

## Press Release

**No. 61/2017**

**5 April 2017**

### **TRIS Rating Affirms Company Rating of "EA" at "BBB+", Partially Guaranteed Debt Rating at "A-", and Guaranteed Debt Ratings at "AA", with Stable" Outlook**

TRIS Rating has affirmed the company rating of Energy Absolute PLC (EA) at "BBB+". At the same time, TRIS Rating has also affirmed its partially guaranteed debenture at "A-" and guaranteed debentures at "AA". The outlook remains "stable". The debentures are guaranteed by Siam Commercial Bank PLC (SCB), which is rated "BBB+" by S&P Global Ratings and "Baa1" by Moody's Investors Service (Moody's). SCB provides an irrevocable and unconditional guarantee to cover 65% and 100% of the principal and the interest payments for the obligations of the rated partially guaranteed debenture and the guaranteed debentures, respectively. The ratings of EA's guaranteed debentures are based on the creditworthiness of its guarantor, SCB, and its guarantee obligations rank at least pari passu with all other present and future unsecured and unsubordinated indebtedness of SCB.

The rating of EA continues to reflect sizable and predictable cash flows of its solar power projects under the long-term power purchase agreements (PPAs) with the Electricity Generating Authority of Thailand (EGAT) and the Provincial Electricity Authority (PEA). However, the rating is constrained by construction and operational risks associated with the wind power projects and its highly leveraged balance sheet.

The "stable" outlook reflects TRIS Rating's expectation that EA's solar plants will generate the predictable cash flows as planned. The average performance ratio of the solar projects should remain above 79%. The company is also expected to successfully execute the two wind power projects and earn satisfactory returns. TRIS Rating assumes that EA will secure additional equity funding if it chooses to make any sizable investments.

A rating upgrade is possible if the performances of the wind projects or the HKH project meet our expectations and operating costs are within the budget. On the contrary, we could lower the ratings if EA's solar or wind projects do not meet their performance targets, or its capital structure deteriorates markedly as a result of a failure to generate sufficient cash flows or aggressively debt-funded investments.

The ratings and outlooks for EA's guaranteed debentures solely reflect the creditworthiness of its guarantor, SCB, which has current international scale company ratings of "BBB+" with "stable" outlook from S&P Global Ratings and "Baa1" with "stable" outlook from Moody's. The ratings and outlook for EA's partially guaranteed debentures reflect both creditworthiness of SCB (guarantor) and EA (issuer), and could be revised should there be any changes in the credit profile of either SCB or EA.

Established in 2006, EA was previously known as Suntech Palm Oil Ltd., before changing its name to Energy Absolute PLC in 2008. Up until 2012, EA's core business was to manufacture and sell biodiesel products. However, in late 2012, EA expanded the business into renewable energy generation through the development of the solar and wind power projects. In 2016, EA's power generation segment became the key cash flow contributor and accounted for about 90% of the company's total earnings before interest, tax, depreciation, and amortization (EBITDA) of Bt5.46 billion. EA was listed on the Market for Alternative Investment (MAI) in 2013 and was moved to the Stock Exchange of Thailand (SET) in January 2017. As of December 2016, Mr. Somphote Ahunai was the major shareholder, holding an approximately 43% interest in EA.

The company has a total contracted capacity of 664 megawatts (MW) covering 278 MW of four solar projects currently operating and another 386 MW from two wind projects under construction. EA's rating strength is reinforced by power purchase agreements (PPAs) with the EGAT for the total capacity of 270 MW from its three core solar projects. The projects secure long-term PPAs under the Small Power Producer (SPP) scheme and receive the adder rate of Bt6.5 per kilowatt-hour (kWh) for 10 years.

In 2016, the overall performance of EA's solar projects was good. EA generated a total output of 567 gigawatt hours (GWh), increased by about 43% from the 395 GWh in 2015. The surge in the power output was a result of an operational commencement of the last solar farm in Phitsanulok province. The four solar plants generated an output exceeding initial estimates based on a 90% probability (P90) by 6.7%. The performance ratio was satisfactory, higher than our expectation of 79%.

(Continue on page 2)

EA has two wind projects, comprising the 126-MW Hadkunghan (HKH) and 260-MW Hanuman (HNM) projects. The construction risk of the HKH project reduced greatly as the construction phase is almost completed. The first 36-MW sub-wind farm of HKH achieved its operation on 3 March 2017. Meanwhile, the other two wind farms, totaling 90MW, are planned to start in late April 2017. However, the HNM wind farm is likely to delay from its initial operation plan, scheduled in the mid of 2018, since the company has to wait for confirmation from related authorities on whether HNM project is allowed to be located on an ALR (Agricultural Land Reform) area. The delay in the HNM project has minimal impact on the ratings since the project construction has not commenced yet and the related expenditures have been very small so far.

The ratings are constrained by the inherent risks of the company's wind power projects currently under construction. Additionally, the operational risks of a wind farm project are higher. Actual wind speeds may deviate significantly from expectations, which will reduce the power output and the project's cash flows.

TRIS Rating's base-case scenario assumes that the HNM project eventually starts its operation with a delay not exceeding one year. EA's operating margin would stay in the range of 55%-60% during 2017-2019. EA's EBITDA will grow and is expected to reach Bt7.5 billion after the HKH project accomplishes its full operation and is likely to approach Bt10 billion if the HNM project are up and running. Looking forward, EA's financial leverage may stay at this level over the next two years. The capital expenditure of the HNM project worth Bt20 billion is expected to be used during 2017-2018. The debt to capitalization ratio is expected to be at about 70% in 2018 and then should improve to approximately 55%-60% following its scheduled principal repayments. During 2017-2019, the company's funds from operations (FFO) to total debt is expected to hold at 15%-20%.

## **Energy Absolute PLC (EA)**

### **Company Rating:**

BBB+

### **Issue Ratings:**

EA197A: Bt1,000 million senior partially guaranteed debentures due 2019

A-

EA207A: Bt3,000 million senior fully guaranteed debentures due 2020

AA

EA217A: Bt4,000 million senior fully guaranteed debentures due 2021

AA

### **Rating Outlook:**

Stable

[TRIS Rating Co., Ltd./www.trisrating.com](http://www.trisrating.com)

Contact: santaya@trisrating.com, Tel: 0-2231-3011 ext 500/Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand

© Copyright 2017, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution, or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at [http://www.trisrating.com/en/rating\\_information/rating\\_criteria.html](http://www.trisrating.com/en/rating_information/rating_criteria.html).