

# TTW PLC

No. 222/2024  
29 November 2024

## CORPORATES

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

**Last Review Date:** 29/11/23

### Company Rating History:

Date	Rating	Outlook/Alert
22/08/08	AA-	Stable

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## RATIONALE

TRIS Rating affirms the company rating on TTW PLC (TTW) and the ratings on its outstanding senior unsecured debentures at “AA-”, with a “stable” rating outlook. The ratings reflect TTW’s business position as the leading private tap water provider in the country, its predictable cash flows from long-term offtake agreements with the Provincial Waterworks Authority (PWA), high barriers to entry for potential competitors, and a robust financial profile. These strengths are partially offset by customer concentration risk as revenue is predominantly derived from the sale of tap water to PWA, and limited growth potential in the existing operating areas.

## KEY RATING CONSIDERATIONS

### Highly predictable cash flow

The company’s cash flow is highly predictable due to the committed minimum offtake quantity (MOQ) of PWA. TTW operates under long-term Water Purchase and Sale Agreements (WPSA) with PWA to supply a minimum of 354,000 cubic meters of tap water per day in the Nakhon Pathom-Samut Sakhon areas, with the contract expiring in 2034. On 31 May 2024, TTW agreed to amend WPSA with PWA to reduce the tariff rate for amounts above MOQ from THB13.03 per cu.m. to THB10.5 per cu.m., which took effect on 1 June 2024.

In addition, Pathum Thani Water Co., Ltd. (PTW) signed a new 10-year operations and maintenance (O&M) contract with PWA after the previous concession ended in October 2023. PWA agrees to purchase the same volume of tap water with a MOQ of 358,000 cu.m./day. The O&M selling prices are THB6.5 per cu.m. within the MOQ and THB6.06 per cu.m. above the MOQ, a 50% reduction from the previous price of THB13.76 per cu.m. The company anticipates an increase in tap water sales to PWA following the price reductions.

TTW also has the operating rights to provide tap water and wastewater treatment services at Bangpa-in Industrial Estate (BIE) for a period of 30 years. The operating rights will remain valid through 2039.

For the first nine months of 2024, revenue from the Nakhon Pathom-Samut Sakhon, Rangsit-Pathum Thani, and BIE service areas made up 75%, 20%, and 5% of TTW’s total revenue, respectively.

### Revenue to decline, but improvement expected

We expect TTW’s revenue to decline to THB5.2 billion in 2024, from THB5.8 billion in 2023, primarily due to price reductions in the new O&M contract. We expect sales volume in 2025-2026 to pick up by approximately 3%-5% annually, driven by organic demand from end users within the company’s service areas. This should drive a gradual increase in revenue, which is projected to reach THB5.4 billion in 2026.

We expect TTW’s profitability to remain robust, with an EBITDA margin ranging from 75%-80% during 2024-2026. The impacts from the price reductions should be partly mitigated by lower electricity costs and economies of scale from higher production volume, with only a minor impact on the company’s EBITDA margin. In accordance with the revenue pattern, EBITDA is expected to slip to around THB4.0 billion in 2024, compared with THB4.7 billion in 2023, then gradually increase to around THB4.2 billion in 2026.

### High barriers to entry

Entering the tap water supply industry poses significant challenges for newcomers due to the high investment needed to develop water treatment facilities and pipeline networks throughout the service area. Building pipelines also requires securing rights of way, while establishing water treatment plants requires suitable locations near raw water sources, adding further complexity for new investors.

TTW's established infrastructure, including pipeline networks and raw water sources, along with its existing concession and agreement with PWA, creates barriers for potential competitors to operate within the same service areas. In addition, the prospect of PWA granting new water concessions to private companies is low.

### Customer concentration risk and limited growth prospects

The supply of tap water to PWA has accounted for over 95% of TTW's total annual revenue over the past decade. However, PWA's strong credit profile as a state enterprise indicates low counterparty risk. PWA itself is also a key competitor of TTW, with its own filtration plants and tap water distribution network near TTW's service areas.

TTW's sales growth is directly tied to organic expansion within the areas it serves, which is relatively limited. The company is exploring opportunities for expansion into new domestic areas, but these plans are still under consideration. In addition, the awarding of new concessions by PWA remains uncertain.

### Low-leverage balance sheet

TTW's financial leverage is expected to decline to reach a debt-free position during the forecast period. Debt repayments, capital expenditures (CAPEX), and dividend payments are expected to be funded by the company's internal cash flows. CAPEX is anticipated to be around THB540 million in 2024 and THB240 million in 2025, mainly for improvements of water treatment and distribution systems in the Nakhon Pathom-Samut Sakhon areas. Routine maintenance is estimated at around THB100 million in 2026. The net debt to EBITDA ratio was 0.4 times in 2023 and as of September 2024. With no plans for additional large debt-funded investments and strong cash generation, the ratio is projected to reach zero by 2026.

