OPC Energy Ltd.

May 28, 2026

Research Update

Issuer Rating Raised To ‘ilA+’ On Consistent Improvement In Financial Risk, Business Performance Growth; Outlook Stable

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Rating Action Overview

- In recent years, OPC Energy Ltd. ("OPC" or the "Company") continued to post improved business performance, reflected in consistent EBITDA and FFO growth, inter alia due to significantly larger installed capacity in its commercial portfolio, alongside gaining control in material projects in the U.S.
- At the same time, OPC posted lower leverage, mainly due to equity issuances and bringing in a partner into its U.S. renewable energy operations. As a result, we estimate that the Company's financial risk profile has improved.
- The Company is expected to make extensive investments in the coming years, but we estimate that it will maintain financial ratios commensurate with a higher rating, as part of its financial policy.
- Accordingly, on May 28, 2026, we raised our issuer rating on OPC Energy Ltd. to 'ilA+' from 'ilA' and affirmed our issue rating on its bonds, 'ilA+', identical to the issuer rating.
- The stable outlook reflects our assessment that in the next 12 months OPC will maintain its scope of operations and its competitive position in its markets of operations. Given our assessment of the Company's business risk profile, we believe that adjusted debt-to-EBITDA below 5x and FFO (funds from operations)-to-debt above 12% on average are commensurate with the rating.

Rating Action Rationale

Over the past two years, OPC has significantly increased its equity base and cash position, which we believe supports its ability to post continued growth while maintaining financial ratios commensurate with a higher rating. Since July 2024, the Company completed five equity issuances with total net proceeds of about NIS 3.7 billion, and brought in a partner into its U.S. renewable energy operations through an equity injection of about $300 million. As a result, the Company's equity materially and permanently grew to about $2.8 billion on March 31, 2026, and its adjusted debt declined to about $1.3 billion on the same date. OPC has a substantial investment plan for the coming years, which includes several projects in various stages of construction and planning. The projects in Israel include the expansion of the Hadera power plant, Ramat Beka (the largest local photovoltaic and energy storage project of its kind), and at a later stage the Intel project (a combined-cycle gas-fired power plant). Investments in the U.S. include the completion of the expansion of the Backbone project and the completion of the construction of Rogue's Wind project in the renewable energy operations, and the construction of the Basin Ranch gas-fired power plant. We estimate that over the next two years, as construction progresses on these projects, the Company's leverage will temporarily increase. However, we believe that the higher equity base and cash balance will allow the Company to implement its growth strategy and will be part of the financing sources for its investments, such that on average the financial ratios will be commensurate with the current rating.

OPC maintains its competitive position and continues to grow its business, which was reflected in larger total installed capacity and larger adjusted EBITDA and FFO. The Company operates in two major markets – Israel and the United States – in which it benefits from transparent, predictable and fairly stable regulatory frameworks. We believe that in Israel the Company benefits from a leading competitive position, reflected in the significant increase in its market share in private gas-fired electricity generation (about 11%), supported by government policy that encourages private electricity generation as part of the economy's preparation for increasing electricity demand. In the U.S., the Company operates gas-fired power plants and renewable energy projects, and benefits from growth opportunities in a market characterized by increasing electricity demand, including from technology companies and data centers. OPC has a technologically and geographically diverse portfolio, including gas-fired power plants (open cycle, combined cycle and cogeneration), alongside photovoltaic, wind and energy storage facilities in preliminary development. Most of the power plants in Israel were built in the last decade and are considered more efficient than older ones, which is reflected in OPC's profitability. The Company's renewable energy assets benefit from a high ranking in the merit order due to low environmental impact.

In recent years, the Company achieved commercial operation of several gas-fired power plants in Israel, acquired a diverse portfolio of conventional energy power plants, constructed renewable energy projects and increased its share in some of the U.S. power plants. The Company's production capacity consequently grew to about 3.8 gigawatt (GW) on March 31, 2026 (of which about 1.1 GW in Israel and the rest in the U.S.), compared to only about 0.46 GW at year-end 2019, when OPC operated through a single power plant (Rotem) in Israel. As a result, and despite the effects of the geopolitical and security situation in Israel in recent years, in 2025 the Company posted growth in adjusted EBITDA to about NIS 940 million from about NIS 864 million in 2024, and growth in adjusted FFO to about NIS 712 million from about NIS 542 million, respectively. Looking ahead, we believe that the completion of projects that are in the construction and planning stages in Israel and the U.S. and the acquisitions of partners' shares in the operating gas-fired power plants in the U.S. (Shore and Maryland) and in the Basin Ranch project which is under construction, all of which will be consolidated starting in 2026, are expected to contribute to the continued growth in installed capacity and to the Company's competitive position in Israel and the U.S. We believe that the continued increase in demand for electricity in the markets of operation, inter alia against the backdrop of AI and cloud technology growth, will support continued growth in the Company's EBITDA base and FFO. The completion of projects in planning and construction stages will also increase the technological diversity and geographical spread of the Company's operations, supporting its business risk profile.

