

GULF ENERGY DEVELOPMENT PLC

No. 64/2022
21 June 2022

CORPORATES

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

Last Review Date: 14/02/22

Company Rating History:

| Date | Rating | Outlook/Alert |
|----------|--------|----------------|
| 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 the ratings on GULF’s senior unsecured debentures at “A-”, with a “stable” outlook. At the same time, we assign a rating of “A-” to GULF’s proposed issue of up to THB35 billion senior unsecured debentures. The company intends to use the proceeds from the new debentures for business expansion and/or debt repayment.

The ratings reflect the company’s position as one of the leading power producers 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 (PPA) with the Electricity Generating Authority of Thailand (EGAT, rated “AAA” by TRIS Rating). In contrast, the ratings are constrained by risks associated with the company’s overseas expansion and the rise in its debt load.

GULF’s operating performance has been in line with our expectations. We forecast the company’s revenue and cash flows to rise steeply over the next three years, mainly driven by its two Independent Power Producer (IPP) power projects in Thailand, scheduled for operation during 2021-2024, plus the dividend income from its investment in a 42.25% stake in Intouch Holdings PLC (INTUCH). The increasing cash flows will likely help lower the ratio of debt to earnings before interest, taxes, depreciation, and amortization (EBITDA) to about 6 times in 2024, from almost 10 times as of March 2022.

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 March 2022, GULF’s consolidated debt was about THB234 billion, of which THB142 billion was considered priority debt, comprising secured debt owed by GULF and all borrowings incurred by its operating subsidiaries. As its priority debt to total debt ratio was 61%, exceeding the 50% threshold, we view GULF’s unsecured creditors as being 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 cashflows as planned, while the plants under construction will commence operations as scheduled, and that the company’s growth strategy will not significantly weaken its financial profile from the current level.

RATING SENSITIVITIES

A rating upgrade could happen if GULF’s debt to EBITDA ratio improves and remains below 8 times on a sustained basis. In contrast, a rating downside could occur if the projects under development are materially delayed from schedule, significantly affecting projected cash flows. Any large debt-funded investment, that materially deteriorates the company’s financial profile, could also put downward pressure on the ratings.

RELATED CRITERIA

- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019

Gulf Energy Development PLC (GULF)

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|---|--------|
| Company Rating: | A |
| Issue Ratings: | |
| GULF238A: THB4,500 million senior unsecured debentures due 2023 | A- |
| GULF241A: THB2,500 million senior unsecured debentures due 2024 | A- |
| 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- |
| GULF261A: THB2,000 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- |
| GULF278A: THB2,000 million senior unsecured debentures due 2027 | A- |
| GULF289A: THB3,000 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- |
| GULF308A: THB1,000 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- |
| Up to THB35,000 million senior unsecured debentures due within 10 years | A- |
| Rating Outlook: | Stable |

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