

**ISSUER COMMENT**

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**RWE AG**

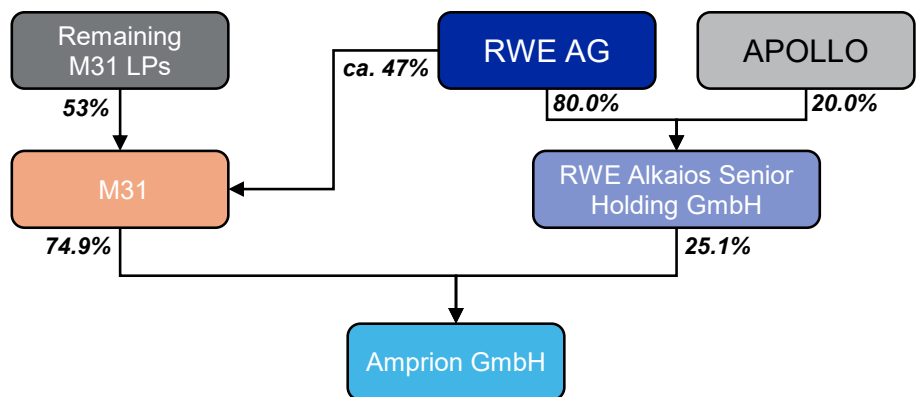
Equity-funded M31 share purchase helps earnings mix but Amprion adds to off-balance sheet debt

On 22 June, [RWE AG](#) (Baa2 stable), one of Europe's largest utilities with 49 gigawatts (GW) of global installed generation capacity, [announced](#) that it will acquire shares in M31 Beteiligungsgesellschaft mbH & Co. Energie KG (M31), an investment holding company backed mainly by German institutional investors. M31's sole asset is a 74.9% stake in German transmission system operator (TSO) [Amprion GmbH](#) (Baa2 stable). RWE will buy around 47% of M31 from existing shareholders for €3.6 billion, increasing its pro rata stake in Amprion to 55% from 20.08%.

Through the purchase, RWE aims to increase the share of predictable regulated earnings in its business mix. The transaction will not, according to the group, come at the expense of RWE's €35 billion investment programme over 2026-31 or its plan to grow dividends per share by 10% per annum, both of which were announced at RWE's strategy update in March. Evidencing RWE's balanced financial policy, the M31 purchase will be fully funded by a capital increase and the sale of treasury shares, both of which are expected to be completed by 26 June.

Assuming the necessary approvals for this transaction are obtained by Q3 2026, RWE will indirectly hold a majority stake in Amprion through its 80%-owned RWE Alkaios subsidiary (20% held by [Apollo Global Management, Inc.](#) (A2 stable)), which has a 25.1% share in Amprion ([see also our issuer comment](#)); and the stake in M31, providing indirect ownership of nearly 35% in Amprion (see exhibit). We understand that both holdings will be reflected in RWE's accounts as separate at-equity consolidated participations.

Post-transaction, RWE will indirectly own 55% of Amprion through M31 (35%) and RWE Alkaios (20%)



Source: Company

Following acquisition of the stake in M31, RWE will need to provide additional equity contributions to support Amprion's substantial capital expenditure (capex) plans. The TSO has budgeted capex of €42.1 billion over 2026-30, and RWE estimates capital contributions associated with the M31 shares at around €4 billion through 2031.

So that equity contributions to Amprion do not reduce planned investments in renewable and flexible generation, RWE plans to fund the equity for Amprion from the proceeds of its capital increase in excess of the M31 purchase price; and to use incremental financial headroom, including future dividend income associated with the transaction.

Amprion's cash earnings should rise materially as capex expands its regulated asset base (€16.5 billion at year-end 2025), supporting higher dividend payments over time from a proposed €300 million in 2026 (€200 million in 2025). RWE will receive around 40% of Amprion dividends, less than its 55% indirect ownership because Apollo is entitled to 80% of dividends within Alkaios. The total dividends attributable to RWE over 2026-31 will, according to the company's expectations, fund around €2 billion, or half of RWE's equity contributions associated with the transaction. The resulting average annual funding gap of €300-400 million is moderate, compared with RWE's planned average annual net cash investments of €5.83 billion.

This transaction will increase the proportion of typically stable and predictable network earnings for RWE. In its updated guidance for 2031 on midpoint EBITDA at €10,150 million, the company incorporates €550 million of Amprion's net earnings from the M31 stake and €380 million from the Alkaios participation, in total a share of around 9%. When considering the share of Amprion dividends attributable to RWE and assuming a 100% payout ratio, the total amount is around €630 million, or 6% of EBITDA in 2031. The impact of the transaction on RWE's business mix will thus be modest over the coming years. In addition, while RWE will report the associated income it will not consolidate any of the debt at the more highly leveraged Amprion. On this basis, key credit metrics will be flattered.

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