GLOBAL POWER SYNERGY PLC

No. 156/2019
1 October 2019

CORPORATES

Company Rating:	AA-
Outlook:	Stable

RATIONALE

TRIS Rating assigns the company rating on Global Power Synergy PLC (GPSC) at "AA-" with "stable" rating outlook. The rating reflects the company's position as the second largest private power producer in Thailand, highly 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 rating also reflects GPSC's important role as a flagship company in the power business under the PTT Group. The rating takes into consideration the company's rising debt level following the acquisition of Glow Energy PLC (GLOW).

KEY RATING CONSIDERATIONS

Second largest private power producer in Thailand

After the acquisition of GLOW, GPSC's power portfolio, in proportion to its ownership or equity capacity, stood at 5,026 megawatts (MW). This figure makes GPSC the second largest private power producer in Thailand, behind the capacity of 6,900 MW of RATCH Group PLC (RATCH).

GPSC's gas-fired power plants account for the largest portion of around 3,400 MW, or 68% of total equity capacity. Coal-fired power plants follow with a capacity of 814 MW, or 16% of total equity capacity. The remaining 812 MW is made up by 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 2019, GPSC owned 29 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 11 Small Power Producer (SPP) and cogeneration power plants 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 eastern region of Thailand, in the Map Ta Phut (MTP) and the Eastern Economic Corridor (EEC) areas. The renewable power plants are located in many countries, such as, 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 solid cash flow supported by long-term contract with EGAT and reputable industrial users (IUs) under the PTT Group. GPSC sells about 66% of its equity capacity to EGAT under the IPP and SPP schemes. The terms of a typical PPA with EGAT covers 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 PPA of the SPP scheme is 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. GPSC also sells electricity to EGAT under the non-firm SPP scheme to help manage power plant loads at

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optimum efficiency with no obligation to dispatch.

GPSC also has PPAs and Steam Purchase Agreements (SPA) with many IUs in the MTP area. Approximately 90% of IUs are under the PTT Group. 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.

Planned operating integration in MTP to enhance operating efficiency

GPSC's portfolio is forecast to increase to 5,026 MW in 2019, from 1,977 MW in 2018, resulting from the acquisition of GLOW. GPSC will become the largest power producer in the eastern region of Thailand. In addition to portfolio enlargement, GPSC will benefit from GLOW's experiences and expertise in managing diverse power portfolio. Due to the adjacent locations of the power plants of GPSC and GLOW, GPSC plans to integrate the operating and maintenance of all plants and connect both transmission lines and steam pipelines in the MTP area to enhance operating efficiency.

Elevated leverage from the acquisition of GLOW

GPSC needs to spend around Bt134.5 billion to acquire a 100% stake of GLOW. For the first stage of acquisition, GPSC used a bridging loan of Bt99.5 billion and loans from related parties of Bt35 billion to fund the transaction.

For its long-term financing plan, GPSC will replace the bridging loan by equity financing of Bt74 billion (55% of deal size) and operating cash flow of Bt10 billion. The remainder amounting to Bt50.5 billion will be replaced by debenture issuance and long-term loans. Based on these assumptions, GPSC's adjusted net debt is forecast to reach Bt90 billion by the end of 2019. According to GPSC's plan, the ratio of debt to earnings before interest, tax, depreciation and amortization (EBITDA) is to improve to below 4.0 times on sustainable basis from a peak of 5.5 times by the end of 2019.

Strong support from PTT Group

We expect the PTT Group to continue providing support to GPSC as the flagship company in the power business under the group. PTT PLC (PTT) has recently announced that PTT will subscribe all remaining shares of the new equity right offerings to support the acquisition of GLOW. This announcement ensures that GPSC will receive a full amount of Bt74 billion from the equity issue and will support GPSC's deleveraging plan.

BASE-CASE ASSUMPTIONS

- Revenue is forecast at Bt63-Bt75 billion during 2019-2022.
- EBITDA is forecast to be Bt16-Bt21 billion during 2019-2022. The EBITDA margin is forecast to stay around 26%-28%.
- New equity issue will be Bt74 billion in 2019.
- Total capital expenditure is forecast at Bt7-Bt11 billion per year in 2019-2022, including capital expenditure for SPP replacement and the ERU project.

RATING OUTLOOK

The "stable" outlook reflects our expectation that the plants in operation will continue to run smoothly and generate cash as forecast. In addition, we also expect the company to deleverage its capital structure as planned.

RATING SENSITIVITIES

A rating upgrade could occur if GPSC can smoothly integrate the power portfolio with GLOW 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 company of the power business 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 February 2019, the PTT Group held around 75% of total shares while the rest held by public. Shareholdings under the PTT Group consists of 22.6% held by PTT, 22.7% held by PTT Global Chemical PLC (PTTGC), 8.9% held by Thaioil PLC (TOP), and 20.8% held by Thaioil Power 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 of GLOW from ENGIE Global Developments B.V. (ENGIE). GPSC announced an intention to make a tender offer for all of the remaining shares of GLOW in the second quarter of 2019 which GPSC could acquire a 95.25% stake of GLOW in total. GPSC planned to make a tender offer for the remainder of

4.75% share of GLOW and planned to delist GLOW within 2019.

