SUPER ENERGY CORPORATION PLC

No. 210/2024
13 November 2024

CORPORATES

Company Rating:	BBB
Issue Rating:	
Senior unsecured	BBB-
Outlook:	Stable

Last Review Date: 21/11/23

Company Rating History:

Date	Rating	Outlook/Alert
21/11/23	BBB	Stable
14/12/21	BBB	Positive
04/12/20	BBB	Stable
06/12/19	BBB-	Positive
03/01/18	BBB-	Stable

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RATIONALE

TRIS Rating affirms the company rating on Super Energy Corporation PLC (SUPER) at "BBB" with a "stable" outlook. At the same time, we assign a rating of "BBB-" to SUPER's proposed issue of up to THB2.5 billion senior unsecured debentures, with a tenor of up to two years. The company intends to use the proceeds from the new debentures for debt repayment. The issue rating is one notch below the company rating, reflecting SUPER's significant portion of priority debt.

The ratings mirror SUPER's large and well-diversified power portfolio, as well as reliable cash generation, underpinned by long-term power purchase agreements (PPAs). However, the ratings are constrained by the company's substantial exposure in Vietnam and respectable interest burden.

KEY RATING CONSIDERATIONS

Large, well-diversified power portfolio

The ratings are underpinned by SUPER's large and diversified pool of power projects across different sites. Currently, the company has more than 100 operating power plants in diverse locations with an aggregate contracted capacity of 1,371 megawatts (MW). The substantial power assets have supported the stability of the company's overall earnings. Also, SUPER can reduce its debt load or improve liquidity by divesting parts of the investments.

In our base-case projection, we estimate the total contracted capacity of SUPER's operating power plants will rise to 1,560 MW in the next three years. Most of the added capacity will come from wind power projects under development in Vietnam.

Highly predictable cash flows

SUPER's operating power plants have performed satisfactorily, delivering stable cash flows over the past several years. For the domestic power portfolio, multi-year PPAs with very strong counterparties including credible state-owned producers and distributors of electricity have ensured the visibility and stability of the long-term revenue stream. As for power projects in Vietnam, SUPER holds PPAs with the state-run Vietnam Electricity (EVN).

Also, SUPER's steady performance has come from the low operational risks of its power generating assets, most of which (1,297 MW) are solar power plants, proven to generate highly predictable power outputs. As its diversification strategy, SUPER has expanded into other types of renewable power including wind power and waste-to-energy (WTE).

Substantial exposure in Vietnam weighs on ratings

We view SUPER's substantial exposure in Vietnam as a drag on the ratings. Investments in Vietnam currently comprise about 40% of the total, exposing it to higher country and counterparty risks. Also, the company is enduring considerable financial costs related to the Vietnam-based power projects, given the high interest rates on the respective USD-denominated loans.

We view the credit profile of EVN as not being as strong as the Thai state-owned power buyers. Also, power output from operating projects remains at risk of being curtailed due to insufficient grid capacity. Added to this, SUPER has recently been facing long overdue payments related to some operating solar farms as EVN is carrying out retrospective checks on certain project documents.

Currently, SUPER has two pending committed wind power projects (171 MW) in Vietnam. The Soc Trang project (30 MW) has completed construction but faces severe hold-up in commercial operation date while the Bac Lieu project (141 MW) remains under construction. Our base-case forecast conservatively assumes the Soc Trang and Bac Lieu projects will commence operations in the second half of 2025 and the beginning of 2026, respectively.

With several regulatory uncertainties, SUPER has put other two potential wind power projects (250 MW) on hold. The company plans to reduce its exposure in Vietnam, with a recent partial divestment of its stake in a 837-MW pool of solar power projects. Looking forward, the company should focus on developing domestic power projects, particularly its newly acquired 186 MW renewable power projects under the state 5.2-gigawatt renewable power scheme. These projects are slated to commence operations during 2027-2029.

