

EARTH TECH ENVIRONMENT PLC

No. 7/2023
18 April 2023

CORPORATES

Company Rating: BBB-
CreditAlert: Negative

Last Review Date: 31/10/22

Company Rating History:

Date	Rating	Outlook/Alert
31/10/22	BBB-	Stable

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RATIONALE

TRIS Rating places the company rating on Earth Tech Environment PLC (ETC) on CreditAlert with a “negative” implication. The CreditAlert reflects our expectation of elevated financial leverage and significant exposure to project development risks in connection with ETC’s new waste-to-energy (WTE) projects.

On 7 April 2023, ETC announced that it has been awarded 10 new industrial WTE projects with an aggregate capacity of 80 megawatts (MW). The number of awarded projects far exceeds our previous assumption of just four new WTE projects. ETC is slated to sign the new Power Purchase Agreements (PPAs) by October 2023, and is obliged to commence commercial operations of all projects by 2026. Our preliminary estimate of the investment cost for the new WTE projects is THB15.0-THB16.0 billion.

ETC is in the process of finalizing the financing plan, which includes highly geared financing structures for each project company. We expect ETC’s financial leverage to be materially elevated as a result. We also expect ETC to be exposed to significant project development risks, given the number of projects being undertaken at the same time.

Added to that, ETC’s parent company, Better World Green PLC (BWG), will need to take on a substantial investment for the expansion of Solid Recovered Fuel (SRF) production to support multiple-fold increases in intra-group WTE fuel consumption. Likewise, BWG will likely finance the investment chiefly by debt. We hold the view that such aggressive debt-fueled investments could considerably impact the financial risk profile of the whole group.

In this regard, we have also placed BWG's company rating on CreditAlert with a “negative” implication despite the potential positive impacts of the investments from a long-term business risk perspective due to the increased scale of operations and earnings, as well as enhanced diversification.

We plan to resolve the CreditAlert once the financing plan for the new WTE projects and the new SRF facilities is concluded. We will assess the impact on the capital structure of ETC and the BWG Group once we have sufficient information, including the funding structure, deleveraging plan, and strategies to ensure successful developments.

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

Earth Tech Environment PLC (ETC)

Company Rating:	BBB-
CreditAlert:	Negative

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