

# RATING REPORT

**wpd AG**

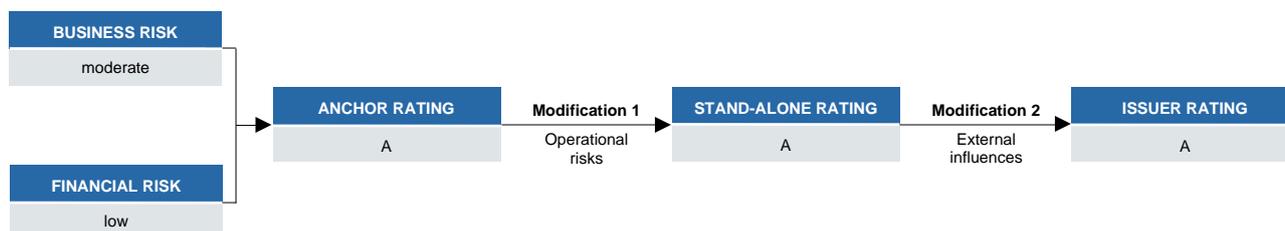
21. Juli 2021



ScopeHamburg

# Issuer Rating

<b>wpd AG</b>		21 July 2021	<b>A</b>
		Issuer rating	
		Outlook	stable
Industry	Development, operation and sale of power generation assets in the field of renewable energies (focus: wind power onshore and offshore)	Total sales 2020	EUR 597.6m
		Employees 2020	977



<b>BUSINESS RISK</b>	<b>moderate</b>
<ul style="list-style-type: none"> <li>Market-leading position in Germany</li> <li>Extensive own asset portfolio</li> <li>Ongoing international diversification and continuing market growth</li> <li>Increasing development risks due to new markets, frameworks and growing project volumes</li> </ul>	

<b>OPERATIONAL RISKS</b>	<b>± 0</b>
<ul style="list-style-type: none"> <li>Operational risk profile consistent with anchor rating</li> </ul>	

<b>FINANCIAL RISK</b>	<b>low</b>
<ul style="list-style-type: none"> <li>Solid operating cashflows generated by own portfolio</li> <li>High operating margins and cash flows from development activities</li> <li>High financial flexibility</li> <li>High cash reserves through disposable asset portfolio</li> </ul>	

<b>EXTERNAL INFLUENCES</b>	<b>± 0</b>
<ul style="list-style-type: none"> <li>No relevant external influences</li> </ul>	

# Rating Rationale

**Scope Hamburg GmbH confirms the A issuer rating of wpd AG. The rating outlook remains stable.**

***Moderate business risks based on international diversification, market position and own asset portfolio; dependencies from external frameworks***

In our opinion wpd remains still subject to a moderate business risk profile. However, the two separate business units *Development* and *Asset* have different business risk profiles: Wind farms in the company's own asset portfolio generate stable, non-cyclical and therefore sustainable cash flows. To us, especially non-recourse financing, long-term fixed feed-in contracts (FiT, PPA), priority dispatch, compensation rules as well as stable political frameworks for the generation of energy from renewable sources act as key risk-mitigating factors in this regard. Based on a well-diversified own portfolio of older and new assets, wpd's *Asset* unit is overall subject to low business risks in our opinion. In contrast, wpd's unit *Development* remains subject to higher business risks in our view. This is mainly a result of increased development risks such as the dependence on permission rights and external frameworks, limited availability of wind areas and high pre-financing requirements together with uncertainties regarding the final realisation of individual (large) projects. The introduction of tender bids procedures has resulted in tougher, sector-wide, competition and increased pressure on margins. However, based on the international diversification, an established market position and business network as well as the extensive personal and financial resources, we think that wpd is very well positioned in a positive market environment. Furthermore, we think that the corporate strategy is plausible, promising and sufficiently conservative to effectively limit the existing business risks. At the same time, we note that wpd is allowing a growing concentration of risk in connection with individual large-scale projects for a limited period of time, which tends to weigh on our overall risk assessment.

***Low financial risks based on very solid earnings, capital structure and financial flexibility***

According to our assessment wpd remains subject to a low financial risk profile. One of the key positive element is the sustainable cashflow basis resulting from long-term fixed feed-in contracts within wpd's *Asset* division. Moreover, wpd's *Development* unit generates considerably high earnings and cash flows from asset disposals, which take place at irregular intervals. A sufficient base is constituted by the company's own extensive asset portfolio as well as extensive national and international project pipelines, which provide for high income and cash reserves. In consideration of these hidden reserves, and the typical business characteristics within the industry, we assess wpd's capital structure, debt ratios and interest coverage ratios as very good. Large parts of the consolidated financial debt contain the funding of wpd's own asset portfolio, mainly representing non-recourse project financing backed by very stable feed-in income. Moreover, the available cash and cash equivalents and lines of credit offer a very good financial flexibility to balance fluctuations from asset sales and development activities. Overall, we think that wpd still has adequate risk buffers to compensate for potentially depressing market conditions or individually increased project development risks.

