

GLOBAL POWER SYNERGY PLC

No. 150/2020
30 September 2020

CORPORATES

Company Rating:	AA-
Issue Ratings: Senior unsecured	AA-
Outlook:	Stable

Last Review Date: 03/07/20

Company Rating History:

Date	Rating	Outlook/Alert
01/10/19	AA-	Stable

Contacts:

Narongchai Ponsirichusopol
narongchai@trisrating.com

Pravit Chaichamnapai, CFA
pravit@trisrating.com

Parat Mahuttano
parat@trisrating.com

Wiyada Pratoomsuwan, CFA
wiyada@trisrating.com



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RATIONALE

TRIS Rating affirms the company rating on Global Power Synergy PLC (GPSC) at “AA-”. At the same time, TRIS Rating affirms the rating on GPSC’s senior unsecured debentures at “AA-”. The rating outlook remains “stable”. The ratings continue to reflect the company’s position as the leading private power producer in Thailand, predictable cash flow from its long-term power purchase agreements (PPA) with the Electricity Generating Authority of Thailand (EGAT) and the PTT Group, and the company’s prudent financial policy. The ratings also reflect GPSC’s important role as the flagship company of the power business under the PTT Group.

KEY RATING CONSIDERATIONS

Leading private power producer in Thailand

As of 30 June 2020, GPSC’s power portfolio, in proportion to its ownership or equity capacity, stood at 5,026 megawatts (MW), of which 4,748 MW is in operation. GPSC’s gas-fired power plants account for the largest proportion of 3,399 MW, or 67% of total equity capacity. Coal-fired power plants follow with a capacity of 814 MW, or 16% of total equity capacity. The remaining 813 MW is made up of renewable power plants and an Energy Recovery Unit (ERU) power plant.

Well-diversified power portfolio

GPSC owns a well-diversified portfolio of power generation assets. At the end of June 2020, GPSC owned 36 power plants in Thailand and abroad. GPSC’s total portfolio includes six power plants under the Independent Power Producer (IPP) scheme. The six IPP power plants have a combined capacity of 2,439 MW, which accounts for 49% of GPSC’s total equity capacity. GPSC also has 18 cogeneration power plants under the Small Power Producer (SPP) with a combined capacity of 2,192 MW, accounting for 43% of total equity capacity. The remaining equity capacity of 8% is spread among 11 renewable power plants and one ERU power plant.

Approximately 97% of GPSC’s conventional power plants are located in the Map Ta Phut (MTP) and Eastern Economic Corridor (EEC) areas. The renewable power plants are located in Thailand, the Lao People’s Democratic Republic (Lao PDR), and Japan.

Predictable cash flow backed by long-term PPAs

We expect GPSC to continue generating strong cash flow backed by long-term PPAs with EGAT and reputable industrial users (IUs) under the PTT Group. GPSC sells about 67% of its equity capacity to EGAT under the IPP and SPP schemes. Typical PPAs with EGAT have terms of 21-25 years. For the IPP scheme, GPSC receives the full amount of Availability Payment (AP) as long as the company has maintained the availability of the plants as agreed in the PPAs, even if EGAT has not dispatched from the plants. The PPAs of the SPP scheme are slightly different; EGAT agrees to dispatch not less than 80% of the contracted capacity based on operating hours. Both IPP and SPP schemes also contain a fuel price pass-through mechanism. Besides, GPSC sells electricity to EGAT under the non-firm SPP scheme to help manage power plant loads at optimum efficiency with no obligation to dispatch.

GPSC also has PPAs and Steam Purchase Agreements (SPA) with many IUs in the MTP area. The PPAs and SPAs cover 5-15 years. The contracts with IUs

also specify minimum off-take amounts. The tariff generally carries a fuel adjustment charge, or Ft charge, to reflect changes in fuel prices.

In the second quarter of 2020, revenues from EGAT accounted for 45% of GPSC's total revenues while revenues from IUs accounted for 53%. Of the total revenues from IUs, 51% were contributed by companies under the PTT Group.

