Research Update:

Siemens Energy Upgraded To 'BBB+' On Transition To Structurally Stronger Profitability; Outlook Stable

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Rating Action Overview

- Siemens Energy AG's profitability and its cash flow generation are improving toward a level we consider consistent with a higher rating. We expect the S&P Global Ratings-adjusted EBITDA margin to improve to 13.5%-14.0% in 2026 and 15.5%-16.0% in 2027.
- We forecast that Siemens Gamesa Renewable Energy (SGRE) will break even in 2026 and that its EBITDA margins will turn positive in 2027.
- Hence, we raised our long-term ratings on Siemens Energy, its subsidiaries, and its unsecured debt to 'BBB+' from 'BBB'. The short-term issuer credit rating will remain 'A-2'.
- The stable outlook on Siemens Energy indicates that we expect it to deliver an adjusted EBITDA margin above 12% in 2026, while generating meaningful free operating cash flow (FOCF) and maintaining a solid balance sheet. Debt to EBITDA is forecast to be below 1.0x, while funds from operations (FFO) to debt will be above 60%.

Rating Action Rationale

Operating performance at Siemens Energy has recently demonstrated structurally stronger profitability and improving earnings quality. Exceptionally strong market conditions helped to accelerate the improvement, combined with the group's leading positions in gas services and grid technologies. These segments benefit from long-term structural increases in demand, such as grid modernization, electrification, energy security, and rapidly increasing demand for power from data center investments. If results match management's updated guidance for the rest of the year, which exceed our previous expectations, they could support a higher rating.

In our view, these factors are creating a more sustainable investment cycle that offers the group more predictable earnings. Company profitability is supported by favorable pricing conditions, disciplined project execution, and the increasing contribution from higher-margin service business. Margins are becoming more resilient due to operational measures, supply-chain optimization, and better capacity utilization.

At the same time, we consider that SGRE is starting to overcome its operational challenges. Although the subsidiary is still a source of uncertainty and execution risk, losses have been

significantly reduced compared with prior periods by the implementation of restructuring measures and operational improvements. We anticipate that these actions will progressively reduce earnings volatility and limit the degree to which the wind business weighs on the group's consolidated performance. We forecast that EBITDA margins will improve toward 13.8%-14.0% in 2026 and 15.5%-16.0% in 2027, in line with the margins we would anticipate seeing at a higher rating level.

Sustained demand across core businesses supports revenue visibility in the medium term. During the first half of 2026, order activity remained resilient across the group's key segments, particularly in gas service and grid technologies. Order intake rose 32% year on year and the group's order backlog reached €154 billion on March 31, 2026, from €138 billion on Sept. 30, 2025. This provides it with revenue visibility that extends beyond the next three years.

In our view, the group's revenue profile is supported by a substantial multiyear backlog. We expect revenue to grow by 10%-15% in 2026 and 12%-17% in 2027. The quality and composition of the backlog further strengthen our view of revenue resilience, and there has been an increasing contribution from grid infrastructure and the long-term service agreements in gas services. Compared with equipment sales, these activities typically generate recurring cash that is more stable and exhibits less sensitivity to near-term macroeconomic volatility. In grid technologies, demand associated with the expansion of data centers is fueling incremental growth--related orders booked exceeded €2 billion in the first half of 2026, almost equaling the amount booked in the full fiscal year to Sept. 30, 2025. In addition, for gas services, data center-related orders were around 7 gigawatts in the first half of 2026.

We now forecast much stronger FOCF, based on stronger margins and working capital dynamics, in line with the updated company guidance. FOCF is projected to reach about €5.3 billion-€5.6 billion in 2026 (previously forecast at €3.8 billion) and to reach about €6.8 billion-€7.2 billion in 2027 (€6.2 billion). Milestone and advanced payments across the order book supported stronger earnings and working capital dynamics, and reservation fees for gas turbines and grid technologies still support cash inflows. In addition, we view Siemens Energy's strategy of expanding its measured capacity as positive. Expansion should enable the group to achieve more-efficient capacity management when volumes normalize.

Although Siemens Energy has significantly strengthened its cash generation profile, working capital remains an area of potential volatility and could become less supportive over time if the order intake moderates. We also see a risk that some of the inflows reflect timing effects, and that these may moderate as the execution phase of the enlarged order backlog accelerates. For example, cash inflows from advances may diminish while outflows rise if the book-to-bill ratio falls below 1.0x. Working capital risk may be more pronounced at SGRE, where execution complexity is higher and the company turnaround is still a work in progress. We anticipate that the group's profitability will show a material increase that enables it to generate sound FOCF, even excluding cash inflows from advanced payments.

