S&P Global
Ratings

RatingsDirect®

Czech Energy Company CEZ a.s. Outlook Revised To Negative On Potential Divestment Of Regulated Operations

April 28, 2026

Primary Contact

Maria Hjukstrom
Stockholm
0850155944
maria.hjukstrom
@spglobal.com

Secondary Contact

Per Karlsson
Stockholm
46-84-40-5927
per.karlsson
@spglobal.com

Rating Action Overview

- In its general meeting planned for June 1, CEZ a.s.' management intends to seek approval to potentially divest a minority stake (that is, up to 49.9%) of its regulated gas and electricity distribution operations, along with its sales and Energy Service Company (ESCO) business segments. If approval is gained, such a material reduction in the company's share of regulated earnings would likely weaken our view of its business risk profile.
- Depending on the final size of the divestment and how the sales proceeds are used, the proposed transaction may also weigh on our assessment of CEZ's financial risk profile.
- Furthermore, the Czech state, which currently owns 70% of CEZ, has commented that it plans to nationalize the company. We see a risk that, if some operations are sold, the proceeds could be used to increase the state's control over CEZ.
- We revised our outlook on CEZ to negative from stable and affirmed our 'A-' long-term issuer credit rating on the company. The negative outlook indicates that the divestment could cause us to lower the rating--most likely by one notch, although potentially by two notches--depending on how it affects the share of regulated earnings, company leverage, and our view of CEZ's relationship with the Czech state.

Rating Action Rationale

The proposed divestment of regulated assets would make future cash flows less stable, thus weakening CEZ's creditworthiness. On April 23, 2026, CEZ announced that at the general meeting in June, it will seek approval to create a new customer segment subsidiary company, in which it will place all the group's regulated assets, together with some unregulated operations, such as energy trading. Thereafter, it may divest up to 49.9% of its stake in this subsidiary. In 2025, those units generated EBITDA of about €2.2 billion. Given that the government controls 70% of CEZ, we see a high likelihood that the proposed transaction will be approved.

Such a change would alter the company's business mix, creating a shift away from regulated activities, and could weigh on our ratings on CEZ. It is not aligned with our previous base case, which assumed that EBITDA stemming from distribution system operator (DSO) activities would steadily increase to well above one-third of total EBITDA by end-2026. We see DSO activities as less risky than generation assets.

In addition, we now see a risk that the financial risk profile will weaken. The company has not yet disclosed what it intends to use the proceeds for, but the Czech state has commented on its intention to nationalize CEZ. Although such a process is likely to take time, we cannot rule out the possibility that the sales proceeds are used in a way that weakens our view of CEZ's financial risk profile. As of year-end 2025, funds from operations (FFO) to debt stood at 25.7%.

The announcement could also influence our view of CEZ's link to and role for the Czech state, and could indicate an increased risk of negative state intervention. Our rating on CEZ benefits from two notches of uplift from the stand-alone credit profile (SACP), based on our view of the moderately high likelihood of extraordinary support from the Czech state.

The government, which has been in power since October 2025, has been vocal about wanting to nationalize CEZ, citing a need to increase its control over energy prices. If the proposed plan were to lead to CEZ becoming fully state-owned, we may revise our view of the link between the company and the state. We could also factor in a potential increase in the perceived likelihood of negative intervention. If we expect the Czech state to intervene in ways which weakens CEZ's credit profile, this could prompt us to lower our view of the likelihood of extraordinary support, compared with our current assessment.

We will continue to monitor the situation as it evolves and expect clarity to improve over the next 12-24 months. We could lower our ratings on CEZ by one or more notches as a result of the changes, depending on what share of its regulated earnings it retains, our view of its financial risk profile and leverage, and the degree to which we consider that any measures put in place may mitigate the impact.

Outlook

The negative outlook indicates that, in our view, the potential divestment of up to 49.9% of CEZ's regulated DSO activities could depress the company's credit profile. We could lower our long-term rating on CEZ--most likely by one notch, although potentially by two notches--over the next two years, depending on the scale and scope of the divestment, our view of its future financial risk profile, and our perception of the degree to which the Czech state could influence CEZ's strategy.