Capital structure improved as planned

In October 2019, GPSC successfully raised equity of THB74 billion to repay bridge loans as planned. As a result, adjusted debt stood at THB88 billion as of 30 June 2020, down from THB161 billion as of 30 June 2019. By the end of June 2020, the ratio of debt to earnings before interest, tax, depreciation and amortization (EBITDA) improved to 4 times while the ratio of debt to capitalization was maintained at 44.7%.

Integration in MTP to enhance operating efficiency

Due to the adjacent locations of the power plants of GPSC and GLOW Energy PLC (GLOW), GPSC plans to integrate the operation and maintenance of all plants and connect both transmission lines and steam pipelines in the MTP area to enhance operating efficiency. The integration plan, to be fully executed by 2024, is expected to cost around THB2.7 billion. GPSC expects to benefit up to THB1.6 billion per annum in cost saving and improved efficiency upon completion of the integration plan.

On 17 June 2020, GPSC successfully completed integration of the CUP-3 power plant with GLOW. This integration allowed GPSC to supply excess steam from GLOW to increase GPSC's reliability and optimize operations.

High debt level during expansion

During 2020-2023, GPSC is expected to incur total capital expenditure of approximately THB62 billion for the maintenance and development of a number of projects in the pipeline. The large investments are slated for SPP replacement and ERU power plant.

Consequently, we expect adjusted debt to hover in the THB84-THB104 billion range during 2020-2023. The debt to earnings before interest, tax, depreciation, and amortization (EBITDA) ratio is projected to reach a peak of 5 times in 2023. The debt to capitalization ratio is projected at 46.4% in 2023.

Strong support from PTT Group

As GPSC is the flagship company of the PTT Group's power business, we believe that PTT Group will continue to provide strong support to GPSC. On 20 August 2020, the board of directors of PTT PLC (PTT) approved the shareholding restructure of PTT's power business by purchasing shares of GPSC from Thai Oil PLC (TOP). This transaction will bring PTT's direct shareholding in GPSC to 31.7%, up from 22.8%. The restructuring transaction will reduce the complexity of the shareholding structure and increase GPSC's managerial flexibility. The restructuring will also bring PTT's shareholding in GPSC in line with its shareholdings in other flagship companies under the PTT Group.

BASE-CASE ASSUMPTIONS

- Revenue of THB63-THB68 billion per annum during 2020-2023. EBITDA of THB20-THB22 billion per annum in the same period.
- Capital expenditure of THB8-THB31 billion per year during 2020-2023, including capital expenditure for SPP replacement and the ERU project.
- Minimum cash-on-hand of THB15 billion.
- Dividend payouts of THB4 billion per annum during 2020-2023.

RATING OUTLOOK

The "stable" outlook reflects our expectation that the plants in operation will continue to run smoothly and generate reliable cash flow as forecast.

RATING SENSITIVITIES

A rating upgrade could occur if GPSC can smoothly integrate its power portfolio with GLOW and improve its leverage level as planned. Conversely, a rating downgrade could occur if the cash flow from operation is materially lower than expected or if the capital structure weakens significantly due to excessive debt-funded investments.

COMPANY OVERVIEW

GPSC was founded on 20 January 2013 through the amalgamation of PTT Utility Co., Ltd. (PTTUT) and Independent Power (Thailand) Co., Ltd. (IPT) as the flagship power company of the PTT Group. Following its establishment, GPSC gradually bought power plant shares from other companies in the PTT Group.

GPSC was listed on the Stock Exchange of Thailand (SET) in 2015. As of June 2020, the PTT Group held around 75% of the company's total shares while the rest were held by the public. Shareholdings under the PTT Group consist of 22.8% held by PTT, 22.7% held by PTT Global Chemical PLC (PTTGC), 8.9% held by TOP, and 20.8% held by Thaipower Co., Ltd. (TP). In terms of the major ultimate shareholder, PTT held both directly and indirectly of 51% share of GPSC.

