French Nuclear Company Orano Upgraded To 'BBB' On Improved Leverage; Outlook Stable

December 15, 2025

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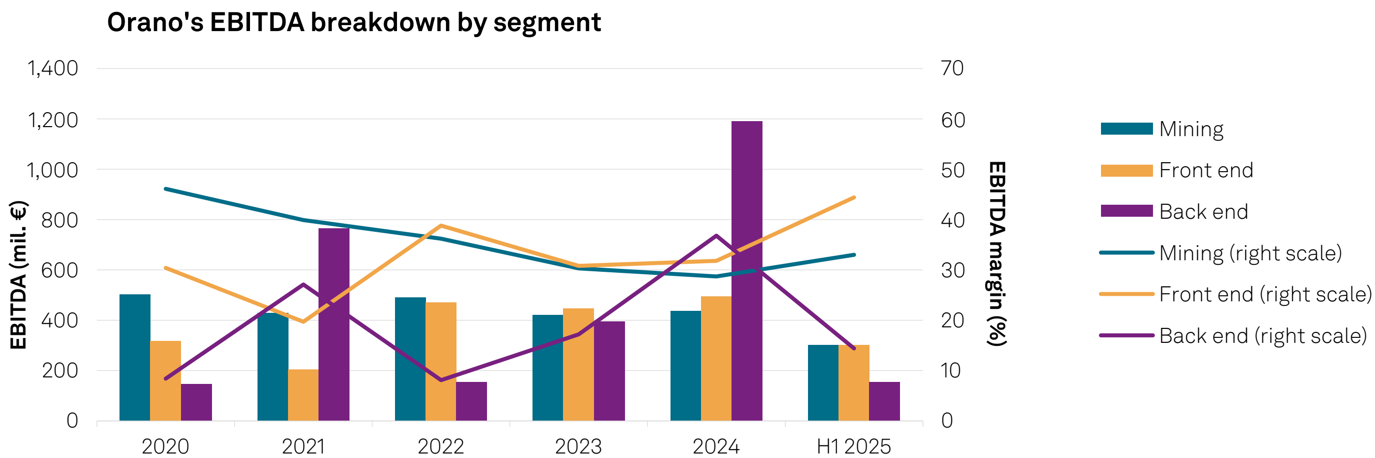
Rating Action Overview

- Supportive market conditions and a prudent financial policy have allowed French nuclear company Orano to improve its leverage.
- A renewed appetite for nuclear energy would require the company to invest more than €1.5 billion in capital expenditure (capex) every year for the foreseeable future to support the national energy strategy.
- In our view, the short-term risk sharing framework between the French government, EDF and Orano for the renewal of the back-end facilities, will allow the company to execute projects without overstretching its balance sheet. That said, the framework will need to be revisited.
- Consequently, we raised our long-term issuer credit rating on Orano and its senior unsecured debt to 'BBB' from 'BBB-'.
- The stable outlook reflects our view that current market conditions and disciplined operations will translate into significant cash flows that would finance its capex needs without a material increase of its debt.

Rating Action Rationale

We base the upgrade mostly on Orano's continued strong financial results, as we expect the company to post S&P Global Ratings-adjusted leverage below 2x for the second consecutive year. In the past few years, market conditions have improved across all business segments amid global momentum for nuclear energy, given the need to meet low-carbon objectives and for sovereignty purposes. As countries seek to meet climate targets, the demand for low-carbon energy sources, like nuclear, has risen, enhancing the sector's attractiveness. The Russia-Ukraine conflict has also heightened the tension concerning supply in the enrichment and conversion markets, driving prices upward. We anticipate these trends will continue while further growth will be supported by nuclear initiatives, including government commitments in countries beyond France. These initiatives will accelerate projects to increase nuclear capacity and extend reactor lifetimes to ensure global energy supply. We expect the company to report EBITDA of €1.2 billion-€1.3 billion in the next couple of years. In first-half 2025, Orano reported EBITDA of €727 million, up 58% year on year, and confirmed its guidance of positive net cash flow for 2025. Fueling this performance was sustained supportive pricing in mining and the front-end segments--the most profitable for the company--coupled with favorable production volume in all segments. Orano's track record of strong execution results in EBITDA of about €1.5 billion and S&P Global Ratings adjusted leverage at about 1.5x on average in 2024-2025 based on our estimates, which results in us changing our financial risk profile assessment to significant from aggressive.



