ORSTED

Energy Transition / Europe

Lower than anticipated Q2 23

August 2023

After a weak first quarter due to price declines and unfavorable winds, second quarter results declined for similar reasons. This year there was no offset from new partnerships/firm downs which contributed DKK 1.6 billion in the first half of last year. Nonetheless, Orsted confirmed his forecast for 2023 given earlier in the year, expecting EBITDA to be in the range of DKK 19 billion to 22 billion. However, due to time constraints, the investment forecast was officially reduced by DKK 5 billion from DKK 50-53 billion to DKK 44-49 billion.

We remain cautious on the sector as ongoing inflation and lack of visibility regarding governments help do not support strong confidence.

Main Elements

- EBITDA down by 20% to DKK10.2bn (-10% excluding new partnerships that amounted to DKK1.6bn in H1 22)
- Revenue down by 23% to DKK45.8bn
- Net debt up by 6.5% yoy to DKK43.9bn (dividend payment in H1)
- Gross investments up by 24% to DKK16.2bn
- EBIT down by 36% to DKK5.3bn

Our View

EBITDA excluding new alliances decreased by 10%, negatively impacting the first quarter, but the second quarter did not improve for the same reason. Decreased by 7% and, excluding the base effect of an increase of DKK 1.5 billion from the 50% reduction of Borkum Lifglund 3 in the first half of 2022, it was down by 10% in the first half.

Offshore EBITDA increased by **DKK 3.3 billion** to **DKK 9.0 billion,** supported by **increased output** from **Hornsey** 2 and **Da** Changhua 1 and **2a. As a result, production capacity** at the end of June **increased by 8.7 million kW** from **7.4 million kW in the same period** last year. This increase offset a **decrease in** average wind speed **of 9.3 m/s compared to 9.8 m/s,** resulting in a **40% decrease in** load factor **compared to** 42% in **the first half of the year. In 2023, Da** Changhua 1 **and** 2a (900MW) **are expected to be closed, with** 67 **of the 110** turbines fully **operational** at the end of **the second quarter** and **the US** South Fork Wind **(130MW) is scheduled to come into operation** in **2023. It is** expected to be **operational** in **the fourth quarter.**

EBITDA for onshore wind **and solar energy fell** by 15% to **DKK 1.5 billion** in **the first half of the year,** while installed **capacity** increased by 16% to 4.6GW. **Like** other **competitors** such as EDP and ERG, the group suffered from **slowing** wind speeds in both Europe and the US. Overall, the average wind speed decreased by 5.8% to **7.4 m/s,** resulting in a 6.6% **decrease** in wind load factor to 41% **and a 2.5% decrease in solar** PV to 23%. **In addition, sales caps** introduced in **the fourth quarter of** 2022 in the UK and Ireland weighed on **sales.** These **factors and** lower **electricity** prices across the portfolio were not offset by a 1% increase in **production** to **7 TWh.**

Bioenergy **and others were** the worst **performers, negatively impacted by falling electricity** prices and a **reassessment** of gas **storage.** EBITDA **fluctuated** from **DKK 3.1 billion** to a loss **of DKK 64 million** in **the first half.** CHP plants were **impacted** by lower **production** and higher costs **(first in, first out)** of biomass and coal **purchased** last **year. The** Gas Markets & Infrastructure **segment recorded** a loss **of DKK 516 million** compared to a profit **of DKK 790 million** last **year, mainly** due to **a** negative revaluation of **stored gas.**