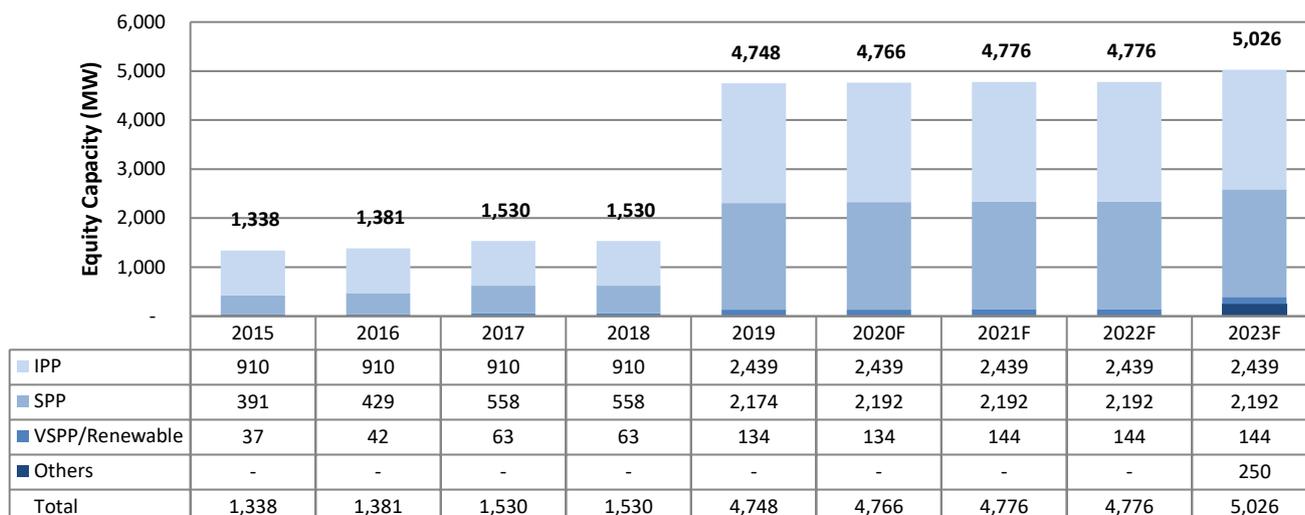
On 14 March 2019, GPSC acquired a 69.11% stake in GLOW from ENGIE Global Developments B.V. (ENGIE). Currently, GPSC holds a 99.8% stake in GLOW.

After the acquisition, GLOW's power portfolio of 2,771 MW was added to GPSC's pre-acquisition power portfolio of 2,256 MW, bringing the combined capacity to 5,026 MW. As of 30 June 2020, GPSC had an operating equity capacity of 4,748 MW, consisting of IPP power plants of 2,440 MW, SPP of 2,174 MW, and renewable power plants of 134 MW.

KEY OPERATING PERFORMANCE
Table 1: GPSC's Power Portfolio (As of Jun 2020)