H1--First half. Source: S&P Global Ratings.

Orano needs to invest billions of euros to meet the French government's energy strategy. France will have to make massive investments over the next two decades as some existing assets will expire and new units will be needed (in September, France's National Audit Office mentioned a €30 billion investment). After spending about €850 million on average in the past three years to maintain its existing capacity, Orano will need to almost double its investments in the coming years. Those investments will focus on increasing production capacities in the mining and front end (with the George Besse II plant extension), extending and renewing the back end treatment and recycling facilities as they approach the end of their lives by 2040, and to a lesser extent accelerating the development in nuclear medicine. We understand that EDF for the back end will mainly fund the additional investments carried by Orano in the coming three-to-five years. In addition, we understand that the company will need to replenish its mining production capacities beyond 2035. As we lack specific details, we didn't include any plans for this in our base-case scenario.

We anticipate Orano to maintain healthy leverage in the coming couple of years, supported by the backlog and its financial policies. The company's backlog of about €33 billion at half-year 2025 represents over six years of revenue (down from €35.9 billion at year-end 2024), which given our confidence on healthy EBITDA margins of 23%-25% provides excellent visibility on the company's cash flows in the next couple of years in our view. Because we are not expecting sizable dividends and despite increasing capex, we expect leverage to remain healthy in that time. In our revised base-case scenario, we assume an increase in annual capex in 2025-2026 to about €1.5 billion, with a further increase to €2 billion a year from 2027 (compared with about €1.0 billion in 2024), resulting in only marginally positive FOCF on average. The company has not set specific financial goals, but we understand it aims to preserve its conservative balance sheet and will select projects and define its funding strategy in such way that net leverage does not increase to above 3x.

Orano remains a key player in the energy sector, benefiting from French state support. We continue to factor in the company's important role to the state, providing natural uranium, and front and back end services to EDF, the country's largest power producer. As a result, Orano's financial stability remains a key consideration from the government point of view and its capex will be linked directly to its cash flow and external funding (either by EDF or equity injections). The government commitment was demonstrated by the support regarding the capacity extension at the Georges Besse II enrichment plant in southeast France and most recently in October 2024 with a capital increase of €300 million. Also, the French president has confirmed the state's willingness to support Orano for its uranium supply.

Outlook

The stable outlook reflects our view that market conditions and disciplined operations would translate into significant cash flows that would finance its capex needs without a material increase of its debt.

Under our base-case scenario, we project that annual EBITDA will be about €1.2 billion in 2025-2026 on average, resulting in limited FOCF. Based on the capital structure, and assuming no changes to the end-of-life provisions, we anticipate that adjusted debt to EBITDA will be 1.5x-2.0x in 2025-2026. This is well below the 2x-3x we see as commensurate with the rating. We expect the company to maintain headroom under its leverage ratio to mitigate the risk that cash outflows from its investment cycle will be larger than expected.

Our analysis assumes that the company's ownership structure will not change.

Downside scenario

Rating pressure could arise in the coming 12-24 months if Orano S&P Global Ratings-adjusted leverage being above 3x for a prolonged period. This could be the case if the company embarked on larger-than-expected debt-funded acquisition or capex or in case of major operational disruptions.

Upside scenario

We see rating upside potential as limited in the next 12-24 months considering the risk related to capex and funding requirements to ensure the viability and profitability of its business segments.

Company Description

France-headquartered Orano was spun off from former nuclear services provider Areva. It offers products and services for the entire nuclear fuel cycle, from raw materials to waste processing. Its activities contribute to the production of low-carbon electricity and encompass mining, decommissioning, conversion, enrichment, recycling, logistics, and engineering. The company has about 17,500 employees worldwide. At year-end 2024, Orano's revenue totaled €5.9 billion, and adjusted EBITDA was €1.7 billion.

