

GULF ENERGY DEVELOPMENT PLC

No. 21/2024
14 March 2024

CORPORATES

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

Last Review Date: 25/12/23

Company Rating History:

| Date | Rating | Outlook/Alert |
|----------|--------|----------------|
| 13/01/23 | A+ | Stable |
| 26/08/21 | A | Stable |
| 26/04/21 | A | Alert Negative |
| 25/12/18 | A | Stable |

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RATIONALE

TRIS Rating affirms the company rating on Gulf Energy Development PLC (GULF) at “A+” and affirms the ratings on GULF’s existing senior unsecured debentures at “A”. The rating outlook remains “stable”. At the same time, TRIS Rating assigns a rating of “A” to GULF’s proposed issue of up to THB20 billion senior unsecured debentures, with a tenor of up to 10 years. GULF intends to use the proceeds from the new debentures for business expansion and/or debt repayment.

The ratings continue to reflect GULF’s position as a leading power producer in Thailand, its well-diversified portfolio, its proven record of developing and operating power plants, and its highly predictable cash flows, backed by long-term power purchase agreements (PPAs) with the Electricity Generating Authority of Thailand (EGAT, rated “AAA/Stable”). However, these strengths are held back by risks associated with the company’s overseas investments and the looming rise in debt load during expansion.

GULF recently reported satisfactory results, with a 23% year-on-year (y-o-y) increase in earnings before interest, taxes, depreciation, and amortization (EBITDA) to about THB36 billion in 2023, buoyed by the commencements of operations of its power projects. Its debt to EBITDA ratio remained well controlled at 6.7 times in 2023.

The issue ratings’ single notch below the company rating reflects the subordination of the company’s senior unsecured debentures to its priority debt. As of December 2023, GULF’s consolidated debt, excluding lease liabilities, was about THB283 billion. Of this, THB144 billion was considered priority debt, comprising secured debt owed by GULF and all borrowings incurred by its operating subsidiaries. The priority debt to total debt ratio was 51%, suggesting that GULF’s unsecured creditors are significantly disadvantaged to the priority debt holders with respect to claims against the company’s assets.

RATING OUTLOOK

The “stable” outlook reflects our expectations that GULF’s power plants in operation will run smoothly and generate cash flows as planned, while the plants under construction will commence operations as scheduled. Also, the company’s growth strategy will not significantly weaken its financial risk profile.

RATING SENSITIVITIES

The prospect of a rating upgrade is limited in the near term, considering the company’s massive expansion plan. However, it could occur if GULF substantially reduces its debt obligations. Conversely, a rating downside could arise if its financial risk profile significantly weakens, which could result from excessive debt-funded investments, considerable cost overruns, or material deterioration in cash generation. A debt to EBITDA ratio of well above 8 times on a sustained basis could put the ratings under downward revision pressure.

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.

RELATED CRITERIA

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

Gulf Energy Development PLC (GULF)

Company Rating: A+

Issue Ratings:

| | |
|---|---|
| GULF249A: THB12,000 million senior unsecured debentures due 2024 | A |
| GULF252A: THB10,000 million senior unsecured debentures due 2025 | A |
| GULF258A: THB2,500 million senior unsecured debentures due 2025 | A |
| GULF258B: THB7,000 million senior unsecured debentures due 2025 | A |
| GULF261A: THB2,000 million senior unsecured debentures due 2026 | A |
| GULF263A: THB4,100 million senior unsecured debentures due 2026 | A |
| GULF263B: THB5,805 million senior unsecured debentures due 2026 | A |
| GULF268A: THB2,200 million senior unsecured debentures due 2026 | A |
| GULF268B: THB15,928.2 million senior unsecured debentures due 2026 | A |
| GULF269A: THB6,000 million senior unsecured debentures due 2026 | A |
| GULF272A: THB8,000 million senior unsecured debentures due 2027 | A |
| GULF273A: THB4,400 million senior unsecured debentures due 2027 | A |
| GULF278A: THB2,000 million senior unsecured debentures due 2027 | A |
| GULF278B: THB1,000 million senior unsecured debentures due 2027 | A |
| GULF279A: THB3,664 million senior unsecured debentures due 2027 | A |
| GULF283A: THB4,500 million senior unsecured debentures due 2028 | A |
| GULF289A: THB3,000 million senior unsecured debentures due 2028 | A |
| GULF289B: THB1,500 million senior unsecured debentures due 2028 | A |
| GULF291A: THB1,000 million senior unsecured debentures due 2029 | A |
| GULF292A: THB1,000 million senior unsecured debentures due 2029 | A |
| GULF298A: THB800 million senior unsecured debentures due 2029 | A |
| GULF298B: THB5,071.8 million senior unsecured debentures due 2029 | A |
| GULF303A: THB3,500 million senior unsecured debentures due 2030 | A |
| GULF308A: THB1,000 million senior unsecured debentures due 2030 | A |
| GULF309A: THB3,031 million senior unsecured debentures due 2030 | A |
| GULF319A: THB9,000 million senior unsecured debentures due 2031 | A |
| GULF322A: THB5,000 million senior unsecured debentures due 2032 | A |
| GULF328A: THB3,000 million senior unsecured debentures due 2032 | A |
| GULF333A: THB3,500 million senior unsecured debentures due 2033 | A |
| GULF339A: THB1,000 million senior unsecured debentures due 2033 | A |
| Up to THB20,000 million senior unsecured debentures due within 10 years | A |

Rating Outlook: Stable

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