The continued improvement in leverage ratios and the Company's financial policy support our assessment that its financial risk profile has improved. Following the continued growth in operations, alongside financial policy which includes financing growth through a mix of equity and financial debt and refraining from dividend distributions, leverage ratios continuously improved, and exceeded our expectations. The Company's adjusted debt-to-EBITDA ratio decreased to about 2.9x in 2025 from about 4.2x in 2024, while its adjusted FFO-to-debt ratio increased to about 25.8% from about 14.8%, respectively. We believe the continued improvement in financial ratios in recent years, given the Company's financial policy and our expectations for continued growth in operations and operating performance alongside the implementation of its extensive investment plan, reflect an improved financial risk profile.

OPC's revenue model is based in part on long-term contracts and availability revenues, that provide revenue stability and support cash flow visibility. The Company benefits from adequate diversification of customers and vendors, and it engages through a variety of long-term agreements that support stable revenues and cash flows, which constitute an additional financing source for its investment plan. In Israel, the Company sells electricity to a variety of industrial and business customers as well as to home customers, inter alia through an agreement with Partner Communications Company Ltd. (ilAA-/Stable), and recently reported the signing of a PPA with a leading server farm developer in Israel for a volume of about 460 megawatts (MW). Most of the Company's revenues derive from the sale of electricity to commercial customers through PPAs, with pricing based on a generation tariff with a fixed discount. The generation tariff is published by the Electricity Authority and is updated according to Israel Electricity Corporation's production inputs, in particular gas prices, which creates a partial natural hedge against fluctuations in the price of the gas that the Company purchases. We believe that the agreements with gas suppliers Tamar and Energian provide operational security and relative cost stability. In the U.S., the Company's generation facilities have availability contracts with wholesale distributors operating in the PJM, ISO-NE and NYISO monitored markets, supporting revenue and profit growth. The Company's gas-fired power plants receive availability payments from regulated wholesale sellers, while renewable projects operate under long-term contracts or fixed availability payments. We believe this model allows for revenue stability, mitigates dependence on the spot market or actual generation volumes, and moderates financial ratio volatility. Demand for electricity continues to grow while supply remains limited, which is expected to be reflected in higher availability rates and electricity sales in 2026-2027.

Outlook

The stable outlook reflects our assessment that in the next 12 months OPC will maintain its scope of operations and its competitive position in its markets of operations. Given our assessment of the Company's business risk profile, we believe that adjusted debt-to-EBITDA below 5x and FFO-to-debt above 12% on average are commensurate with the rating.

Upside scenario

We may take a positive rating action if the Company posts an adjusted debt-to-EBITDA ratio below 4x and an FFO-to-debt ratio above 20% over time and as part of financial policy, while maintaining stable operating performance and adequate liquidity. Alternatively, continuous and substantial growth in the Company's operations and market share beyond our base case scenario would support a positive rating action.

Downside scenario

We may take a negative rating action if the Company materially deviates from its business plans and financial policy, leading to consistently weaker financial ratios compared to our base case scenario. This could materialize, for example, in the event of unexpectedly aggressive investments with no mitigating equity-related actions, which would lead to significantly higher debt and, accordingly, to higher leverage. A deterioration in the Company's operating performance or liquidity profile may also exert negative pressure on the rating.

Company Description

OPC Energy Ltd. operates in two segments of operations: electricity generation and supply in Israel, mainly through an 80% holding in subsidiary OPC Power Israel Ltd., and electricity generation and supply in the U.S. through a 70% indirect holding in CPV Group LP (“CPV”). The Company’s total installed capacity in Israel is currently 1.1 GW: 466 MW in Rotem power plant, 144 MW in Hadera power plant, 396 MW in Tzomet power plant, 75 MW in Gat power plant and recently 87 MW in Sorek 2 power plant which is expected to commence operations. In the U.S., the Company's total share of installed capacity in projects in which it is an owner and a partner is about 2.7 GW, and includes renewable energy projects (solar and wind) held by CPV Renewable (an affiliate 66.7% owned by CPV), in addition to a portfolio of five gas-fired power plants, two of which are now fully owned by CPV - Shore (725 MW) and Maryland (745 MW). The remaining power plants are held by affiliated companies with various ownership shares, and the Company's share of their total capacity is about 832 MW.

