TRIS RATING
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SUPER ENERGY CORPORATION PLC

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CORPORATES

Company Rating:	BBB
Outlook:	Positive

Last Review Date: 14/12/21

Company Rating History:

Date	Rating	Outlook/Alert
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". The outlook remains "positive", reflecting our expectation of its improving cash flows against debt obligations.

The rating mirrors SUPER's large and well-diversified power portfolio, as well as the high reliability of cash generation, underpinned by long-term power purchase agreements (PPAs). However, the rating is tempered by the company's substantial exposure in Vietnam and the increasingly competitive renewable power industry.

KEY RATING CONSIDERATIONS

Large and well-diversified power portfolio

The rating is founded upon SUPER's large and well-diversified power portfolio. Currently, the company has more than 100 operating power plants in diverse locations with an aggregate contracted capacity of 1,472 megawatts (MW), most of which are solar power plants (1,404 MW). We view that the large number of power assets has been a key factor in stabilizing the company's overall earnings and providing financial flexibility.

We project the total contracted capacity of SUPER's operating power plants will increase to 2,000 MW in 2024. Our base-case forecast assumes the company will secure 120 MW in new capacity over the forecast period. As most of the new projects will take time to generate cash, the projects in the pipeline should be the key growth engine in the near term.

High reliability of cash flow

SUPER's power plants have delivered highly predictable cash flows over the past several years. Almost all its power plants have multi-year PPAs with state-owned producers and distributors of electricity, suggesting minimal counterparty risk to the company. Moreover, the low operational risks of the solar power plants, the centerpiece of SUPER's power generating assets, have kept the company's earnings before interest, taxes, depreciation, and amortization as a percentage of revenues (EBITDA margin) high and stable at above 80%.

Growing cash-flow base

As SUPER has continued to expand its power portfolio, its revenues and earnings have increased considerably over the past five years. Looking ahead, we expect the company to continue this growth trajectory, considering the large number of projects under development. In our base case, we project SUPER's EBITDA will rise to about THB9 billion a year during 2023-2024, from THB8 billion in 2022.

Heightened competition in the power business

SUPER's growth strategy will likely face challenges from heightened competition. Given the Thai government's goals to achieve carbon neutrality and net-zero greenhouse gas emissions, we see growth opportunities for renewable power, with the anticipated opening of a new quota for purchasing electricity from renewable energy sources. However, competition in the domestic power market has intensified in recent years. Thai power companies, including SUPER, are leaning towards expanding investments outside Thailand. Despite more growth opportunities, some overseas expansions entail higher risks. We also see increasing competition with a tendency towards lower tariffs in countries that have attracted large inflows of foreign investments in power generation.

Substantial exposure in Vietnam

SUPER has significant exposure in Vietnam as it has invested heavily in the country. Currently, power projects in Vietnam make up about 60% of the company's total capacity. Over the past few years, Vietnam has appeared to offer huge opportunities for investment in renewable energy. The country is rich in natural resources to support the ongoing growth of renewable energy, aided by its long coastline, strong wind speeds, and long sunshine hours. With robust demand for electricity, we expect SUPER will continue to expand in Vietnam in coming years.

On the other hand, investments in power projects in Vietnam currently face uncertainties, resulting from pending clarity of the country's National Power Development Plan and policies with respect to the new pricing framework for renewable energy. We also view the credit profile of the state-run Vietnam Electricity (EVN) not as strong as the Thai state-owned power buyers. Moreover, power output from plants in Vietnam is at significant risk of being curtailed due to insufficient grid capacity. However, we believe the curtailment risk will recede as the Vietnamese government is expediting efforts to improve the country's infrastructure to support growing electricity demand.

Pending commercial operation of pandemic-hit wind project

Several wind power projects in Vietnam, including one owned and developed by SUPER, were severely affected by the Coronavirus Disease 2019 (COVID-19) pandemic. These projects encountered supply-chain bottlenecks for major components, labor mobility difficulties, and other issues at the height of the pandemic, causing them to fail to complete construction ahead of the expiry of the Feed-in Tariff (FiT) in November 2021. Commercial operations of these projects have been pending on a new FiT.

Our base-case forecast assumes the Vietnamese government will shortly finalize the new FiT and SUPER's completed 30 MW wind power project, Soc Trang, will commence operation in the second quarter of 2023, with a lower FiT. However, SUPER should not be materially affected, considering its existing large power portfolio.

Financial leverage to remain under control

We project SUPER will spend about THB35 billion in aggregate over the next three years. Its major projects include five wind power projects (466 MW) and four waste-to-energy (WTE) projects (46 MW). Our base-case forecast assumes the company will receive financing from the engineering, procurement, and construction (EPC) contractors for its projects in Vietnam. SUPER will pay most of the construction costs after the projects are operational, keeping gearing at acceptable levels.

We forecast the ratio of debt to EBITDA will reach 7 times during the forecast period. However, the ratio should fall to around 6 times once the new power projects start generating cash. The ratio of funds from operations (FFO) to debt should hover around 10% and the EBITDA interest coverage ratio should remain at about 3 times over the forecast period. The debt to capitalization ratio will stay at about 70%.

We expect SUPER will prudently control its financial leverage. In an effort to deleverage, the company is currently in the process of selling a 49% stake in its subsidiary, which owns nine solar power projects in Vietnam, to its strategic partner, AC Energy Corporation. SUPER expects to receive proceeds of USD165 million, equivalent to about THB6 billion, which will be used for debt repayment and business expansion. Should the deal be completed, SUPER's financial leverage should fall meaningfully. Given its wealth of power assets, it is also possible that SUPER may consider divesting parts of other projects or setting up an infrastructure fund as an option to reduce debt load whilst enlarging its portfolio.

