

AQUA CORPORATION PLC

No. 12/2022
2 February 2022

CORPORATES

Company Rating: BBB-
Outlook: Stable

Last Review Date: 09/08/21

Company Rating History:

Date	Rating	Outlook/Alert
02/08/17	BBB-	Stable

Contacts:

Jutatip Chitphromphan
jutatip@trisrating.com

Suchana Chantadisai
suchana@trisrating.com

Wajee Pitakpaibulkij
wajee@trisrating.com

Sasiporn Vajarodaya
sasiporn@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating on Aqua Corporation PLC (AQUA) at “BBB-” with a “stable” outlook. The rating reflects the high level of recurring income AQUA earns from long-term warehouse rental contracts and the share of profit it receives from an affiliated company. However, AQUA’s strengths are offset by its small size of portfolio of rental properties and located only in limited areas.

AQUA recently announced its plan to divest all its shares in the out-of-home media business to PLAN B Media PLC (PLANB). The transaction value is THB2.88 billion. The company plans to use the proceeds of the divestment to repay existing debts, fund future investments, and use as working capital. In addition, AQUA also plans to purchase a 1.96% stake in PLANB, for THB 606.48 million. The share purchase is subject to the approval of shareholders in the General Meeting of Shareholders of PLANB scheduled in April 2022. After the completion of the transaction, AQUA will focus on its real estate business, and investments in printing and packaging, as well as energy businesses. In TRIS Rating’s view, the transaction will benefit AQUA by strengthening its capital structure and liquidity position.

We expect the divestiture of media business to result in AQUA’s total operating revenues dropping by 59% to THB337 million in 2022, with its earnings before interest, taxes, depreciation and amortization (EBITDA) to stay at THB353 million. We expect the company’s total debt to capitalization ratio to stay at around 9%, and its adjusted debt to EBITDA ratio to stay below 4 times in 2022.

We assess AQUA to have adequate liquidity over the next 12 months. The company has outstanding debt of THB1.0 billion to be due over the next 12 months. The funds from operations (FFO) are projected to be THB233 million. The company still has the remaining cash from the capital increase of the existing shareholders of THB660 million.

Most of AQUA’s debt is made up of secured bank loans. As of December 2021, the ratio of priority debt to total debt exceeded 50%, which implies a significant subordination risk for the company’s senior unsecured obligations, according to TRIS Rating’s “Issue Rating Criteria”.

RATING OUTLOOK

The “stable” outlook reflects our expectation that AQUA will earn from long-term warehouse rental contracts and the share of profit it receives from an affiliated company.

RATING SENSITIVITIES

A rating downgrade could happen if AQUA’s profitability or performance deteriorates materially. Any debt-funded expansion which would significantly weaken its balance sheet and cash-flow protection, would also lead to a rating downgrade scenario. In contrast, the rating could be upgraded if the company materially enlarges and stabilizes its cash generation while maintaining a strong balance sheet on a sustained basis.

COMPANY OVERVIEW

AQUA was established in 1994 as a provider of hire-purchase loans for electrical home appliances. The company was listed on the Stock Exchange of Thailand (SET) in September 2004. In 2007, MIDA Assets PLC (MIDA), led by the leosivikul family, became the company's major shareholder. The family decided to terminate the hire purchase business.

As of March 2021, AQUA's major shareholders comprised Mr. Pakorn Mongkoltada (holding 12.6% of the company's shares), Mr. Kumpol Virathepsuporn (holding 6.9%), and Ms. Kanchanarat Wonghan (holding 5.1%).

AQUA has operated as an investment management company since 2007. In that year, AQUA bought 50% of AQUA Ad PLC (AQUA Ad), a provider of out-of-home media services. In 2010, AQUA acquired a 43.8% stake in EP. In 2011, AQUA bought all of the remaining shares in AQUA Ad. In 2014, AQUA expanded its investment portfolio to include businesses that generate recurring income. In 2015, it acquired Thai Consumer Distribution Center Co., Ltd. (TCDC) and Accomplish Way Holding Co., Ltd., which operate built-to-suit warehouses for rent. In 2016, AQUA developed a rehabilitation resort, and then leased the property to "The Cabin ChiangMai" in order to earn rental income.

As of July 2019, AQUA had acquired a 100% stake in S. Thana Media Co., Ltd., which operates out-of-home media services in Thailand. The total acquisition cost was THB380 million.

In November 2020, AQUA terminated the lease agreement with The Cabin and returned all project areas to this company.

In January 2022, AQUA recently announced that it had approved plans to divest all of its ordinary shares in the out of home media business, comprising of Aqua Ad co., ltd (AA) and M.I.S. Media co., ltd (MIS), together with ordinary shares of Boardway Media co., ltd (BWM) and S. Thana Media co., ltd (STN) to PLAN B Media PLC (PLANB).

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

Aqua Corporation PLC (AQUA)

Company Rating:	BBB-
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

© Copyright 2022, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at www.trisrating.com/rating-information/rating-criteria