Siemens Energy is likely to maintain its net cash position, and the proposed shareholder distributions have been carefully balanced to avoid compromising financial discipline. The group has proposed a new capital allocation strategy that will reintroduce capital returns, in a measured, credit-conscious way. Siemens Energy plans to maintain its dividend policy of 40%-60% of net income payout. The company has accelerated its share buybacks further, after completing its first €2 billion tranche, by adding €1 billion in 2026. As a result, total returns to shareholders will reach €3.6 billion over 2026.

The company will continue its share repurchase program, through which it will return €6 billion to shareholders by end-2028. In addition, management remains committed to maintaining a

strong investment-grade rating, and therefore intends to retain a stable net cash position over 2026-2028. Given its stronger operating performance and the higher FOCF generation we now forecast, we estimate that Siemens Energy will maintain its net cash position throughout this period.

Outlook

The stable outlook indicates that we expect Siemens Energy to deliver adjusted EBITDA margin above 12% while generating meaningful FOCF and maintaining a solid balance sheet on which debt to EBITDA is below 1.0x and FFO to debt above 60%.

Downside scenario

We could lower the rating if:

- Siemens Energy's EBITDA margins do not remain above 12%, as expected in our base case;
- Debt to EBITDA rose above 1.0x or FFO to debt fell below 60%;
- The group fails to generate FOCF in line with our expectations; or
- We see a material deviation from our base case that leads to higher cash outflows or a reduction in earnings expectations. This could occur, for example, if demand weakens while pricing pressure increases, so that profitability stagnates; or if there are material project charges or a delay in the turnaround of SGRE.

Upside scenario

We see limited rating upside over the next two years. We could raise the rating if operating performance materially strengthened, including at SGRE. An upgrade would also depend on positive FOCF generation, even after volumes have normalized. We would also like to see management commit to maintaining a strong balance sheet and supportive financial policies.

Company Description

Siemens Energy combines Siemens' former gas and power businesses with SGRE, which Siemens Energy fully owns and consolidates. On March 31, 2026, Siemens Energy's order backlog reached a record high of about €154 billion. In fiscal 2025, Siemens Energy generated revenue of about €39.1 billion and adjusted EBITDA was about €3.5 billion.

Siemens Energy's conventional power business consists of:

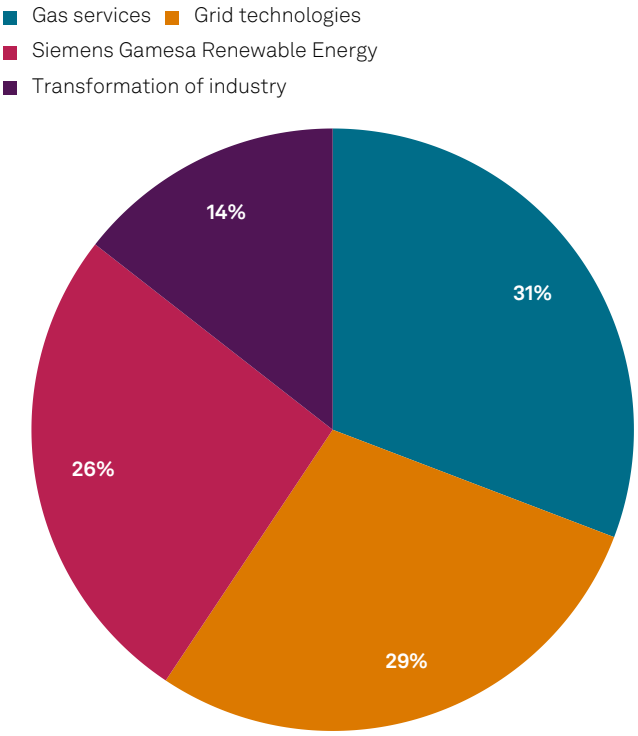
- Gas services: Consolidating all business activities related to gas and large steam turbines, the related service business, and heat generation applications.
- Grid technologies: Transmission and energy storage activities.
- Transformation of industry: Focused on the reduction of energy consumption and carbon dioxide emissions in industrial applications.