***No modifications to anchor rating***

The corporate group has appropriate structures, processes and systems in place. The operational risk profile is therefore consistent with the anchor rating in our view. Rating-relevant external factors are non-existent. As a result, the anchor rating was not modified.

## Upgrade / Downgrade Factors

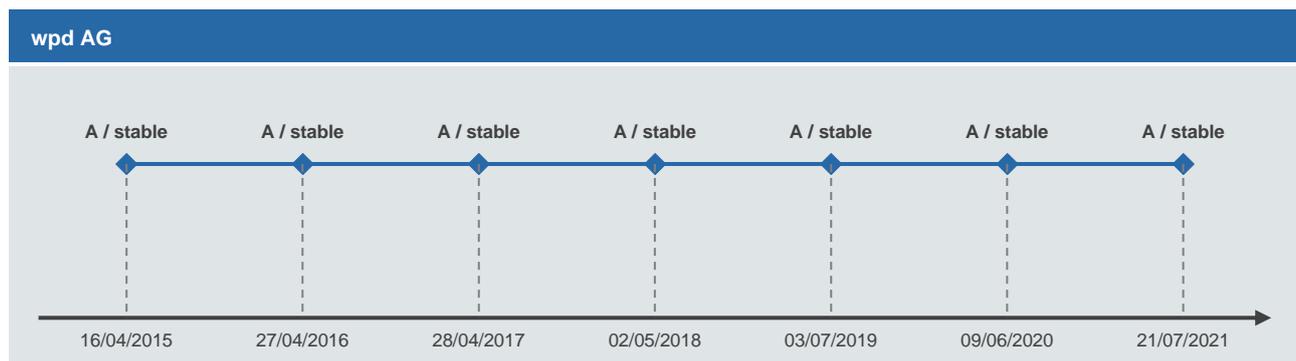
### **Factors that could lead to an Upgrade**

- Further stabilisation of earnings and cash flows by expanding the profit contributions of the company's own wind portfolio
- Significant and sustainable improvement of the capital structure (equity ratio > 50 %) and the deleveraging potential
- Continued reduction of liability risks, contingent liabilities and other financial obligations

### **Factors that could lead to a Downgrade**

- Rising market and project development risks as a result of adverse regulatory changes and larger project volumes
- Sustained deterioration of the capital structure (equity ratio < 30 %) and the deleveraging potential
- Increase in net financial debt due to significant materialisation of contingent liabilities
- Increase in liability risks, contingent liabilities and other financial obligations

## Rating History



# Company

**Main business: project development and wind turbine operations**

wpd AG (hereafter referred to as "wpd" or "wpd Group"), which was founded in 1996, is an international developer and operator of onshore and offshore wind farms. Further activities include the photovoltaic field. As a planner, project manager and operator, the Group has, in the past, planned, conceptualized in the economic sense and realized projects with an approximate total nominal output of 5.2 gigawatt. wpd Group's domestic market is Germany. The main focus of the international activities is in Europe and Asia; there are also activities in Chile, Canada and the USA. wpd Group is one of the leading wind farm project developers in Europe. In the reporting period of 2020, wpd AG generated total sales of € 597.6 million with its 977 employees.

**Development sector: project development and wind farm sales**

The *Development* sector predominantly encompasses the planning and construction of wind farms, construction of wind farm infrastructure, devising wind farm funding structures, and wind farm selling—mainly to institutional investors. In addition to the domestic market in Germany, the main international focus is currently on France, Finland, Taiwan, Chile, Spain and Poland. At present, the development activities carried out by the Group cover mainly the following sectors

- Onshore wind national (approx. 3.8 GW)
- Onshore wind international (approx. 8.5 GW)
- Offshore wind (approx. 13.8 GW)
- Photovoltaic (approx. 1.7 GW)

**Asset sector: Wind farm operations**

The *Asset* sector primarily covers long-term operations of company's own onshore wind farms both in the home country and abroad. wpd's wind farm portfolio comprises wind farms in Germany, Europe (Finland, France, Italy, Croatia, Poland, Portugal, Spain, Sweden and Belgium), Chile, Canada and Taiwan. On December 31, 2020, the size of the company's wind farm portfolio was 1,965 MW (gross), with 790 MW (gross) being located in Germany. In addition, the gross figures include a complete portfolio of investments owned by the company but accounted for at equity. With the successive expansion of the company's own portfolio, wpd continues to expand its position as an independent power producer (Independent Renewable Power Producer—IRPP).

**Shareholders and relevant subsidiaries**

The founding partners, Dr. Gernot Blanke and Dr. Klaus Meier, each hold 50% of the shares in wpd AG. The company acts as a holding company and holds 100% of the shares in wpd offshore GmbH (offshore wind), wpd onshore GmbH & Co. KG (onshore wind Germany), wpd wind worldwide GmbH (onshore wind future markets), wpd North America holding GmbH and wpd Solar GmbH. wpd AG holds 67% of the shares in wpd europe GmbH (Wind Onshore Europe and Canada). The remaining 33% of the shares are held by the Stadtwerke München GmbH (SWM).