Base Case Scenario

Our base case scenario is underpinned by the following assumptions:

- About 1.6% GDP growth in the U.S. in 2026, inflation rate of about 2.8% and unemployment rate of about 4.6%. In 2027: about 2% GDP growth, inflation rate of about 2.4% and unemployment rate of about 4.2%.
- About 3.1% GDP growth in Israel in 2026, inflation rate of about 2.2% and unemployment rate of about 3.3%. In 2027: higher GDP growth of about 5.9%, inflation rate of about 2% and unemployment rate of about 3.1%.
- NIS/USD exchange rate of about 3.1 in 2026-2027.
- Revenues of about NIS 4.7 billion - NIS 4.9 billion in 2026 and about NIS 5.2 billion - NIS 5.4 billion in 2027, given the revenue mix, taking into account the operation of the Sorek 2 power plant and the consolidation of the Shore and Maryland power plants.
- Annual adjusted EBITDA of about NIS 1.3 billion - NIS 1.6 billion in 2026-2027, based, among other things, on our expectations for a continued increase in demand and our assessment of higher availability payments and electricity margins in the U.S. and a higher generation tariff in Israel.
- Investments totaling about NIS 8 billion - NIS 9 billion in 2026-2027, including investments in existing operations and investments in the development of new projects in Israel - expansion of Hadera power plant, Ramat Beka, and at a later stage the Intel project, and in the U.S. the completion of the expansion of the Backbone project, the completion of the construction of the Rogue's Wind renewable energy project, and the construction of a gas-fired power plant, Basin Ranch.
- Implementation of financial policy, including executing leverage-mitigating equity actions and refraining from distributing dividends in the next two years.

Under our base case scenario, the expected financial ratios are as follows:

- Adjusted debt to EBITDA of about 5x on average in 2026-2027.
- Adjusted FFO to debt of about 15%-16% in 2026 and about 12%-14% in 2027.
- EBITDA interest coverage of about 3.8x-4.0x in 2026 and about 3.6x-3.8x in 2027.

Liquidity

We consider OPC’s liquidity to be "adequate". We estimate that the ratio between the Company's sources and its uses will exceed 1.2x in the 12 months starting April 1, 2026. This assessment reflects the Company’s material cash balance and its ability to generate cash flow from current operations on the one hand, and capital investments and current debt obligations for the relevant period on the other hand. Our assessment is also supported by the Company's access to a variety of financing sources, which is reflected in the completion of material debt refinancing in both Israel and the U.S. and in the bond and equity issuances the Company completed in recent years.

Following are the Company’s main sources and uses for the 12 months starting April 1, 2026:

Principal Liquidity Sources	Principal Liquidity Uses
• About $1.16 billion in cash and cash equivalents. • Operating cash flow of about $240 million - $370 million, including dividends from affiliates (our estimate).	• Ongoing maturities of about $144 million. • Ongoing capital expenditure (capex) and mandatory payments for land for development projects in Israel totaling about $500 million - $650 million.

Sources and uses are presented in USD terms, in accordance with the change in the Company's reporting currency effective from Q1 2026.
The Company has about NIS 600 million (about $210 million) in largely unused credit facilities, which are not considered as sources according to our methodology due to their early maturity date.

Covenant Analysis

The Company has several covenants vis-a-vis bond holders, banks and financial institutions. We understand that, as of March 31, 2026, the Company has sufficient headroom on its financial covenants, and we estimate that it will maintain sufficient headroom in the short term.

Modifiers

Diversification/portfolio effect: Neutral (no impact)

Capital structure: Neutral (no impact)

Liquidity: Adequate (no impact)

Financial policy: Neutral (no impact)

Management and governance: Neutral (no impact)

Comparable ratings analysis: Positive (no impact)

Environmental, Social, And Governance

ESG factors have an overall neutral influence on our credit rating on OPC Energy Ltd. The Company is endeavoring to expand production capacity in Israel and the U.S. and to increase its customer base, including through the development and construction of renewable energy generation and energy storage projects. Alongside its focus on renewable energy, the Company continues to develop advanced and efficient natural-gas-fired power plants, and in the U.S. it is integrating carbon capture technologies as part of its transition to clean energy. In 2023, the Company adopted a multi-year ESG plan with the guidance of an international consulting firm, with an emphasis on reducing greenhouse gas emissions.

