

# GLOW ENERGY PLC

No. 164/2021  
4 October 2021

## CORPORATES

|                        |        |
|------------------------|--------|
| <b>Company Rating:</b> | AA+    |
| <b>Issue Rating:</b>   |        |
| Senior unsecured       | AA+    |
| <b>Outlook:</b>        | Stable |

**Last Review Date:** 30/09/20

### Company Rating History:

| Date     | Rating | Outlook/Alert    |
|----------|--------|------------------|
| 25/09/19 | AA-    | Stable           |
| 06/11/18 | AA-    | Developing       |
| 22/06/18 | AA-    | Alert Developing |
| 21/09/17 | AA-    | Stable           |
| 09/09/14 | A+     | Stable           |
| 04/05/06 | A      | Stable           |
| 25/07/03 | A-     | Stable           |
| 27/07/00 | BBB+   | Stable           |

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## RATIONALE

TRIS Rating upgrades the company rating on GLOW Energy PLC (GLOW) and the ratings on its senior unsecured debentures to “AA+” from “AA-” with a “stable” outlook. The upgrade follows TRIS Rating’s rating action that upgrades the ratings on Global Power Synergy PLC (GPSC) to “AA+” on 4 October 2021

GLOW’s stand-alone credit profile of “aa” continues to reflect the company’s robust cash generation, supported by long-term power purchase agreements (PPA), its long track record of efficient operation, and expected strong financial profile over the long term.

## KEY RATING CONSIDERATIONS

### Core subsidiary of GPSC

TRIS Rating assesses GLOW as a core subsidiary of GPSC, considering its substantial contribution of earnings to, and the tighter operational linkage between the two entities. GLOW is wholly owned by GPSC and contributes approximately 60% of the group’s total earnings before interest, taxes, depreciation, and amortization (EBITDA).

As a core subsidiary of GPSC, GLOW’s ratings are equal to GPSC’s ratings of “AA+”, meanwhile, GLOW’s stand-alone credit profile is affirmed at “aa”.

### Robust cash flow generation

We expect GLOW’s robust cash generation will continue, supported by the power purchase agreements (PPA) with the Electricity Generating Authority of Thailand (EGAT) and industrial customers. As of 30 June 2021, GLOW had a total installed capacity of 3,093 megawatts (MW). PPA with EGAT cover about 70% of GLOW’s total capacity with the remaining capacity contracted with industrial customers. GLOW’s equity capacity was 2,771 MW.

PPA with EGAT largely benefit GLOW’s credit profile as they protect the company from demand risk and fuel price risk, resulting in stable earnings. Additionally, PPA with industrial customers also provide a source of steady revenue, backed by a minimum offtake condition and strong electricity demand since most customers are large petrochemical producers in the Map Ta Phut area.

We also take into consideration its long track record of strong operating efficiency, such as good availability, well controlled heat rates and operating costs, as positive factors to help sustain its stable revenue and earnings over the long term.

### Limited exposure to fuel price risk

GLOW is partially exposed to fuel price risk, stemming from electricity sales to industrial customers, due to a possible mismatch between the adjustable Ft in tariff rate and actual fuel cost used to generate electricity. The Ft adjustment carries a time lag and is subject to the authorities’ discretion. The diverging movements between the Ft adjustment and fuel cost could result in a swing in GLOW’s profit. However, its impact is limited as electricity sales to industrial customers make up only about 30%-35% of GLOW’s total revenue.

### **Contracted capacity is declining**

We expect GLOW's contracted capacity in PPA with EGAT will drop by approximately 300 MW during 2022-2025 after the Small Power Producer (SPP) replacement programs for GEN Phase 2, GSPP2 and GSPP3 are completed. The impact from the declining contracted capacity, is likely to result in a fall of 5-6% in the company's EBITDA. However, the drop will be partly compensated by the increasing sales of steam and unlocked synergy benefits between GLOW and GPSC.

### **Strong financial profile**

We expect GLOW's financial leverage will remain at a very low level over the next three years, underpinned by our expectation that GLOW is unlikely to undertake new investments beyond its existing SPP replacement programs. We expect that most new project investments will be executed by GPSC. During 2021-2023, we project GLOW's stable EBITDA to stay between THB14-15 billion per annum, and its capital expenditures to total THB8-THB12 billion a year, chiefly for the maintenance of Phase 5 and the SPP replacement programs. As a result, we forecast the net debt to EBITDA ratio to stay below 3 times during the next three years.