Chart 1

Chart 2

Gas services account for most revenue

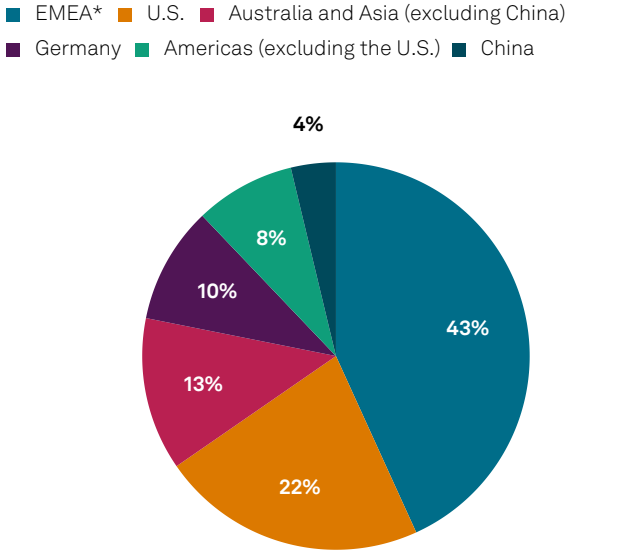
Revenue by segment (year to Sept. 30, 2025)



Source: S&P Global Ratings.
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The U.S. accounts for about one-fifth of revenue

Revenue by region (year to Sept. 30, 2025)



*Excludes Germany but includes the Commonwealth of Independent States.
Source: S&P Global Ratings.
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Our Base-Case Scenario

Assumptions

- Global economy real GDP growth to be about 3.1% in 2026 and 3.2% in 2027. For the eurozone, we forecast growth of 0.5% in 2026 before improving to 1.0% in 2027. For the U.S., we forecast GDP growth of about 2.1% in 2026 before reducing slightly to about 1.9% in 2027. For China, we expect GDP growth of about 4.4% in 2026 and 2027.
- Revenue growth to be about 10%-15% in fiscal 2026 and about 12%-17% in fiscal 2027, based on continued strong momentum in the conventional energy, notably gas services and grid technologies, as well as thriving end markets, supported by the record order backlog of about €154 billion as of March 31, 2026.
- Adjusted EBITDA margins to improve to about 15.5%-16.0% in fiscal 2027 from about 13.5%-14.0% in fiscal 2026 on the back of strong volume growth across all divisions, a rebound in volumes at SGRE, productivity gains, and the record order backlog with improved margin profile. EBITDA margins will be bolstered by the conventional power business and SGRE's profitability, which we expect to turn positive and contribute significantly to margin improvement.
- Over the past three years, Siemens Energy has managed its working capital, supported by the collection of advanced payments. We anticipate that the group will maintain its careful

working capital management in fiscals 2026 and 2027, and that working capital inflows will be about €2.6 billion in fiscal 2026 and about €2.0 billion in fiscal 2027.

- Annual capital expenditure (capex) of €2.2 billion-€2.5 billion in fiscals 2026 and 2027, based on growth investment in capacity expansion to support the growing order backlog and strategic investments allocated in anticipation of the growing market demand as the business expands, before normalizing to below €1.6 billion from fiscal 2028 onward.
- Dividends payments of about €600 million in fiscal 2026, about €1.7 billion in fiscal 2027, and about €2.0 billion in fiscal 2028, in line with management guidance that it plans to pay about €4.0 billion in dividends over fiscals 2026 to 2028.
- Share buybacks of about €3 billion in fiscal 2026 and about €3 billion in fiscal 2027 through the program announced in May 2026, which consists of about €6 billion in share buybacks over fiscals 2026 to 2028.
- No material acquisitions over the next 24 months.

