

## 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.

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## 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

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Issuer Credit Ratings

twAA/Stable/twA-1+

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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).

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