Since GPSC controls all treasury management for its subsidiaries, we expect GLOW's maturing bonds will be replaced by borrowings from GPSC-treasury center instead. We expect GLOW's currently available excess cash to be paid as dividends to support GPSC's new investments.

### **Capital structure**

At the end of June 2021, GLOW's outstanding debt, excluding financial lease, amounted to THB31.9 billion. The debt included THB9.4 billion of priority debt which was project financing loans. This translates into a priority debt to total debt ratio of about 29%.

### **BASE-CASE ASSUMPTIONS**

- Revenue to be about THB44-THB48 billion during 2021-2023
- Average EBITDA to be around THB14-THB15 billion per annum during 2021-2023
- Capital spending of THB8-THB12 billion a year
- 100% dividend payout

### **RATING OUTLOOK**

The "stable" outlook reflects our expectation that GLOW will continue its strong, steady cash flow generation in the foreseeable future. We also expect GLOW to sustain a reliable operating performance and its strong financial profile.

### **RATING SENSITIVITIES**

Based on GLOW's status as a core subsidiary of GPSC, the ratings on GLOW will move in tandem with the rating on GPSC. Any change in the ratings on GPSC will result in the same change to the ratings on GLOW.

### **COMPANY OVERVIEW**

GLOW is a leading private power producer in Thailand. The company was established in 1993 to provide utility services in the Map Ta Phut area. The business comprises the cogeneration (including the SPP) and the Independent Power Producer (IPP) segment. The company and its affiliates supply electricity, steam, and treated water to large customers in the Map Ta Phut Industrial Estate, the Eastern Seaboard Industrial Estate, and Siam Eastern Industrial Park.

GLOW was acquired by GPSC in 2019. GPSC is currently the ultimate shareholder holding a 99.8% stake in GLOW. GLOW delisted from the Stock Exchange of Thailand in December 2019. As of 30 June 2021, GLOW's power generating capacity totaled 3,093 MW, mainly consisting of 1,525 MW in the IPP plants and 1,556 MW in the cogeneration segment. GLOW's equity capacity was 2,771 MW.

