already accounted for.

From a social standpoint, we understand energy bills affordability is a priority for the Hungarian government, in line with other European countries. While this may lead to temporary decreases in earnings as MVM is tasked with the provision of universal electricity and gas supply services at government-regulated prices, the company is also entitled to recover any potential losses with a maximum two-year lag, with an overall neutral rating impact.

From a governance perspective, the Hungarian government has full ownership and control of the company, leading us to cap our rating at the level of the sovereign rating on Hungary.

Issue Ratings--Subordination Risk

Capital structure

At year-end 2024, MVM's capital structure comprised about HUF1.421 billion in gross debt (bonds and loans), almost all of which was unsecured and issued by MVM.

Analytical conclusions

The company centralizes all debt issuance at the holding level. Since we do not see any factors leading to structural subordination, we rate MVM's bond issuance 'BBB-', the same as the issuer credit rating.

Rating Component Scores

Foreign currency issuer credit rating	BBB-/Negative/--
Local currency issuer credit rating	BBB-/Negative/--
Business risk	Satisfactory
Country risk	Moderately High
Industry risk	Intermediate
Competitive position	Satisfactory
Financial risk	Intermediate
Cash flow/leverage	Intermediate
Anchor	bbb-
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	bbb-

Related Criteria

- [Criteria | Corporates | General: Sector-Specific Corporate Methodology](#), April 4, 2024
- [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

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- [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

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