Earnings to remain pressured by hefty interest burden

We project SUPER's revenue to recede during 2024-2025 and rebound in 2026, following disposal of pool solar power projects in Thailand (139 MW) in July 2024 and commercial operations of the large Bac Lieu project in Vietnam (141 MW) in early 2026. As such, we project total operating revenue to range between THB8.6-THB9.7 billion per annum over the forecast periods. EBITDA will likely stay in the THB6.5-THB7.4 billion per annum range, translating to an EBITDA margin of 76%-77%. The reliable performances of the power plants should keep the company's operating profit satisfactory.

However, interest costs will likely continue to put a strain on SUPER's net earnings, given the high-interest USD loans associated with its Vietnam-based projects. The company's average cost of debt surged to 7.6% in the first half of 2024, from 4.5%-5.5% during the past several years. The recent sales of several power projects and the decline of interest rates should bring down financial cost pressure. Looking forward, we estimate its funds from operations (FFO) will range between THB3-TH4 billion per annum during 2024-2026.

Financial leverage under control

We believe SUPER will manage gearing properly. The series of power asset sales during the past two years should bring in proceeds of about THB10 billion, reducing debt load pressure during expansion. Our base-case forecast estimates its capital expenditures and investments will add up to THB15.2 billion throughout 2024-2026. Most will be spent on the wind and WTE power projects under construction.

We forecast the company's debt to EBITDA ratio will stay at about 6-7 times during 2024-2026. The ratio of FFO to debt should range from 7%-9% and the EBITDA interest coverage ratio should remain around 2 times. The debt to capitalization ratio should hover about 60%. SUPER's substantial power assets provide a source of financial flexibility as the company may consider divesting parts of investments to reduce financial burden.

Liquidity to stay manageable

We believe SUPER will adequately manage its liquidity. As of June 2024, the company had cash and undrawn credit facilities of around THB2.3 billion in total. Its FFO over the next 12 months is forecast at about THB3 billion. Including the remaining proceeds from the asset sales of THB8.8 billion, sources of cash add up to THB14.1 billion. However, we estimate a funding gap of about THB1.3 billion, considering the debt coming due over the next 12 months from June 2024 of about THB15.4 billion excluding substantial short-term bank loans totaling THB10.8 billion to be converted to long-term project loans. SUPER plans to close the estimated funding gap with proceeds from new debenture issuances.

Debt structure

As of June 2024, SUPER's consolidated debt was THB51 billion. Of this, THB43.3 billion was priority debt, comprising secured debt owed by SUPER and all borrowings incurred by its operating subsidiaries. The company's priority debt to total debt ratio is 85%, suggesting the company's unsecured creditors are significantly disadvantaged to its priority debt holders with respect to claims against the company's assets.

BASE-CASE ASSUMPTIONS

Key assumptions in TRIS Rating's base-case forecast during 2024-2026 are as follows:

- Aggregate capacity of operating power plants to reach 1,560 MW in the next three years.
- Aggregate power output to be 2,200-2,700 gigawatt-hours (GWh) per annum.
- Total operating revenue to range between THB8.6-TH9.7 billion per annum.
- EBITDA margin to be 76%-77%.
- Capital expenditures to total THB15.2 billion.

RATING OUTLOOK

The "stable" outlook embeds our expectation that SUPER's operating power plants will continue to generate reliable cash flows. Additionally, the company will develop and commission new capacity without significant delays or cost overruns. This also rests on our expectation of SUPER settling the long overdue receivables. As such, its financial leverage and cash flows against debt obligations should align with our forecast.

RATING SENSITIVITIES

An upgrade would require SUPER to consistently operate at a lower leverage level. An indication of this would be a sustained debt to EBITDA ratio of below 6 times. Conversely, we could consider a negative rating action if we forecast the debt to EBITDA ratio to stay above 8 times over an extended period. This could result from a combination of factors, including substantial weaknesses in cash generation, more aggressive debt-funded acquisitions than our base-case projection, and significant project cost overruns.

