

WHA UTILITIES AND POWER PLC

No. 120/2022
22 November 2022

CORPORATES

| | |
|------------------------|--------|
| Company Rating: | A- |
| Issue Ratings: | |
| Senior unsecured | A- |
| Outlook: | Stable |

Last Review Date: 17/10/22

Company Rating History:

| Date | Rating | Outlook/Alert |
|----------|--------|---------------|
| 27/10/21 | A- | Stable |
| 27/09/19 | A- | Negative |
| 03/04/18 | A- | Stable |

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RATIONALE

TRIS Rating affirms the company rating on WHA Utilities and Power PLC (WHAUP) and the ratings on its outstanding senior unsecured debentures at “A-” with a “stable” rating outlook. At the same time, TRIS Rating assigns the “A-” rating to WHAUP’s proposed issue of up to THB1.5 billion in senior unsecured debentures. The company intends to use the proceeds from the new debenture issuance to refinance its existing debts.

The ratings reflect WHAUP’s status as a core subsidiary of WHA Corporation PLC (WHA) according to TRIS Rating’s “Group Rating Methodology”. WHA is rated “A-/stable” by TRIS Rating.

We also assess WHAUP’s stand-alone credit profile (SACP) at “a-”. The SACP reflects WHAUP’s position as the sole utility service provider for all of WHA’s industrial estates in Thailand and neighboring countries as well as recurring income from its investments in the power business. However, WHAUP’s business profile is constrained by the underperformance of its utility assets in Vietnam and the steep rise in fuel prices which will likely pressure WHAUP’s earnings.

WHAUP’s revenues are expected to increase by 12% in 2022 and 5%-10% per year in 2023-2024. The increase in demand for utilities is from a customer’s new power plants starting operation in 2021-2022, and from incremental of land transfers from WHA Industrial Development PLC (WHAID), a subsidiary of WHA, after the country’s reopening. Revenue from WHAUP’s solar rooftops has also grown continuously with total installed capacity expected to increase by 20%-30% per year.

WHAUP’s cash flow from power generation operations with several strategic partners has been stable, except for a period in 2022 when fuel prices surged. Soaring fuel costs will have a significant impact on its earnings from power sold to industrial users. We project WHAUP will receive cash dividends totaling around THB450 million in 2022, half of the 2021 figure, before rising to THB750 million-THB1 billion per annum in 2023-2024. Earnings before interest, taxes, depreciation and amortization (EBITDA) (including dividends received from the power business) are projected to be THB1.4 billion in 2022, gradually reaching THB2.1 billion in 2024.

For the first nine months of 2022, WHAUP’s performance was in line with our expectation. The company’s revenue and EBITDA, excluding gain on foreign exchange, were THB1.8 billion and THB1.0 billion, achieving 75% of our full-year forecast.

Capital expenditures (CAPEX) for utility facilities and solar rooftop installments are expected to be around THB1.0-THB2.4 billion per year during the forecast period. WHAUP’s net debt to EBITDA ratio is projected to reach 10 times in 2022, before easing to 7 times in 2024. The ratio of funds from operations (FFO) to debt should be in the 7%-12% range. As of September 2022, the company’s net debt to EBITDA ratio and FFO to debt ratio were 7 times and 10%, respectively.

The key financial covenant on its debentures requires the company to maintain a net interest-bearing debt to equity ratio below 2.5 times. The ratio was 1.0 times as of September 2022, well below the covenant threshold. The company should have no problems complying with the financial covenant over the next 12 to 18 months.

CreditUpdate, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company’s current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been “upgraded,” “downgraded,” “affirmed” or “cancelled.” The update includes information to supplement the previously published ratings.

Credit Updates are part of TRIS Rating’s monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

RATING OUTLOOK

The “stable” outlook mirrors the outlook on WHA. We expect the business model and the level of integration between WHA and WHAUP to remain unchanged.

RATING SENSITIVITIES

As a core subsidiary of WHA, the ratings on WHAUP are tied to the rating on WHA. Any change in the rating on WHA, or WHAUP’s group status, will affect the ratings on WHAUP accordingly.

An upward revision of WHAUP’s SACP could occur if the company can materially enlarge cash generation and profitability while maintaining a strong balance sheet on a sustained basis. On the other hand, a downward revision could emerge if its profitability and earnings fall significantly short of our expectations. Any overly aggressive, debt-funded investments that elevate the company’s net debt to EBITDA ratio to a level of 8 times or above for an extended period could also lead to a downward revision.

RELATED CRITERIA

- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

WHA Utilities and Power PLC (WHAUP)

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|---|--------|
| Company Rating: | A- |
| Issue Ratings: | |
| WHAUP22DA: THB1,500 million senior unsecured debentures due 2022 | A- |
| WHAUP231A: THB1,000 million senior unsecured debentures due 2023 | A- |
| WHAUP236A: THB1,290 million senior unsecured debentures due 2023 | A- |
| WHAUP237A: THB1,500 million senior unsecured debentures due 2023 | A- |
| WHAUP247A: THB1,300 million senior unsecured debentures due 2024 | A- |
| WHAUP256A: THB1,320 million senior unsecured debentures due 2025 | A- |
| WHAUP256B: THB1,800 million senior unsecured debentures due 2025 | A- |
| WHAUP267A: THB700 million senior unsecured debentures due 2026 | A- |
| WHAUP276A: THB1,000 million senior unsecured debentures due 2027 | A- |
| WHAUP302A: THB1,500 million senior unsecured debentures due 2030 | A- |
| Up to THB1,500 million senior unsecured debentures due within 5 years | A- |
| Rating Outlook: | Stable |

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