

WORLD ENERGY MARKETS OBSERVATORY



Inter-Regional Finance Comparison



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Panel

FIGURE 1

Europe

-  Centrica
-  CEZ
-  E.ON
-  EDF
-  EDP
-  ENEL
-  ENBW
-  Engie
-  Fortum
-  Iberdrola
-  Naturgy
-  Orsted
-  RWE
-  SSE
-  Uniper
-  Vattenfallen

North America

-  American Electric
-  Consolidated Edison
-  Duke Energy
-  Edison International
-  Exelon
-  FirstEnergy
-  NextEra Energy
-  NRG Energy
-  Pacific Gas & Electric
-  Sempra Energy
-  Southern Company
-  The AES Corp
-  Hydro-Québec
-  TransAlta
-  BC Hydro
-  Ontario Power Generation
-  Hydro One
-  ENMAX

The pandemic has decreased utilities' revenue on both sides of the Atlantic, although the effect is more intense in Europe

The pandemic was characterized in Europe by stronger and longer health measures than in the States. Prolonged lockdowns had a strong influence on energy demand and, in turn, on utilities' revenues.

North American utilities were also impacted by COVID-19, albeit to a lesser extent because of milder restrictions.

FIGURE 2

Annual revenue evolution of companies in the panel

Revenue evolution				
	2017	2018	2019	2020
Utilities' average in Europe ¹	-8.2%	0.5%	1.8% ²	-9.7% ³
Trend in Europe	↓	↑	↑	↓
Utilities' average in North America ¹	2.5%	3.3%	-0.1%	-1.5%
Trend in North America	↑	↑	↓	↓

¹ Weighted by company revenue

² Excluding SSE

³ Excluding E.ON, Fortum and Uniper

Source: Thomson Reuters EIKON data, companies' annual reports

Utilities in both North America and Europe were resilient during the COVID-19 pandemic and raised their EBITDA margins









EBITDA margins are structurally higher in the U.S. and Canada than Europe due to:

- A regulated energy market in most states / provinces.
- A greater number of players incentivizing a precise costs discipline.

In 2020, utilities in both Europe and North America proved to be very resilient. Increasing EBITDA margins (in %) demonstrate their high control over operational costs and the high production time of their assets. But, at the same time, when revenues decrease, so too does the gross margin (in \$).

FIGURE 3

EBITDA margin evolution

EBITDA margin				
	2017	2018	2019	2020
Utilities' average in Europe ¹	19.0%	18.9%	21.0%	21.7%
Trend in Europe				
Utilities' average in North America ¹	37.4%	37.2%	38.6%	40.0%
Trend in North America				

¹ Weighted by company revenue

Source: Thomson Reuters EIKON data, companies' annual reports

In 2020 the leverage ratio of North American utilities increased from levels already higher than those of European utilities

North American utilities (Duke and NextEra, in particular) are more indebted than their European counterparts. Companies in the U.S. and Canada have a higher risk appetite as long as cashflow is generated. They were willing to take advantage of low interest rates to invest in infrastructure. In Europe, many investments have been postponed to manage risks.

However, the European trend of reducing leverage ratio is far from homogeneous, as demonstrated by companies like Fortum which strongly increased its net debt to make major acquisitions.

FIGURE 4

Leverage ratio (net debt/EBITDA) evolution

	Leverage ratio			
	2017	2018	2019	2020
Utilities' average in Europe ¹	2.93	2.78	3.50	3.37
Trend in Europe	↓	↓	↑	↓
Utilities' average in North America ¹	5.01	5.12	4.90	5.56
Trend in North America	↓	↑	↓	↑

¹ Weighted by company revenue

Source: Thomson Reuters EIKON data, companies' annual reports

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