COMPANY OVERVIEW

SUPER was founded as a producer of autoclaved aerated concrete in 1994 and listed on the Stock Exchange of Thailand (SET) in 2005. The company discontinued the original business and sold it to Siam City Cement PLC (SCCC) in 2013. SUPER then began two new businesses: information and communication technology (ICT) and renewable energy. SUPER entered the water production and distribution business in 2019. Currently, the power segment is the centerpiece of the company, accounting for nearly all revenues. As of September 2024, the Lochaya Group remained the major shareholder, holding a 37% interest in SUPER.

As of September 2024, SUPER's aggregate contracted capacity, spread across all the operating power projects, was 1,371 MW. This includes solar power (1,297 MW), wind power (50 MW), and WTE projects (24 MW). Of this, 887 MW came from the plants in Vietnam.

KEY OPERATING PERFORMANCE

Table 1: Revenue Breakdown

	2020	2021	2022	2023	Jan-Jun 2024
Power	96%	96%	95%	96%	96%
IT	1%	1%	1%	1%	1%
Water	2%	2%	2%	2%	2%
Others	1%	1%	2%	1%	1%
Total	**100%**	**100%**	**100%**	**100%**	**100%**
Total revenue (mil. THB)	**6,515**	**8,530**	**9,361**	**9,815**	**5,178**

Source: SUPER

Table 2: Operating Power Project Portfolio (as of Sep 2024)

Scheme	Tariff (THB/kWh)	Gross Contracted Capacity (MW)
Solar		
Adder	6.50-8.00	12.95
FiT	2.92-5.66	427.25
Agreed prices	Agreed prices	19.94
FiT	US7.09-9.35 cent	836.72
Sub total - Solar		**1,296.86**
Wind		
FiT	US8.50 cent	50.00
Sub total - Wind		**50.00**
Waste		
Adder	3.50	18.00
FiT	5.08	6.00
Sub total - Waste		**24.00**
Grand total		**1,370.86**

Note: Excluding the capacities sold to Super Energy Power Plant Infrastructure Fund (SUPEREIF) and Levanta Renewables (Thailand) Co., Ltd. (Levanta)
Source: SUPER

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	Jan-Jun 2024		-----------Year Ended 31 December ---------- 2023	2022	2021	2020
Total operating revenues	5,220		9,915	9,460	8,681	6,592
Earnings before interest and taxes (EBIT)	2,385		4,226	4,156	3,660	3,004
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	4,147		7,743	7,767	6,997	5,758
Funds from operations (FFO)	2,132		3,864	4,765	4,906	4,047
Adjusted interest expense	2,015		3,838	2,905	2,028	1,690
Capital expenditures	1,714		2,724	7,570	13,228	12,173
Total assets	82,961		81,705	83,851	80,530	73,160
Adjusted debt	48,619		51,135	52,626	47,047	37,724
Adjusted equity	21,832		21,947	21,500	21,434	20,623
Adjusted Ratios						
EBITDA margin (%)	79.4		78.1	82.1	80.6	87.4
Pretax return on permanent capital (%)	5.6	**	5.4	5.5	5.4	5.4
EBITDA interest coverage (times)	2.1		2.0	2.7	3.5	3.4
Debt to EBITDA (times)	6.3	**	6.6	6.8	6.7	6.6
FFO to debt (%)	7.6	**	7.6	9.1	10.4	10.7
Debt to capitalization (%)	69.0		70.0	71.0	68.7	64.7

* *Consolidated financial statements*
** *Adjusted with trailing 12 months*

RELATED CRITERIA

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

Super Energy Corporation PLC (SUPER)

Company Rating:	BBB
Issue Rating:	
Up to THB2,500 million senior unsecured debentures due within 2 years	BBB-
Rating Outlook:	Stable

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