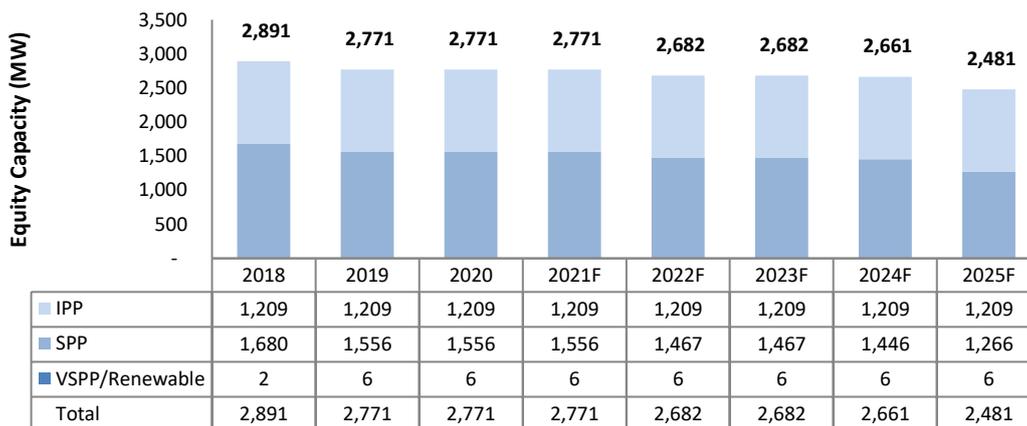
**KEY OPERATING PERFORMANCE**

**Table 1: GLOW's Power Portfolio as of 30 Jun 2021**

| Plant Name                   | Type            | Capacity (MW) | Holding (%) | Equity Capacity (MW) | Steam (Tonne/Hr) | Commercial Operating Date |
|------------------------------|-----------------|---------------|-------------|----------------------|------------------|---------------------------|
| <b>IPP Business</b>          |                 |               |             |                      |                  |                           |
| GLOW IPP                     | Gas             | 713           | 95          | 677                  | -                | Jan 2003                  |
| GHECO-One                    | Coal            | 660           | 65          | 429                  | -                | Aug 2012                  |
| Houay Ho                     | Hydro           | 152           | 67.25       | 102                  | -                | Sep 1999                  |
| <b>Total IPP</b>             |                 | <b>1,525</b>  |             | <b>1,208</b>         |                  |                           |
| <b>Cogeneration Business</b> |                 |               |             |                      |                  |                           |
| Glow Energy Phase 1          | Gas             | -             | 100         | -                    | 250              | Jul 1994                  |
| Glow Energy Phase 2          | Gas             | 281           | 100         | 281                  | 300              | Apr 1996                  |
| Glow Energy Phase 4          | Gas             | 77            | 100         | 77                   | 137              | Jan 2005                  |
| Glow Energy Phase 5          | Gas             | 328           | 100         | 328                  | 160              | Sep 2011                  |
| Glow SPP2/Glow SPP3          | Hybrid Gas/Coal | 513           | 100         | 513                  | 190              | Mar 1999                  |
| Glow Energy CFB 3            | Coal            | 85            | 100         | 85                   | 79               | Nov 2010                  |
| Glow SPP 11 Phase 1 & 3      | Gas             | 162           | 100         | 162                  | -                | Oct 2000                  |
| Glow SPP 11 Phase 2          | Gas             | 110           | 100         | 110                  | -                | Dec 2012                  |
| <b>Total SPP</b>             |                 | <b>1,556</b>  |             | <b>1,556</b>         | <b>1,116</b>     |                           |
| Glow Energy Solar            | Solar           | 1.55          | 100         | 1.55                 | -                | Aug 2012                  |
| C&I Rooftop Solar 1          | Solar           | 0.9           | 100         | 0.9                  | -                | Dec 2018                  |
| C&I Rooftop Solar 2          | Solar           | 1.0           | 100         | 1.0                  | -                | Feb 2019                  |
| Chonburi Clean Energy (CCE)  | Waste           | 8.3           | 33.3        | 2.74                 | -                | Nov 2019                  |
| <b>Total capacity</b>        |                 | <b>3,093</b>  |             | <b>2,771</b>         | <b>1,116</b>     |                           |

Source: GLOW

**Chart 1: GLOW's Power Portfolio Development (Equity Capacity)**



Source: GLOW

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\***

Unit: Mil. THB

|   | Jan-Jun<br>2021 | -----Year Ended 31 December----- |         |         |         |
|---|-----------------|----------------------------------|---------|---------|---------|
|   |                 | 2020                             | 2019    | 2018    | 2017    |
| Total operating revenues  | 22,648          | 45,714                           | 50,588  | 53,731  | 51,212  |
| Earnings before interest and taxes (EBIT)                                   | 5,031           | 10,251                           | 10,285  | 13,082  | 13,703  |
| Earnings before interest, taxes, depreciation,<br>and amortization (EBITDA) | 7,478           | 14,800                           | 14,929  | 17,708  | 18,227  |
| Funds from operations (FFO)   | 5,546           | 11,231                           | 11,659  | 14,290  | 14,807  |
| Adjusted interest expense   | 1,132           | 2,338                            | 2,393   | 2,109   | 2,444   |
| Capital expenditures  | 1,575           | 1,637                            | 1,027   | 1,005   | 853     |
| Total assets  | 102,974         | 100,556                          | 107,245 | 104,927 | 106,031 |
| Adjusted debt   | 22,618          | 24,682                           | 15,303  | 27,764  | 31,553  |
| Adjusted equity   | 44,496          | 42,333                           | 43,149  | 58,904  | 58,009  |
| <b>Adjusted Ratios</b>  |                 |                                  |         |         |         |
| EBITDA margin (%)   | 33.0            | 32.4                             | 29.5    | 33.0    | 35.6    |
| Pretax return on permanent capital (%)                                      | 12.6**          | 13.5                             | 12.0    | 13.4    | 13.6    |
| EBITDA interest coverage (times)  | 6.6             | 6.3                              | 6.2     | 8.4     | 7.5     |
| Debt to EBITDA (times)  | 1.6**           | 1.7                              | 1.0     | 1.6     | 1.7     |
| FFO to debt (%)   | 48.1**          | 45.5                             | 76.2    | 51.5    | 46.9    |
| Debt to capitalization (%)  | 33.7            | 36.8                             | 26.2    | 32.0    | 35.2    |

\* Consolidated financial statements

\*\* Annualized with trailing 12 months

**RELATED CRITERIA**

- Issue Rating Criteria, 15 June 2021
- Group Rating Methodology, 13 January 2021
- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

**Glow Energy PLC (GLOW)**

|   |        |
|---|--------|
| <b>Company Rating:</b>  | AA+    |
| <b>Issue Rating:</b>  |        |
| GLOW265A: THB3,000 million senior unsecured debentures due 2026 | AA+    |
| <b>Rating Outlook:</b>  | Stable |

**TRIS Rating Co., Ltd.**

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