Plant	Location	Fuel	Installed (MW)	% Ownership	Equity (MW)	Operating (MW)
1) IPP						
GHECO-ONE	Rayong	Coal	660	65	429	429
GIPP	Rayong	Gas	713	95	677	677
HHPC	Laos PDR	Hydro	152	67	102	102
RPCL	Ratchaburi	Gas	1,400	15	210	210
Sriracha	Chonburi	Gas	700	100	700	700
XPCL	Laos PDR	Hydro	1,285	25	321	321
Sub total			4,910		2,439	2,439
2) SPP						
BIC1	Ayutthaya	Gas	117	25	29	29
BIC2	Ayutthaya	Gas	117	25	29	29
CUP1	Rayong	Gas	226	100	226	226
CUP2	Rayong	Gas	113	100	113	113
CUP3	Rayong	Gas	-	100	-	-
CUP3 (Extension)	Rayong	Gas	15	100	15	15
CUP4	Rayong	Gas	45	100	45	45
GLOW Energy CFB3	Rayong	Coal	85	100	85	85
GLOW Energy Phase 1	Rayong	Gas	-	100	-	-
GLOW Energy Phase 2	Rayong	Gas	281	100	281	281
GLOW Energy Phase 4	Rayong	Gas	77	100	77	77
GLOW Energy Phase 5	Rayong	Gas	328	100	328	328
GLOW SPP11 Phase 1	Rayong	Gas	120	100	120	120
GLOW SPP11 Phase 2	Rayong	Gas	110	100	110	110
GLOW SPP11 Phase 3	Rayong	Gas	42	100	42	42
GLOW SPP2/3	Rayong	Coal/Gas	513	100	513	513
IRPC-CP Phase 1	Rayong	Gas	45	51	23	23
IRPC-CP Phase 2	Rayong	Gas	195	51	99	99
NNEG	Pathumthani	Gas	125	30	38	38
NNEG (Expansion)	Pathumthani	Gas	60	30	18	-
Sub total			2,614		2,192	2,174
3) VSPP and Renewables						
CCE	Chonburi	WTE	8.6	33	2.8	2.8
CHPP	Chanthaburi	Gas	5	100	5	5
CHPP Solar Co-op	Chanthaburi	Solar	5	100	5	5
GLOW Energy Solar Plant	Rayong	Solar	1.55	100	1.55	1.55
GLOW Energy Solar PV Rooftop	Rayong	Solar	0.87	100	0.87	0.87
GLOW Energy Solar PV Rooftop	Rayong	Solar	1	100	1	1
ISP1	Honsu island, Japan	Solar	21	99	21	21
GRP	Pichit, Khonkaen, Lopburi, Chantaburi	Solar	39.5	100	39.5	39.5
NL1PC	Laos PDR	Hydro	65	40	26	26
Rayong WTE	Ratchaburi	WTE	9.8	100	9.8	-
TSR	Supanburi, Kanchanaburi	Solar	80	40	32	32
Sub total			237		145	135
4) Cogeneration						
ERU	Chonburi	Pitch	250	100	250	-
Sub total			250		250	-
Total portfolio			8,011		5,026	4,748

Source: GPSC

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


Source: GPSC

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	Jan-Jun 2020	-----Year Ended 31 December -----			
		2019	2018	2017	2016
Total operating revenues	37,597	67,951	25,771	20,940	21,548
Earnings before interest and taxes (EBIT)	6,556	11,437	4,666	3,984	3,456
Earnings before interest, tax, depreciation, and amortization (EBITDA)	11,758	18,980	7,088	5,611	5,204
Funds from operations (FFO)	9,188	13,544	6,311	4,967	4,620
Adjusted interest expense	2,032	5,188	534	387	444
Capital expenditures	1,558	3,180	2,961	3,090	4,204
Total assets	249,971	252,017	64,439	59,968	58,028
Adjusted debt	87,777	88,257	11,933	11,977	9,363
Adjusted equity	108,655	110,176	42,349	40,374	38,754
Adjusted Ratios					
EBITDA margin (%)	31.27	27.93	27.50	26.79	24.15
Pretax return on permanent capital (%)	5.81 **	8.21	7.98	7.11	6.40
EBITDA interest coverage (times)	5.79	3.66	13.28	14.49	11.73
Debt to EBITDA (times)	3.97 **	4.65	1.68	2.13	1.80
FFO to debt (%)	18.43 **	15.35	52.89	41.47	49.34
Debt to capitalization (%)	44.69	44.48	21.98	22.88	19.46

* 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

Global Power Synergy PLC (GPSC)

Company Rating:	AA-
Issue Ratings:	
GPSC22NA: THB2,000 million senior unsecured debentures due 2022	AA-
GPSC24NA: THB5,000 million senior unsecured debentures due 2024	AA-
GPSC26NA: THB6,000 million senior unsecured debentures due 2026	AA-
GPSC29NA: THB8,000 million senior unsecured debentures due 2029	AA-
GPSC31NA: THB7,500 million senior unsecured debentures due 2031	AA-
GPSC34NA: THB6,500 million senior unsecured debentures due 2034	AA-
GPSC258A: THB1,500 million senior unsecured debentures due 2025	AA-
GPSC308A: THB1,000 million senior unsecured debentures due 2030	AA-
GPSC358A: THB2,500 million senior unsecured debentures due 2035	AA-
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 0-2098-3000

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