Key metrics

Siemens Energy AG--Forecast summary

Period ending	**Sep-30-2023**	**Sep-30-2024**	**Sep-30-2025**	**Sep-30-2026**	**Sep-30-2027**
(Mil. EUR)	2023a	2024a	2025a	2026e	2027f
Revenue	31,119	34,465	39,077	43,000-44,500	48,500-50,000
EBITDA (reported)	(1,742)	3,552	3,843	5,800-6,200	7,500-8,000
Plus: Operating lease adjustment (OLA) rent	--	--	--	--	--
Plus/(less): Other	78	(1,952)	(385)	~ (5)	~ (5)
EBITDA	(1,664)	1,600	3,458	5,800-6,200	7,500-8,000
Funds from operations (FFO)	(2,246)	785	2,671	5,100-5,400	6,700-7,100
Cash flow from operations (CFO)	1,230	2,757	5,600	7,700-8,000	9,000-9,400
Capital expenditure (capex)	1,228	1,514	1,724	2,400-2,500	~2,200
Free operating cash flow (FOCF)	2	1,243	3,876	5,300-5,600	6,800-7,200
Debt (reported)	3,190	2,009	1,881	~800	~800
Plus: Lease liabilities debt	1,591	1,757	2,085	~2,100	~2,200
Plus: Pension and other postretirement debt	225	388	156	~160	~160
Less: Accessible cash and liquid Investments	(4,088)	(5,863)	(8,662)	(8,600) – (8,200)	(11,900) – (11,400)
Plus/(less): Other	232	31	--	~200	~200
Debt	1,150	--	--	--	--
Adjusted ratios					
Debt/EBITDA (x)	(0.7)	--	--	--	--
FFO/debt (%)	(195.3)	NM	NM	NM	NM
Annual revenue growth (%)	7.3	10.8	13.4	10.0-15.0	12.0-17.0
EBITDA margin (%)	(5.3)	4.6	8.8	13.5-14.0	15.5-16.0
Debt/debt and undepreciated equity (%)	11.6	--	--	--	--

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

Liquidity

We view Siemens Energy's liquidity as strong, reflecting our expectations that liquidity sources will exceed uses by more than 1.5x over the 12 months from March 31, 2026, and remain above 1.0x over the subsequent 12 months. We expect liquidity sources will exceed uses, even if EBITDA declines by 30%.

Principal liquidity sources	Principal liquidity uses
Principal liquidity sources over the 24 months from March 31, 2026, include: • Cash and cash equivalents of about €11.2 billion; • €4.0 billion in fully undrawn committed revolving credit facilities, maturing in February 2031; • Cash FFO of about €5.8 billion over the 12 months from March 31, 2026, and about €8.0 billion over the subsequent 12 months; and • Working capital inflows of about €2.4 billion over the 12 months from March 31, 2026, and up to €1.8 billion over the subsequent 12 months.	Principal liquidity uses over the same period include: • Short-term debt maturities of about €1.1 billion over the 12 months from March 31, 2026; • Intrayear seasonal working capital fluctuations of up to €1.0 billion; • Annual capex of €2.3 billion-€2.4 billion over the 12 months from March 31, 2026, reducing to about €1.8 billion-€1.9 billion over the subsequent 12 months; • Dividend payments of about €1.2 billion over the 12 months from March 31, 2026, and about €1.85 billion over the subsequent 12 months; and • Share repurchases of about €2.45 billion over the 12 months from March 31, 2026, and about €2.0 billion over the subsequent 12 months.

Covenants

The capital structure does not contain any covenants.

Issue Ratings--Subordination Risk Analysis

Capital structure

The group's outstanding debt consists largely of senior unsecured obligations.

Analytical conclusions

We rate Siemens Energy's senior unsecured debt at 'BBB', in line with the issuer credit rating, because no significant elements of subordination risk are present in the capital structure and adjusted debt to EBITDA is well below 2x.

Rating Component Scores	
Component	
Foreign currency issuer credit rating	BBB+/Stable/A-2
Local currency issuer credit rating	BBB+/Stable/A-2
Business risk	Satisfactory
Country risk	Low risk
Industry risk	Intermediate risk
Competitive position	Satisfactory
Financial risk	Modest
Cash flow/leverage	Modest
Anchor	bbb+
Modifiers	
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Strong
Management and governance	Neutral
Comparable rating analysis	Neutral
Stand-alone credit profile	bbb+

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
- 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

Related Research

- Industry Credit Outlook 2026: Capital Goods, Jan. 14, 2026

- Industry Credit Outlook 2026; Engineering and Construction, Jan. 14, 2026
- Siemens Energy Upgraded To 'BBB' On Structural Turnaround And Improving Earnings Quality; Outlook Positive, Dec. 12, 2025
- Siemens Energy Outlook Revised To Positive On Strong Business Momentum And Improved Profitability; 'BBB-' Affirmed; May 26, 2025
- Full Analysis | Siemens Energy, Jan. 29, 2025

Ratings List

Ratings List		
Upgraded; Outlook Action		
	To	**From**
Siemens Energy		
Siemens Energy KG		
Issuer Credit Rating	BBB+/Stable/A-2	BBB/Positive/A-2
Siemens Gamesa Renewable Energy S.A.		
Issuer Credit Rating	BBB+/Stable/--	BBB/Positive/--
Upgraded		
	To	**From**
Siemens Energy Finance B.V.		
Senior Unsecured	BBB+	BBB

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