

## Media Release

# Orsted A/S Assigned 'twAA/twA-1+' Ratings; Outlook Stable

September 24, 2019

## Rating Action

Taiwan Ratings Corp. today assigned its 'twAA' long-term and 'twA-1+' short-term issuer credit ratings on Orsted A/S (rated 'BBB+/Stable/A-2' by S&P Global Ratings). The outlook on the long-term rating is stable. The ratings on Orsted reflect the company's position as the global leader in offshore wind power generation with a market share of about 30%, solid track record of completing wind farm construction projects on time and within budget, a committed financial policy of maintaining funds from operations (FFO) to debt at about 30% with flexible capital expenditures and dividends, and likely extraordinary support from the State of Denmark. Execution risks for expansion outside of Europe, aggressive capital plans during 2019-2025, and a significant increase in zero-subsidies auctions partly offset these strengths.

## Outlook

The stable outlook on Orsted A/S reflects our assumption that the operating performance of the company's wind power segment will remain credit supportive over the next two years, thanks to the stable and predictable nature of the segment's operations. We expect Orsted's relationship with the Danish government to remain stable, and we believe there will be no significant changes to the company's current strategy or financial policies. This should support a ratio of FFO to debt of about 30% over the next two years. We anticipate that Orsted will have some headroom for this target over the same period, with FFO to debt averaging 40% before declining to about 37% in 2021.

## Downward scenario

We could lower the long-term rating if Orsted's operating performance were to deteriorate significantly over the next two years, which we see as remote for the time being. We could also lower the rating by one notch if Orsted's credit metrics weaken, with a ratio of FFO to debt consistently at 25% over the next two years. We also view this scenario as unlikely, but could result from delays in new projects coming on stream, sizable acquisitions, higher dividends, or greater capex than we currently forecast.

In addition, we could lower the rating by one notch if we consider the likelihood of government support has reduced. This could happen if the Danish government shows less willingness or a decreased ability to support its investment in Orsted, or no longer holds the majority share, although we view this as unlikely over the next two years.

### PRIMARY CREDIT ANALYST

**Raymond Hsu, CFA**  
Taipei  
+886-2-8722-5827  
raymond.hsu  
@spglobal.com  
raymond.hsu  
@taiwanratings.com.tw

### SECONDARY CONTACT

**David Hsu**  
Taipei  
+886-2-8722-5828  
david.hsu  
@spglobal.com  
david.hsu  
@taiwanratings.com.tw

## Upward scenario

We see rating upside potential as constrained by Orsted's existing financial policy (targeting FFO to debt of about 30%). However, we could upgrade Orsted if the company revises its financial policy leading to stronger, durable credit measures, such as a ratio of FFO to debt sustainably at 35%-40%. We also see the likelihood of this as a remote over the rating horizon.

## Related Criteria & Research

### Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions - July 01, 2019
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities - November 13, 2012
- General Criteria: Group Rating Methodology - July 01, 2019
- Understanding Taiwan Ratings' Rating Definitions, [www.taiwanratings.com](http://www.taiwanratings.com) - June 26, 2018
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers - December 16, 2014
- Criteria | Corporates | Industrials: Key Credit Factors For The Unregulated Power And Gas Industry - March 28, 2014
- General Criteria: Methodology: Industry Risk - November 19, 2013
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments - April 01, 2019
- Criteria | Corporates | General: Corporate Methodology - November 19, 2013
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions - March 25, 2015
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: Country Risk Assessment Methodology And Assumptions - November 19, 2013
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings - March 28, 2018
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009

### Related Research

- Full Analysis: Orsted A/S, [www.capitaliq.com](http://www.capitaliq.com) - May 21, 2019

(Unless otherwise stated, these articles are published on [www.standardandpoors.com](http://www.standardandpoors.com), access to which requires a registered account)

## Ratings List

### New Ratings

#### Orsted A/S

Issuer Credit Ratings

twAA/Stable/twA-1+

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.taiwanratings.com](http://www.taiwanratings.com) for further information. Complete ratings information is available to subscribers of Rating Research Service at [rrs.taiwanratings.com.tw](http://rrs.taiwanratings.com.tw). All ratings affected by this rating action can be found on Taiwan Ratings' public website at [www.taiwanratings.com](http://www.taiwanratings.com).

Copyright © by Taiwan Ratings Corp. All rights reserved.

Copyright © 2019 by Taiwan Ratings Corporation (TRC). All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of TRC. The Content shall not be used for any unlawful or unauthorized purposes. TRC and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively TRC Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. TRC Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. TRC DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall TRC be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. TRC's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. TRC assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. TRC does not act as a fiduciary or an investment advisor except where registered as such. While TRC has obtained information from sources it believes to be reliable, TRC does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, TRC reserves the right to assign, withdraw or suspend such acknowledgement at any time and in its sole discretion. TRC disclaims any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

TRC keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of TRC may have information that is not available to other TRC business units. TRC has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

TRC receives compensation for its solicited ratings and certain analyses, normally from issuers, originators, arrangers, or underwriters of securities or from obligors. TRC reserves the right to disseminate its opinions and analyses. TRC's public ratings and analyses are made available on its Web sites, [www.taiwanratings.com](http://www.taiwanratings.com) (free of charge), and [rrs.taiwanratings.com.tw](http://rrs.taiwanratings.com.tw) (subscription), and may be distributed through other means, including via TRC publications and third-party redistributors. Please click [here](#) for any other conflict of interests that may affect the credit rating as requested by the regulator.