Orano mainly operates through three business divisions:

- Mining (26% of sales and 21% of EBITDA in 2024): This comprises three uranium mines in Canada, Niger, and Kazakhstan. The mineral reserves in the company's deposits amounted to 100,892 metric tons as of Dec. 31, 2024 (Orano's equity share).
- Front end (22% of sales and 23% of EBITDA in 2024): This combines all the operations required to convert natural uranium into enriched uranium to be used in nuclear fuel assemblies designed to generate electricity. Customers are primarily nuclear power plant operators.
- Back end (52% of sales and 56% of EBITDA in 2024): This includes treating and recycling used fuel for reuse in the reactor, developing storage systems, organizing the transportation of radioactive materials, and cleaning up and dismantling nuclear facilities. Orano is the main global OECD-based player in this space.

The company's main peers in mining are the China National Nuclear Corp., Cameco Corp., and Kazatomprom. Its main peers for the front-end division are the China National Nuclear, Cameco, and Urenco.

Our Base-Case Scenario

Assumptions

- Revenue of close to €5.0 billion in 2025, after an exceptional one-off recycling contract for Japanese utilities recognized in 2024. The modest growth, supported by both higher prices and volume increase, will continue in 2026 and 2027.
- Gross capex needs of €1.4 billion-€1.5 billion annually in 2025-2026 and over €2.0 billion in 2027 from €1.0 billion in 2024, as the company increases investment gradually to expand its existing operations, especially in front and back ends, while also growing in newer areas such as medical applications and battery recycling. In our base-case scenario, we exclude any sizable investments to buy or develop mining assets to secure long-term production. The reimbursement from EDF is captured separately.
- Dividends to minority shareholders of about €150 million. The company is not planning to distribute significant dividends to its shareholders.

Key metrics

Orano--Forecast summary

(Mil. EUR)	2021a	2022a	2023a	2024a	2025e	2026-2027f
Revenue	4,726	4,237	4,775	5,874	5,084	5,000-5,500
EBITDA	1,356	1,042	1,093	1,726	1,212	1,100-1,400
Less: Cash interest paid	(142)	(180)	(93)	(85)	(99)	(95)
Less: Cash taxes paid	(90)	(53)	(56)	(97)	(121)	(120)- (100)
Funds from operations (FFO)	1,124	809	944	1,544	992	1,000-1,200
EBIT	859	585	606	1,200	723	700-800
Interest expense	142	142	157	173	127	125
Cash flow from operations (CFO)	1,099	808	1,104	1,395	1,628	1,600-1,900
Capital expenditure (capex)	592	704	823	995	1,353	1,600-2,000
Free operating cash flow (FOCF)	507	104	281	400	275	(200) - 0

Orano--Forecast summary

Dividends	5	44	109	84	160	150-200
Discretionary cash flow (DCF)	502	60	172	316	115	(350)-(150)
Debt (reported)	3,382	2,757	2,889	2,722	2,685	2,100-2,400
Plus: Lease liabilities debt	92	81	82	100	100	100
Plus: Pension and other postretirement debt	516	472	511	520	520	520
Less: Accessible cash and liquid Investments	(1,280)	(869)	(1,349)	(1,869)	(2,062)	about (1,000)
Plus/(less): mainly related to end-of-cycle liabilities	764	683	492	622	659	659
Debt	3,474	3,124	2,625	2,095	1,902	2,350-2,650
Equity	1,858	1,648	1,937	2,736	3,083	About 3,500
Interest expense (reported)	137	133	127	145	99	95
Adjusted ratios						
Debt/EBITDA (x)	2.6	3.0	2.4	1.2	1.6	about 2x
FFO/debt (%)	32.4	25.9	36.0	73.7	52.1	40-50
FFO cash interest coverage (x)	8.9	5.5	11.2	19.2	11.0	11-14
EBITDA interest coverage (x)	9.5	7.3	7.0	10.0	9.5	9-11
CFO/debt (%)	31.6	25.9	42.1	66.6	85.6	>50%
FOCF/debt (%)	14.6	3.3	10.7	19.1	14.4	(10)-0
DCF/debt (%)	14.5	1.9	6.6	15.1	6.0	(15)-(10)
Annual revenue growth (%)	28.3	(10.3)	12.7	23.0	(13.4)	0-5
EBITDA margin (%)	28.7	24.6	22.9	29.4	23.8	22-25
EBITDA/cash interest (x)	9.5	5.8	11.8	20.3	12.2	12-13
Debt/debt and equity (%)	65.2	65.5	57.5	43.4	38.2	about 40

Liquidity

We assess Orano's liquidity as strong. This is supported by our estimate that the company's liquidity sources will cover uses by more than 1.5x for the 24 months from Oct. 1, 2025. We also factor in the company's prudent liquidity management and solid relationships with banks. The next major debt maturity is a €750 million bond in April 2026.

