Tear Sheet:

Urenco Ltd.

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This report does not constitute a rating action.

Positive nuclear sentiment to drive demand for global enrichment services. The genesis of the nuclear industry continues to be fueled by geopolitical tensions and higher demand for electricity for data centers. As a result, we see strong demand across the nuclear chain value. One of the recent trends is the growing interest for small modular reactor (SMR) capacity, as seen in projects such as Canada's GE Hitachi BWRX-300 and similar ones in China, France, and Poland. In comparison to the large-scale nuclear reactors, those projects can be constructed over a few years with much lower cost per installed capacity. If some of the early bird projects achieve commercial success, the nuclear industry is likely to see much higher demand than currently forecasted.

When it comes to Urenco, the robust demand is reflected in a growing order book, which increased 14% to €21.3 billion as of Dec, 31, 2025, from €18.7 billion in the previous year. While the order book growth doesn't include any proposed revenue from SMRs and advanced modular reactors, there could be material upside once firm orders are raised. Looking ahead, market fundamentals remain constructive for the rest of 2026 and 2027, with separative work unit (SWU) prices likely to remain stable or trend higher, to about US$200 per unit. However, given a structural lag in revenue realization, higher enrichment prices can take several years to fully pass through into Urenco's sales.

Urenco's backloading of capital expenditure (capex) could provide more rating headroom. On the back of growing demand, the company significantly increased its capex program in 2024. The size of the capex and the lag between the investments return alluded to potential deterioration in the company's credit metrics and had led to a downgrade previously (see 'Urenco Ltd. Downgraded To 'BBB+' On Expanded Investment Cycle; Outlook Stable', May 14, 2025**).**

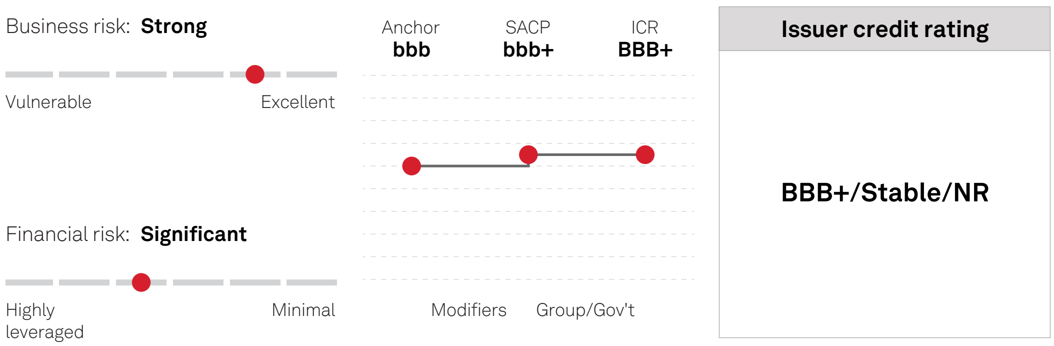
Since then, Urenco has continued to fine tune its capex program, with the deferral of some of its shorter-term capex to later stages of its investment cycle. As a result, the company will retain higher cash balances and free cash flow in the near term, strengthening its liquidity and providing additional rating cushion.

Despite this strategic deferral, we expect Urenco's capex in 2026 to remain elevated, at €700 million–€1,000 million. We note the capex is not tied to a single project but will be spread over capacity updates, new modules, and greenfield developments that typically consume a significant portion of cash flows. As a result, the positive free operating cash flow seen in 2025 (€310.4 million) is likely to turn negative in 2026, followed by a sharp recovery in 2027.

Asset retirement obligations (AROs) remain a prominent aspect of our calculation of Urenco's adjusted debt. As of Dec. 31, 2025, the company's financial interest bearing debt was fully neutralized by its €1.1 billion accessible cash. Consequently, our S&P Global Ratings-adjusted debt consists primarily of the €2.7 billion S&P Global Ratings-adjusted net ARO (consisting of gross ARO of €3.5 billion, Nuclear Decommissioning Fund and the tax effect on unwinding). These liabilities constitute the decommissioning provisions, alongside tails provisions, which are sensitive to changes in discount rates and disposal costs.

Given the complex nature of the assumption underpinning the ARO calculations, Urenco's adjusted debt could change considerably while having no material impact on the company’s creditworthiness over the short-term. As a result, a move of the credit metrics below our threshold--ratio of adjusted funds from operations to debt of 23%--is not directly linked to an increase in its financial debt or actual profitability, and would be considered more holistically.

