

NON-RATING ACTION COMMENTARY

CGNI's Acquisition of Gas Distribution Is Consistent with Rating

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Fitch Ratings-Barcelona- 11 September 2025: Czech Gas Networks Investments S.a r.l.'s (CGNI; BBB+/Stable) agreement to acquire 100% of Gas Distribution s.r.o. (GD) from E.ON SE (BBB+/Stable) does not affect CGNI's 'BBB+' rating nor its Stable Outlook, Fitch Ratings says. The deal will enable CGNI to distribute gas throughout the whole of the Czech Republic, excluding Prague. We believe CGNI retains flexibility to accommodate the financial impact of the acquisition, remaining within its rating sensitivities.

The transaction will not affect CGNI's business profile as GD is involved in the same activity and is smaller (GD generated about CZK0.7 billion of EBITDA in 2024). We expect CGNI's EBITDA to grow to about CZK14 billion in 2028 from about CZK10 billion in 2024 under the new supportive regulatory period (RP6) from 2026. We also expect only moderate capex requirements of about CZK7 billion annually, including those related to GD.

We forecast pro forma funds from operations net leverage to average around 6.5x (versus a 6.7x threshold) in 2026-2028, assuming a wholly debt-funded acquisition and dividend distributions significantly above the management's budget. We believe that CGNI can adjust dividends but this is not our base case given the company's large rating headroom.

CGNI has good liquidity. The company fully repaid its capex facility of CZK800 million in June and increased the undrawn commitment under its current senior facilities agreements to CZK1.5 billion. The company also concluded various RCF agreements, totalling EUR535 million, in August. This available liquidity can be used to fund capex and mitigate the refinancing risk of CGNI's CZK6.7 billion bonds maturing in 2026.

GD distributes 2.9TWh of natural gas a year, through a distribution network of about 4,600km, mainly in the South Bohemia region. The acquisition is subject to approval by the Czech Ministry of Industry and Trade and the European Commission, and is set to close at end-2025 or early 2026.

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