

# GLOW ENERGY PLC

No. 151/2020  
30 September 2020

## CORPORATES

<b>Company Rating:</b>	AA-
<b>Issue Ratings:</b>	
Guaranteed	AA-
<b>Outlook:</b>	Stable

**Last Review Date:** 25/09/19

### Company Rating History:

Date	Rating	Outlook/Alert
25/09/19	AA-	Stable
06/11/18	AA-	Developing
22/06/18	AA-	Alert Developing
21/09/17	AA-	Stable
09/09/14	A+	Stable
04/05/06	A	Stable
25/07/03	A-	Stable
27/07/00	BBB+	Stable

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## RATIONALE

TRIS Rating affirms the company rating on GLOW Energy PLC (GLOW) and the ratings on GLOW's guaranteed debentures at "AA-" with a "stable" outlook. The ratings continue to reflect the company's strong cash flow generation, supported by long-term power purchase agreements (PPA), its long track record of efficient operation, and expected strong financial profile over the long term.

## KEY RATING CONSIDERATIONS

### Core subsidiary of GPSC

GLOW's credit profile reflects its status as a core subsidiary of GPSC, "AA-" rated by TRIS Rating. GPSC completely acquired GLOW in December 2019. As of 30 June 2020, GLOW is 99.8% owned by GPSC. We expect that the ties between GLOW and GPSC continue to strengthen following the increase in operational integration. GLOW is a core contributor to GPSC's consolidated earnings as the company's earnings before interest, taxes, depreciation, and amortization (EBITDA) accounts for approximately 60% of the group's consolidated EBITDA.

### Continued strong cash flow generation

GLOW's cash generation remains strong, supported by PPAs with the Electricity Generating Authority of Thailand (EGAT) and industrial customers. As of 30 June 2020, GLOW had a total installed capacity of 3,093 megawatts (MW). PPAs with EGAT cover about 70% of total capacity with the remaining capacity contracted with industrial customers. GLOW's equity capacity was 2,771 MW.

PPAs with EGAT largely benefit GLOW's credit profile as they guard the company from demand risk and fuel price risk, resulting in reliable earnings. PPAs with industrial customers also provide a source of steady revenue, backed by a minimum offtake condition, plus strong electricity demand since most customers are large petrochemical producers in the Map Ta Phut area.

We expect GLOW's contracted capacity in PPAs with EGAT will drop by 300 MW during 2022-2025 following its PPAs renewal. GLOW's seven expiring PPAs under the small power producer (SPP) program are expected to be renewed. However, contracted capacity in the new PPAs is expected to drop to 30 MW per PPA from the previous 60-90 MW per PPA.

### Strong operating efficiency

We believe that GLOW's excellent plant operation will continue and help sustain its stable revenue and earnings over the long term. Over the past several years, GLOW's plant factors have demonstrated reliable operating results such as high level of availability, plus well controlled plant heat rate and operating costs. GLOW also has proven project management skills from executing SPP projects and independent power producer (IPP) projects in the past.

### Limited exposure to fuel price risk

GLOW is partially exposed to fuel price risk in PPAs with industrial customers. This is caused by a possible mismatch between the adjustable Ft in tariff rate and actual fuel cost used to generate electricity. The Ft adjustment carries a

time lag and is subject to the authorities' discretion as to the timing and size of the adjustments. The diverging movements between the Ft adjustment and fuel cost could result in a swing in GLOW's EBITDA. However, its impact is limited as electricity sales to industrial customers make up only about 25%-30% of GLOW's total revenue.

### **EBITDA to remain strong**

We forecast GLOW's EBITDA to stay in the range of THB14.5-THB15.5 billion per annum between 2020-2022. We assess the Covid-19 impact as being minimal, given the resilient electricity consumption of its petrochemical customers. The upside of earning over the near term will occur from materializing cost savings and synergy benefits from operational integration with GPSC.

Due to decreasing contracted capacity with EGAT following PPA renewal, we expect the company's earning or cash flows to decline over the period of 2023-2025. However, the drop will be partly offset by increasing sales of steam as the new power plants currently being constructed are designed for a larger capacity of steam generation.