Ratings Score Snapshot



ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Recent Research

- Industry Credit Outlook 2026: Midstream Energy, Jan. 14, 2026

Company Description

Urenco is a leading uranium enrichment services supplier to the civil nuclear industry. It serves around 50 utilities across 19 countries, contributing to the provision of low carbon electricity through nuclear generation. More than 90% of its earnings stem from uranium-enrichment tolling services using low-cost-to-use centrifuge technology.

Urenco had a production capacity of 17.2 million separative work units per year in 2025, compared with about 7.5 million for peer Orano SA. It operated four plants in four countries in 2025 (Germany, the Netherlands, the U.K., and the U.S.), which gives it flexibility of supply. U.K.-based TMF Group Ltd. allows Urenco to treat depleted uranium “tails” prior to final disposal, effectively providing in-house deconversion services.

In 2025, Urenco generated revenue of €2.09 billion and an S&P Global Ratings-adjusted EBITDA of €860 million.

One-third of Urenco’s shares are held by the U.K. government, one-third by the Dutch government, and one-third by German utilities RWE Aktiengesellschaft and E.ON SE (the latter via its subsidiary PreussenElektra GmbH).

Outlook

The stable outlook reflects our view that Urenco will enjoy the resurgence of the nuclear industry in the coming years, leading to a material increase in its backlog while building and executing its growth plan that will translate into strong cash flows over the long term.

Under our base case, we forecast adjusted EBITDA of €700 million-€800 million in 2026, increasing to €1000 million-€1,100 million in 2027, which would translate into adjusted FFO to debt of about 21% for 2026, and 20%-25% in 2027.

We view a minimum level of 23%, on a weighted average basis, as commensurate with our 'BBB+' rating, while the company executes its growth plan (from 2026-2034).

Lastly, our rating factors in no changes in the company's ownership structure. Even if ownership changed, we expect a limited effect, if any, on the rating.

Downside scenario

We do not see a meaningful likelihood of a downgrade within the coming 12-24 months. That said, the rating could come under pressure if:

- There is a complete reversal in market sentiment toward nuclear energy (for example due to a catastrophic nuclear accident resulting in social pressure to curb existing and future use of nuclear fuels). In this case, the company's backlog would likely shrink.
- There is a more generous dividend policy on top of an extensive capex plan that leads to an increase in the company's overall debt and its adjusted FFO-to-debt ratio falling below 15% in the coming years.

Upside scenario

We could consider raising the rating on Urenco within the next 12-24 months if:

- The capex program supports a material increase in FFO generation, which would translate into a FFO-to-debt ratio comfortably above 35%.

Key Metrics

Urenco Ltd. Forecast summary

Period ending	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
(Mil. EUR)	2024a	2025a	2026e	2027f
Revenue	1,877	2,096	1,700 – 2,000	1,900 – 2,100
EBITDA	726	863	750 - 850	900 – 1,000
Funds from operations (FFO)	539	709	650 - 750	850 - 950
Cash flow from operations (CFO)	565	922	700 - 800	900 - 1,000
Capital expenditure (capex)	463	611	800 – 1,000	800 – 1,000
Free operating cash flow (FOCF)	103	310	Around (150)	Around 100
Dividends	300	300	300	300
Discretionary cash flow (DCF)	(197)	10	Around (450)	Around (200)
Debt (reported)	620	1,101	1,000 – 1,100	1,400 – 1,600

Urenco Ltd. Forecast summary

Period ending	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
Debt	2,516	2,737	3,295	3,727
Cash and short-term investments (reported)	1,014	1,312	700 - 900	900 – 1,200
Adjusted ratios				
Debt/EBITDA (x)	3.5	3.2	Around 4.0	3.5 – 4.0
FFO/debt (%)	21.4	25.9	20 - 25	25 - 30

Rating Component Scores	
Foreign currency issuer credit rating	**BBB+/Stable/NR**
Local currency issuer credit rating	**BBB+/Stable/NR**
Business risk	**Strong**
Country risk	Low
Industry risk	Intermediate
Competitive position	Strong
Financial risk	**Significant**
Cash flow/leverage	Significant
Anchor	**bbb**
Modifiers	
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Strong (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Positive (+1 notch)
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: 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
- General Criteria: Methodology: Industry Risk, Nov. 19 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16 2011