Principal liquidity sources	Principal liquidity uses
Principal liquidity sources for the 12 months from Oct. 1, 2025, include: • Our estimate of about €2.6 billion of unrestricted cash on the balance sheet, including about €850 million of highly liquid marketable securities; • About €880 million available under a syndicated credit revolving facility maturing in May 2029; and • Cash funds from operations of about €1.0 billion.	Principal liquidity uses in the same period include: • About €850 million short-term debt maturities, mainly including a €750 million bond; • Capex of about €1.5 billion; • No acquisitions; • Moderate intrayear working capital swings that are unlikely to exceed €200 million; and • Dividend payments to minorities of about €150 million. Under certain circumstances, the company may be required to use its cash to balance its end-of-cycle

	liabilities deficit, which was about €450 million on July 30, 2025 (on a regulatory basis).

Covenants

The company has no maintenance covenants under its financial instruments.

Issue Ratings--Subordination Risk Analysis

Capital structure

Orano's capital structure includes the following:

- About €2.25 billion senior unsecured notes and bonds;
- Fully undrawn revolving credit facility of €880 million, which is unsecured and ranks pari passu with the unsecured notes; and
- About €250 million of secured debt.

Analytical conclusions

We rate the unsecured notes 'BBB', the same as our long-term issuer credit rating on Orano, because in our view, no significant elements of structural or contractual subordination risks are present in the capital structure.

Government Influence

The French government's influence is critical to our view of Orano's creditworthiness and we assess Orano as a government-related entity (GRE). The government owns 90.3% of the company, both directly and indirectly. Because we consider the government highly likely to support Orano if needed, we apply a three-notch uplift to the company's stand-alone credit profile when deriving the rating. In our view, the government is committed to ensuring that any liquidity pressure is addressed in a timely manner, which it has demonstrated through its commitment to providing new equity (most recently in October 2024) and to providing Orano with intermediate funding.

We view Orano as a GRE with a high likelihood of receiving government support. This is because of the company's:

- Important role as France's leading nuclear services provider to the country's largest power producer. Orano ensures supplies of uranium and enriched uranium for France, which generates about 70% of its electricity from nuclear plants;
- Very strong link with the French government. The company's ties with the government are reinforced by the politically sensitive nature of its enrichment and back-end recycling activities; and

Its strategic importance to France's energy policies. As a commercial enterprise, Orano operates autonomously. The French government closely follows the company's performance and must authorize strategic investments and acquisitions. Orano is also required to provide an analysis of events to specific parliamentary committees and answer their questions when asked.

Rating Component Scores

Rating Component Scores

Component	
Foreign currency issuer credit rating	BBB/Stable/--
Local currency issuer credit rating	BBB/Stable/--
Business risk	Satisfactory
Country risk	Low
Industry risk	Intermediate
Competitive position	Satisfactory
Financial risk	Significant
Cash flow/leverage	Significant
Anchor	bb+
Modifiers	
Diversification/portfolio effect	Neutral/Undiversified (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Strong (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Negative (-1 notch)
Stand-alone credit profile	bb

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, July 7, 2025
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013

- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- France, Dec. 1, 2025
- France Ratings Lowered To 'A+/A-1' From 'AA-/A-1+' On Heightened Risks To Budgetary Consolidation; Outlook Stable, Oct. 17, 2025

Ratings List

Ratings List		
Upgraded; Outlook Action		
	To	**From**
Orano		
Issuer Credit Rating	BBB/Stable/--	BBB-/Positive/--
Upgraded		
	To	**From**
Orano		
Senior Unsecured	BBB	BBB-