Group influence

The controlling shareholder of OPC Energy Ltd. is holding company Kenon Holdings Ltd. ("Kenon"), which holds about 46% of its shares. The remaining shares are held by institutional investors (~22%) and the public (~32%). We estimate that OPC's assets and liabilities are separate from those of Kenon, as both OPC and Kenon are public companies traded on the Tel Aviv Stock Exchange with material minority holdings, and therefore are subject to regulatory restrictions that may prevent OPC from supporting Kenon in a manner that would materially harm its credit quality. To the best of our knowledge, there are no cross defaults clauses between the companies. Therefore, according to our Group Rating Methodology, OPC's rating can be higher than Kenon's credit profile assessment.

Recovery Analysis

Key Factors

- We are affirming our 'ilA+' rating, on OPC's unsecured bond series (Series B, C, D). The recovery rating for these series is '3'.
- Our recovery prospect assessment is capped at the 50%-70% range despite the simplified waterfall, due to our assessment that on the path to default the Company will exchange unsecured debt for secured or senior debt.
- The Company's debt recovery analysis was determined, among other things, based on its consolidated statements and according to the EBITDA multiple method, given our assessment of the life expectancy of the Company's assets.

Simulated Default Assumptions

- Simulated year of default: 2030
- A recession in Israel and the U.S. or a material malfunction which will lead to a lengthy shutdown of production facilities will result in lower revenues, decreasing the cash flow used for interest and principal repayment.
- The group will continue to operate as a going concern, an assessment supported by its leading competitive position in private energy generation in Israel, by the scope of its PPAs and by its future backlog.

Simplified Waterfall

- EBITDA at emergence: about NIS 705 million
- EBITDA multiple: 5.5x
- Gross enterprise value according to DAV method: about NIS 3.9 billion
- Administrative costs: 5%

- Enterprise value available for secured debt: about NIS 3.7 billion
- Secured debt claims: about NIS 2.3 billion
- Net value available to cover unsecured debt: about NIS 1.4 billion
- Total unsecured debt (Series B, C, D): about NIS 1.6 billion
- Recovery expectations for unsecured debt: 50%-70% (capped as noted above)
- Unsecured debt recovery rating (1 to 6): 3

All debt amounts include six months' prepetition interest.

Mapping Recovery Percentages To Recovery Ratings

Recovery expectations (%)	Description	Recovery rating	Notching above/below issuer rating
100%	Full recovery	1+	+3 notches
90%-100%	Very high recovery	1	+2 notches
70%-90%	Substantial recovery	2	+1 notch
50%-70%	Meaningful recovery	3	0 notches
30%-50%	Average recovery	4	0 notches
10%-30%	Modest recovery	5	-1 notch
0%-10%	Negligible recovery	6	-2 notches

Recovery ratings are capped in certain countries to adjust for reduced creditor recovery prospects in these jurisdictions. Recovery ratings on unsecured debt issues are generally also subject to caps (see Step 6, paragraphs 90-98 of Recovery Rating Criteria For Speculative-Grade Corporate Issuers, December 7, 2016, for further detail). ICR--Issuer credit rating.

Related Criteria And Research

- Principles Of Credit Ratings, February 16, 2011
- Methodology: Industry Risk, November 19, 2013
- Country Risk Assessment Methodology And Assumptions, November 19, 2013
- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, December 16, 2014
- Recovery Rating Criteria For Speculative-Grade Corporate Issuers, December 7, 2016
- Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Group Rating Methodology, July 1, 2019
- Environmental, Social, And Governance Principles In Credit Ratings, October 10, 2021
- Methodology For National And Regional Scale Credit Ratings, June 8, 2023
- Corporate Methodology, January 7, 2024
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, January 7, 2024

- Sector-Specific Corporate Methodology, July 7, 2025
- S&P Global Ratings Definitions, December 16, 2025

Ratings List

OPC Energy Ltd.	Rating	Date when the rating was first published	Date when the rating was last updated
Issuer rating(s)			
Long term	ilA+/Stable	23/07/2017	26/05/2025
Issue rating(s)			
Senior Unsecured Debt			
Series B	ilA+	27/02/2020	26/05/2025
Series C	ilA+	19/07/2021	26/05/2025
Series D	ilA+	04/01/2024	26/05/2025
Issuer Credit Rating history			
Long term			
May 28, 2026	ilA+/Stable		
May 26, 2025	ilA/Stable		
July 28, 2024	ilA-/Stable		
August 01, 2023	ilA-/Negative		
January 21, 2020	ilA-/Stable		
July 31, 2019	ilA-/Positive		
July 23, 2017	ilA-/Stable		

Additional details	
Time of the event	28/05/2026 12:59
Time when the event was learned of	28/05/2026 12:59
Rating requested by	Issuer