**Executive management**

The Board of Directors of wpd AG are Dr. Gernot Blanke (CEO), Dr. Hartmut Brösamle (COO Onshore), Mr. Achim Berge Olsen (COO Offshore) and Mr. Björn Nullmeyer (CFO). In addition to Dr. Meier, who holds the chair of the supervisory board, the board consists of Rainer Büssenschütt (former credit management supervisor at Sparkasse Bremen, now retired) and Bernd Karstedt (shareholder; DS Diersch & Schröder GmbH & Co. KG).

## Appendix 1: Execution

Analysts
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Rating committee
<ul style="list-style-type: none"><li>Dörte Mählmann, Director</li><li>Jörg Walbaum, Senior Analyst</li></ul>

Rating, Solicitation, Principal Sources of Information
<ul style="list-style-type: none"><li>This credit rating has been issued in accordance with the CRA Regulation. <input checked="" type="checkbox"/> Solicited Rating      <input type="checkbox"/> Unsolicited Rating <input type="checkbox"/> No participation of the rated entity or related third party <input type="checkbox"/> With participation of the rated entity or related third party <input type="checkbox"/> Access to internal documents <input type="checkbox"/> Access to management</li><li>Prior to its publication the rating was disclosed to the rated entity. During this period, the rated entity had the opportunity to review the rating and to verify the underlying assumptions. Following this review, the rating was not amended.</li><li>Principal sources of information:<ul style="list-style-type: none"><li>Consolidated financial statements (audit reports) 2017–2020</li><li>Excerpts from the internal reporting (e.g., business development in 2021, bank review schedule, etc.)</li><li>Market analyses</li><li>Information involving strategy and corporate planning</li><li>Documents pertaining to structure under corporate law</li><li>Interviews with management</li></ul></li></ul>

Rating methodologies and definitions
<ul style="list-style-type: none"><li><a href="#">Methodology: Issuer Rating as of May 2016</a></li><li><a href="#">Basic Principles for Assigning Credit Ratings and Other Services as of July 2020</a></li><li><a href="#">Guidance Regarding the Consideration of ESG Factors in Scope Hamburg Credit Ratings as of March 2020</a></li></ul>
Scope Ratings GmbH and Scope Ratings UK Limited apply the same methodologies/models and key rating assumptions for their credit rating services, while <a href="#">Scope Hamburg GmbH's</a> methodologies/models and key rating assumptions are different from those of Scope Ratings GmbH and Scope Ratings UK Limited.

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## Appendix 2: Rating categories\*

Category	Explanation
<b>AAA</b>	In the opinion of Scope Hamburg, AAA rated entities demonstrate an excellent credit quality and the lowest default risk.
<b>AA</b>	In the opinion of Scope Hamburg, AA rated entities demonstrate a very high credit quality with a very low default risk.
<b>A</b>	In the opinion of Scope Hamburg, A rated entities demonstrate a high credit quality with a low default risk.
<b>BBB</b>	In the opinion of Scope Hamburg, BBB rated entities demonstrate a medium credit quality with a moderate default risk.
<b>BB</b>	In the opinion of Scope Hamburg, BB rated entities demonstrate a medium-low credit quality with a slightly increased default risk.
<b>B</b>	In the opinion of Scope Hamburg, B rated entities demonstrate a low credit quality with an increased default risk.
<b>CCC</b>	In the opinion of Scope Hamburg, CCC rated entities demonstrate a very low credit quality with a high default risk.
<b>CC</b>	In the opinion of Scope Hamburg, CC rated entities demonstrate a very low credit quality, an event of default is very likely.
<b>C</b>	In the opinion of Scope Hamburg, C rated entities demonstrate a very low credit quality, an event of default is imminent.
<b>D / SD</b>	D rated entities have defaulted, as defined by the rating agency. The rated entity is assigned an SD rating (Selective Default) if it has only defaulted on certain debt obligations.
<b>PLUS (+) MINUS (-)</b>	Rating categories from AA to CCC are modified by a PLUS (+) or MINUS (-), where required, in order to show their relative position within the rating category.

\* For more explanations and definitions please refer to:  
[Basic Principles for Assigning Credit Ratings and Other Services as of July 2020](#)

## Disclaimer

wpd AG (client and rated entity) engaged Scope Hamburg GmbH to conduct a rating on 21 April 2021. A management interview was conducted on 15 June 2021.

The Rating Committee of Scope Hamburg GmbH reviewed the rating process, issued the rating notation and approved the rating report in its current form on 21 July 2021. This rating report was given to the client on 21 July 2021, thereby concluding the rating process.

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Scope Hamburg GmbH

Hamburg, 21 July 2021