### **Strong financial profile**

We expect GLOW's net debt to EBITDA ratio to stay below 2.5 times over the next three years. We believe that GLOW's growth potential is limited as new investments will likely be executed at GPSC's level. GLOW's major capital expenditures are earmarked for the construction of GEN Phase 2, GSPP2 and GSPP3 power plants following its SPP replacement programs and spending for the synergy project with GPSC.

Since GPSC controls all treasury management for subsidiaries under GPSC's group, we expect GLOW's outstanding debt will likely be reduced since GLOW's maturing bonds will be replaced by bond issuance at GPSC's level instead. We expect GLOW's currently available excess cash to be paid as dividends to support GPSC's deleveraging plan.

### **BASE-CASE ASSUMPTIONS**

- Revenue to be about THB43-THB47 billion during 2020-2022
- Average EBITDA to be around THB14.5-THB15.5 billion per annum during 2020-2022
- Capital spending of THB16 billion between 2020-2022
- 100% dividend payout

### **RATING OUTLOOK**

The "stable" outlook reflects our expectation that GLOW will continue its strong, steady cash flow generation in the foreseeable future. We also expect GLOW to sustain an excellent operating performance and its strong financial profile.

### **RATING SENSITIVITIES**

A rating and/or outlook upgrade could happen if there is an uplift in GPSC's credit profile since GLOW's ratings are tied to GPSC's credit profile. In contrast, the ratings and/or outlook could be revised downward if GLOW's net debt to EBITDA increases to above 4 times for a sustained period. The ratings or outlook could also be revised downward if there is a material deterioration in GPSC's credit profile.

### **COMPANY OVERVIEW**

GLOW is a leading private power producer in Thailand. The company was established in 1993 to provide utility services in the Map Ta Phut area. The business comprises the cogeneration (including the SPP) and the IPP segment. The company and its affiliates supply electricity, steam, and treated water to large customers in the Map Ta Phut Industrial Estate, the Eastern Seaboard Industrial Estate, and Siam Eastern Industrial Park.

GLOW was acquired by GPSC in 2019. GPSC is currently the ultimate shareholder holding a 99.8% stake in GLOW. GLOW delisted from the Stock Exchange of Thailand in December 2019.

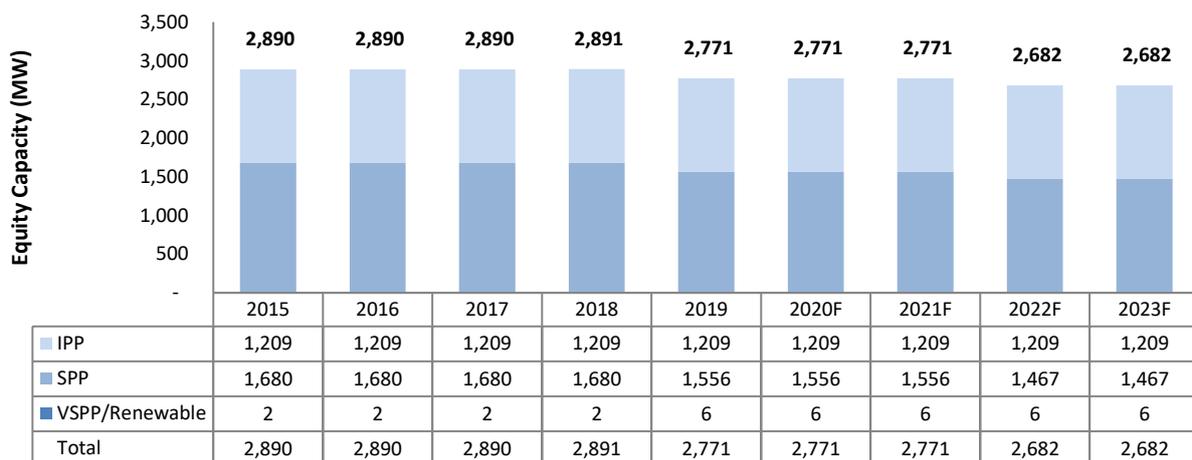
As of 30 June 2020, GLOW's power generating capacity totaled 3,093 MW, consisting of 1,525 MW in the IPP plants and 1,556 MW in the cogeneration segment. GLOW's equity capacity was 2,771 MW.