Downside scenario

We could lower our ratings on CEZ if we saw a weakening of either or both of the company's business and financial risk profiles. The business risk profile could be weakened if the divestments dilute the proportion of CEZ's business that comprises regulated activities, so that we expect regulated grid business to contribute less than a third of its total EBITDA for an extended period. The impact would be exacerbated if it were combined with a weakening of CEZ's financial risk profile.

We could also downgrade CEZ if we revised down the likelihood of extraordinary support from the Czech state; for example, because the adverse effect of state interventions had weakened CEZ's credit profile.

Upside scenario

We could revise the outlook back to stable if:

- The company limits its divestments of its regulated operations, or chooses not to divest these activities, so that its share of regulated earnings remains in line with our previous base case (well above a third of total EBITDA); and
- We expected leverage to remain in line with our current base case.

Company Description

CEZ is an integrated energy company that is present in a wide range of electricity-related businesses, including generation, distribution, supply, mining, and energy trading. It is one of the leading economic entities in the Czech Republic and also operates in Germany, Poland, Slovakia, France, and Italy.

CEZ benefits from an unrivalled position in the Czech electricity market, where it has market shares of about 66% for its generation segment and 64% for its distribution segment. In 2025, it reported S&P Global Ratings-adjusted EBITDA of Czech koruna (CZK) 140.6 billion (€5.8 billion), of which close to 30% came from regulated power and gas grids. Most of the rest stemmed from power generation. CEZ's largest shareholder is the Czech Republic, which has a 70% stake in terms of both share capital and voting rights. The remaining 30% is publicly listed. In August 2024, CEZ finalized its acquisition of a 55.21% stake in GasNet, the biggest gas distributor in Czechia.

Liquidity

We view CEZ's liquidity position as adequate, based on our expectation that available liquidity resources will cover cash outflows by about 1.5x in the next 12 months. Supportive qualitative factors include strong bank support, the company's high standing in the credit markets, and the ongoing benefits of its state ownership.

Principal liquidity sources	Principal liquidity uses
• Unrestricted cash and liquid securities of CZK34.8 billion; • Availability of about CZK102 billion under various committed back-up facilities maturing after 12 months; and • Cash FFO of about CZK79 billion.	• Debt maturities of about CZK43 billion; • Annual capital expenditure of about CZK80 billion; and • A dividend of about CZK23 billion.

Issue Ratings--Subordination Risk Analysis

Capital structure

CEZ's debt structure comprises senior unsecured debt, in the form of bonds and loans, issued at the parent level. After the consolidation of Czech Gas Networks Investments S.a.r.l. in 2024, CEZ had about CZK57 billion of debt at the subsidiary level and about 23% of its total debt comprised priority debt. Because the priority debt ratio is below 50%, we do not consider CEZ's unsecured debt to be subordinated.

Analytical conclusions

We rate debt issued by CEZ at 'A-', in line with the issuer credit rating, because no significant elements of subordination risk are present in the capital structure.

Rating Component Scores

Component	
Foreign currency issuer credit rating	A-/Negative/--
Local currency issuer credit rating	A-/Negative/--
Business risk	Strong
Country risk	Intermediate risk
Industry risk	Intermediate risk
Competitive position	Strong
Financial risk	Significant (medial volatility table)
Cash flow/leverage	Significant
Anchor	bbb
Modifiers	
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Adequate
Management and governance	Neutral
Comparable rating analysis	Neutral
Stand-alone credit profile	bbb
Likelihood of government support	Moderately high (+2 notches)

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: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- 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: 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
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010

Related Research

- Czech Gas Networks Investments Upgraded To 'A-' On Strong Financial Performance And Supportive Regulation, Feb. 19, 2026
- Czechia's Electricity And Gas Distribution Regulatory Framework: Supportive, Jan. 27, 2026
- Tear Sheet: CEZ a.s., Dec. 4, 2025

Ratings List

Ratings List		
Ratings Affirmed; Outlook Action		
	To	**From**
CEZ a.s.		
Issuer Credit Rating	A-/Negative/--	A-/Stable/--
Senior Unsecured	A-	

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.