After the acquisition, GLOW's power portfolio of 2,771 MW had been added up in to GPSC's pre-acquisition power portfolio of 2,256 MW, the combined capacity came up to 5,026 MW. As of 30 June 2019, GPSC had an operating equity capacity of 4,298 MW, consisting of IPP power plants of 2,118 MW, SPP of 2,114 MW, and renewable power plants of 66 MW.

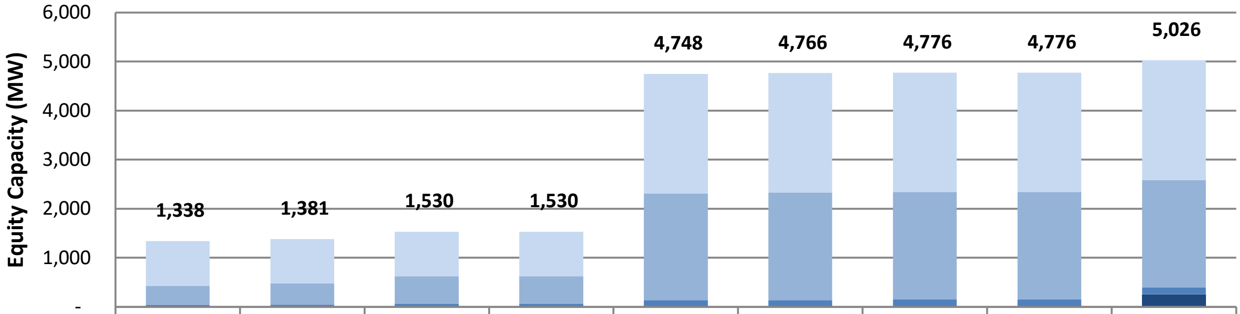
KEY OPERATING PERFORMANCE

Table 1: GPSC's Power Portfolio (As of Jun 2019)

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	-
Sub total			**4,910**		**2,439**	**2,118**
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	-
CUP4	Rayong	Gas	45	100	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**	**2,114**
3) VSPP and Renewables						
CCE	Chonburi	WTE	8.6	33	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
Malacca	Pichit, Khonkaen, Lopburi, Chantaburi	Solar	39.5	100	39.5	-
NL1PC	Laos PDR	Hydro	65	40	26	-
Rayong WTE	Ratchaburi	WTE	9.8	100	9.8	-
TSR	Supanburi, Kanchanaburi	Solar	80	40	32	32
Sub total			**237**		**145**	**66**
4) Cogeneration						
ERU	Chonburi	Pitch	250	100	250	-
Sub total			**250**		**250**	**-**
Total portfolio			**8,011**		**5,026**	**4,298**

Source: GPSC

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



	2015	2016	2017	2018	2019F	2020F	2021F	2022F	2023F
IPP	910	910	910	910	2,439	2,439	2,439	2,439	2,439
SPP	391	429	558	558	2,174	2,192	2,192	2,192	2,192
VSPP/Renewable	37	42	63	63	134	134	144	144	144
Others	-	-	-	-	-	-	-	-	250
Total	1,338	1,381	1,530	1,530	4,748	4,766	4,776	4,776	5,026

Source: GPSC

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS *

Unit: Bt million

		---------------Year Ended 31 December ----------			
	Jan-Jun 2019	2018	2017	2016	2015
Total operating revenues	29,637	25,771	20,940	21,548	23,193
Operating income	7,982	6,409	5,049	4,501	3,349
Earnings before interest and taxes (EBIT)	5,362	4,668	3,984	3,456	2,387
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	8,632	7,090	5,611	5,204	3,910
Funds from operations (FFO)	6,552	6,311	4,967	4,620	3,412
Adjusted interest expense	2,005	536	387	444	408
Capital expenditures	1,439	2,961	3,090	4,204	5,143
Total assets	254,074	64,439	59,968	58,028	55,983
Adjusted debt	161,205	11,933	11,977	9,363	6,035
Adjusted equity	41,100	42,349	40,374	38,754	37,128
Adjusted Ratios					
Operating income as % of total operating revenues (%)	26.93	24.87	24.11	20.89	14.44
Pretax return on permanent capital (%)	5.23 **	7.99	7.11	6.40	5.22
EBITDA interest coverage (times)	4.31	13.22	14.49	11.73	9.58
Debt to EBITDA (times)	13.57 **	1.68	2.13	1.80	1.54
FFO to debt (%)	5.88 **	52.89	41.47	49.34	56.54
Debt to capitalization (%)	79.68	21.98	22.88	19.46	13.98

* *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)

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Rating Outlook:	Stable

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