**KEY OPERATING PERFORMANCE**

**Table 1: GLOW's Power Portfolio as of 30 Jun 2020**

Plant Name	Type	Capacity (MW)	Holding (%)	Equity Capacity (MW)	Steam (Tonne/Hr)	Commercial Operating Date
<b>IPP Business</b>						
GLOW IPP	Gas	713	95	677	-	Jan 2003
GHECO-One	Coal	660	65	429	-	Aug 2012
Houay Ho	Hydro	152	67.25	102	-	Sep 1999
<b>Total IPP</b>		<b>1,525</b>		<b>1,208</b>		
<b>Cogeneration Business</b>						
Glow Energy Phase 1	Gas	-	100	-	250	Jul 1994
Glow Energy Phase 2	Gas	281	100	281	300	Apr 1996
Glow Energy Phase 4	Gas	77	100	77	137	Jan 2005
Glow Energy Phase 5	Gas	328	100	328	160	Sep 2011
Glow SPP2/Glow SPP3	Hybrid Gas/Coal	513	100	513	190	Mar 1999
Glow Energy CFB 3	Coal	85	100	85	79	Nov 2010
Glow SPP 11 Phase 1 & 3	Gas	162	100	162	-	Oct 2000
Glow SPP 11 Phase 2	Gas	110	100	110	-	Dec 2012
<b>Total SPP</b>		<b>1,556</b>		<b>1,556</b>	<b>1,116</b>	
Glow Energy Solar	Solar	1.55	100	1.55	-	Aug 2012
C&I Rooftop Solar 1	Solar	0.9	100	0.9	-	Dec 2018
C&I Rooftop Solar 2	Solar	1.0	100	1.0	-	Feb 2019
Chonburi Clean Energy (CCE)	Waste	8.3	33.3	2.74	-	Nov 2019
<b>Total Capacity</b>		<b>3,093</b>		<b>2,771</b>	<b>1,116</b>	

**Chart 1: GLOW's Power Portfolio Development (Equity Capacity)**



Source: GLOW

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\***

Unit: Mil. THB

	Jan-Jun 2020	-----Year Ended 31 December-----			
		2019	2018	2017	2016
Total operating revenues	24,192	50,588	53,731	51,212	52,825
Earnings before interest and taxes (EBIT)	5,426	10,285	13,082	13,703	13,594
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	7,750	14,929	17,708	18,227	18,017
Funds from operations (FFO)	5,912	11,659	14,290	14,807	14,367
Adjusted interest expense	1,179	2,393	2,109	2,444	2,669
Capital expenditures	522	1,027	1,005	853	1,276
Total assets	100,326	107,245	104,927	106,031	109,518
Adjusted debt	26,272	15,303	27,764	31,553	39,372
Adjusted equity	41,575	43,149	58,904	58,009	56,771
<b>Adjusted Ratios</b>					
EBITDA margin (%)	32.0	29.5	33.0	35.6	34.1
Pretax return on permanent capital (%)	12.4 **	12.0	13.4	13.6	12.7
EBITDA interest coverage (times)	6.6	6.2	8.4	7.5	6.8
Debt to EBITDA (times)	1.8 **	1.0	1.6	1.7	2.2
FFO to debt (%)	43.7 **	76.2	51.5	46.9	36.5
Debt to capitalization (%)	38.7	26.2	32.0	35.2	41.0

\* Consolidated financial statements

\*\* Annualized with trailing 12 months

**RELATED CRITERIA**

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018
- Group Rating Methodology, 10 July 2015

**Glow Energy PLC (GLOW)**

<b>Company Rating:</b>	AA-
<b>Issue Ratings:</b>	
GLOW218A: THB5,555 million guaranteed debentures due 2021	AA-
GLOW259A: THB4,000 million guaranteed debentures due 2025	AA-
GLOW265A: THB3,000 million guaranteed debentures due 2026	AA-
<b>Rating Outlook:</b>	Stable

**TRIS Rating Co., Ltd.**

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