

ENERGY ABSOLUTE PLC

No. 128/2022
14 December 2022

CORPORATES

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

Last Review Date: 25/08/22

Company Rating History:

Date	Rating	Outlook/Alert
10/05/19	A	Stable
09/04/18	A-	Stable
02/06/16	BBB+	Stable

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RATIONALE

TRIS Rating affirms the company rating on Energy Absolute PLC (EA) at "A", and the ratings on EA's senior unsecured debentures at "A-", with a "stable" outlook. At the same time, TRIS Rating assigns the rating of "A-" to EA's newly proposed issue of THB5 billion and additional greenshoe portion of up to THB2 billion in senior unsecured debentures. The company intends to use the proceeds from the new debentures to support its battery manufacturing and electric vehicle (EV) businesses.

For the first nine months of 2022, EA's cash flow remained relatively steady, supported by the solid performances of its power assets. The company's earnings before interest, taxes, depreciation, and amortization (EBITDA) dropped by just 2.2% year-on-year (y-o-y) to about THB7.2 billion, despite the effect from its fragile biodiesel business and rising expenses after ramping up EV and battery production. Total power output fell by 7% y-o-y to 976 million kilowatt-hours (kWh) due to low wind speeds for its wind power plants. However, the drop in power outputs was offset by increases in the fuel adjustment charge (Ft) during the year.

In our view, EA has captured growth opportunities in Thailand's transition to E-buses. EA is currently the largest shareholder of Beyond Security PLC (BYD), indirectly holding 23.63% of the total shares. At the same time, Thai Smile Bus Co., Ltd. (TSB), a 49%-indirectly owned associate of BYD, has received the entire E-bus and E-ferry businesses transferred from EA's subsidiaries. As a result, TSB has become a major bus operator in Thailand, covering 122 routes in Bangkok and vicinity. We view TSB's potential demand for E-buses is sizable, assessing from its estimated purchasing plan for approximately 2,400 units of E-buses to fulfill its public transport licenses and the possibility of replacing its existing bus fleets with E-buses in the future. EA will benefit from TSB's E-bus investment plan as the E-buses are expected to be supplied by EA's assembly and battery manufacturing facilities.

EA's total debts as of September 2022 increased to THB51.7 billion, following the increased working capital need for the EV business and ongoing investments in the EV ecosystem. The company's debt to EBITDA ratio rose to 5.2 times (12-month trailing) in September 2022 from 4.5 times at the end of 2021. We expect EA's revenue to grow significantly during 2023-2024, as assessed from the on-hand orders for E-buses and the bright prospect for EV demand. The new earnings from its EV business should bring the company's debt to EBITDA ratio down to 4-5 times during 2023-2024. We project the ratio of funds from operations (FFO) to net debt to improve to about 20% over the same period.

RATING OUTLOOK

The "stable" outlook reflects TRIS Rating's expectation that EA's reliable and sizable cash generation from its power business will continue to be the main source of cash flows to the group. We expect EA's financial performance to stay in line with our forecast while the EV business should begin to generate satisfactory returns for the company over the next few years.

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 SENSITIVITIES

The prospect of a rating upgrade is limited in the next few years due to the execution risks associated with the battery- and EV-related businesses. However, a rating upside may occur if EA can materially enlarge its cash generation while maintaining a sound balance sheet. On the other hand, we could lower the ratings if EA's financial profile is materially weaker than our expectations. This could happen due to a significantly lower-than-expected profit in the battery and EV business, aggressive debt-funded investments, or large equity losses from the new businesses.

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

Energy Absolute PLC (EA)

Company Rating:	A
Issue Ratings:	
EA237A: THB1,000 million senior unsecured debentures due 2023	A-
EA248A: THB1,500 million senior unsecured debentures due 2024	A-
EA257A: THB700 million senior unsecured debentures due 2025	A-
EA259A: THB1,250 million senior unsecured debentures due 2025	A-
EA260A: THB3,000 million senior unsecured debentures due 2026	A-
EA279A: THB750 million senior unsecured debentures due 2027	A-
EA297A: THB2,000 million senior unsecured debentures due 2029	A-
EA298A: THB2,000 million senior unsecured debentures due 2029	A-
EA299A: THB1,400 million senior unsecured debentures due 2029	A-
EA329A: THB1,700 million senior unsecured debentures due 2032	A-
Up to THB5,000 million senior unsecured debentures and additional greenshoe portion of up to THB2,000 million due within 10 years	A-
Rating Outlook:	Stable

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