Debt structure

As of September 2022, SUPER's consolidated debt was THB57.1 billion. Out of this, THB50 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 87%, suggesting the company's unsecured creditors are significantly disadvantaged to its priority debt holders with respect to claims against the company's assets.

Liquidity to stay manageable

We believe SUPER will adequately manage its liquidity. As of September 2022, the company had cash and undrawn credit facilities of approximately THB1.7 billion in total. Its FFO over the next 12 months are forecast to be about THB6 billion. Sources of cash add up to THB7.7 billion, adequately covering long-term loans coming due over the next 12 months of THB3.2 billion. The company also had a large amount of short-term bank loans totaling about THB23 billion, most of which are expected to be converted to long-term project loans.

BASE-CASE ASSUMPTIONS

- Aggregate capacity of operating power plants to reach 2,000 MW in 2024.
- Aggregate power output to be 2,300-3,100 gigawatt-hours (GWh) per annum during 2022-2024.
- Total operating revenue estimated at TH9.5 billion in 2022, THB10 billion in 2023, and THB12 billion in 2024.
- EBITDA margin to range from 80%-85%.
- Capital expenditures to range from THB10-THB15 billion per annum during 2022-2024.
- EPC contractors to continue providing long credit terms for project construction in Vietnam.

RATING OUTLOOK

The "positive" outlook reflects our expectation that SUPER's cash flows against debt obligations will improve, based on expected successful project developments and the company's efforts to reduce its debt load.

RATING SENSITIVITIES

A rating upgrade could occur if SUPER continues to deliver satisfactory operating results, the projects under development are successfully completed, and the level of cash generation against debt obligations is in line with our forecast, with a debt to EBITDA ratio of around 6 times. In contrast, downward rating revision pressure could develop if the company's financial profile weakens significantly, which could be the result of a deterioration in cash generation, excessive debt-funded investments, or significant 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 2022, the Lochaya Group remained the major shareholder, holding a 36% interest in SUPER.

Currently, SUPER's aggregate contracted capacity, spread across all the operating power projects, is 1,472 MW. This includes solar power (1,404 MW), wind power (50 MW), and WTE projects (18 MW). SUPER holds the largest capacity among the solar power producers rated by TRIS Rating.

Almost all of SUPER's power plants in Thailand have multi-year PPAs with state-owned producers and distributors of electricity, namely the Electricity Generating Authority of Thailand (EGAT), the Metropolitan Electricity Authority (MEA), and the Provincial Electricity Authority (PEA), all of which are rated "AAA/Stable". As for power projects in Vietnam, SUPER holds PPAs with the state-run EVN.

KEY OPERATING PERFORMANCE

Table 1: Revenue Breakdown

	2018	2019	2020	2021	Jan-Sep 2022
Power	98%	97%	95%	96%	95%
IT	2%	1%	1%	1%	1%
Water	-	1%	3%	2%	2%
Others	-	1%	1%	1%	2%
Total	**100%**	**100%**	**100%**	**100%**	**100%**
Total revenue (mil. THB)	**5,729**	**6,246**	**6,515**	**8,530**	**6,961**

Source: SUPER

Table 2: Operating Power Project Portfolio (as of Oct 2022)

Scheme	Tariff (THB/kWh)	Gross Contracted Capacity (MW)
Solar		
Adder	6.50	5.95
Adder	8.00	7.00
FiT	5.66	497.55
FiT	5.377	25.90
FiT	4.120	27.20
Agreed prices	Agreed prices	4.06
FiT	US9.35 cent	286.72
FiT	US7.09 cent	550.00
Sub total - Solar		**1,404.38**
Wind		
FiT	US8.50 cent	50.00
Sub total - Wind		**50.00**
Waste		
Adder	3.50	18.00
Sub total - Waste		**18.00**
Grand total		**1,472.38**

Note: Excluding the capacities sold to Super Energy Power Plant Infrastructure Fund (SUPEREIF)
Source: SUPER

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	Jan-Sep 2022		-----------Year Ended 31 December --------- 2021	2020	2019	2018
Total operating revenues	7,043		8,681	6,592	6,298	5,778
Earnings before interest and taxes (EBIT)	2,831		4,591	3,230	2,895	2,762
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	5,525		7,927	5,984	5,067	5,090
Funds from operations (FFO)	3,361		5,837	4,272	3,492	3,581
Adjusted interest expense	2,019		2,028	1,690	1,548	1,491
Capital expenditures	7,332		13,228	12,173	2,435	2,152
Total assets	85,067		80,439	73,160	55,669	49,650
Adjusted debt	53,953		47,047	37,724	27,800	28,195
Adjusted equity	21,673		21,434	20,623	18,858	17,555
Adjusted Ratios						
EBITDA margin (%)	78.45		91.32	90.78	80.46	88.09
Pretax return on permanent capital (%)	4.46	**	6.80	5.78	5.88	5.86
EBITDA interest coverage (times)	2.74		3.91	3.54	3.27	3.41
Debt to EBITDA (times)	7.73	**	5.93	6.30	5.49	5.54
FFO to debt (%)	7.83	**	12.41	11.33	12.56	12.70
Debt to capitalization (%)	71.34		68.70	64.65	59.58	61.63

* *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
Rating Outlook:	Positive

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