### Adequate liquidity

Sources of liquidity include cash on hand and short-term investments of around THB2.2 billion as of September 2024 and expected funds from operations (FFO) of around THB3.3 billion in the next 12 months. These should be adequate to cover upcoming bank loan repayments of around THB660 million, debenture maturing of THB1.4 billion, CAPEX of around THB540 million, and dividend payments of THB2.4 billion during the next 12 months.

The key financial covenant on its debentures requires the company to maintain its debt-to-equity ratio below 2.1 times. The ratio was 0.3 times as of September 2024, well below the covenant threshold. The company should have no problems complying with the financial covenant over the next 12 to 18 months.

### Debt structure

As of September 2024, TTW had no priority debt.

### BASE-CASE ASSUMPTIONS

- Revenues of THB5.2-THB5.4 billion annually during 2024-2026.
- EBITDA margin of around 75%-80% during the forecast period.
- CAPEX and investment of THB540 million in 2024, THB240 million in 2025 and THB100 million in 2026.

### RATING OUTLOOK

The "stable" outlook reflects the expectation that TTW's operating performance and cash generation will remain in line with our projections. We expect the company to maintain a healthy balance sheet over the forecast period.

### RATING SENSITIVITIES

A rating upside could occur if TTW can increase operating cash flow materially without weakening its balance sheet. A rating downside, on the other hand, could arise from overly aggressive, debt-funded investments, resulting in a material deterioration of capital structure.

## COMPANY OVERVIEW

TTW, formerly named Thai Tap Water Supply Co., Ltd., was established in 2000 and listed on the Stock Exchange of Thailand (SET) on 22 May 2008. As of September 2024, CH. Karnchang PLC (CK) and affiliates, CK Group, held 37.87% of TTW through CK (19.4%) and Bangkok Expressway and Metro PLC (BEM; 18.47%). Mitsui Water Holdings (Thailand) Co., Ltd. held 25.98%.

TTW has two subsidiaries: PTW, with a 98% shareholding, and Thai Water Operations Co., Ltd. (TWO). TTW holds 68% of TWO while PTW owns 32%. In addition, TTW owned 24.98% of CKP, a power holding company of the CK Group as of September 2024.

TTW operates four water filtration plants in Bang Len, Krathum Baen, Sam Khok, and BIE, as well as a wastewater treatment plant in BIE. The company can produce 1,076,000 cu.m./day of tap water and treat up to 18,000 cu.m./day of wastewater. TTW's service areas are Nakhon Pathom-Samut Sakhon, Rangsit-Pathum Thani, and BIE. Details are shown in Table 1.

## KEY OPERATING PERFORMANCE

**Table 1: TTW's Service Areas**

Service Areas	Company	Plant(s)	Type of Contract	MOQ* (M <sup>3</sup> /Day)	Contract End	Water Resources
Nakhon Pathom-Samut Sakhon	TTW	Bang Len, Krathum Baen	Build-Own-Operate (BOO)	354,000	July 2034	Tha Chin River
Rangsit-Pathum Thani	PTW	Sam Khok	Operation & Maintenance	358,000	October 2033	Chao Phraya River
BIE	TTW	BIE	Right (operating lease)	-	2039	Chao Phraya River
BIE – wastewater	TTW	BIE	Right (operating lease)	-	2039	n.a.

\* MOQ = minimum offtake quantity

Source: TTW

**Table 2: Tap Water Sales by Service Area**

Sales (Billion THB)	2019	2020	2021	2022	2023	9M23	9M24
Nakhon Pathom-Samut Sakhon	3.87	3.89	3.72	3.67	3.84	2.88	2.88
Rangsit-Pathum Thani	1.90	1.97	1.76	1.71	1.69	1.42	0.71
BIE	0.22	0.20	0.20	0.20	0.19	0.14	0.14
<b>Total</b>	<b>5.99</b>	<b>6.06</b>	<b>5.68</b>	<b>5.58</b>	<b>5.72</b>	<b>4.44</b>	<b>3.73</b>
<b>Sales volume (mil. cu.m.)</b>	<b>323.9</b>	<b>327.1</b>	<b>299.4</b>	<b>283.3</b>	<b>285.7</b>	<b>213.5</b>	<b>229.9</b>

Source: TTW

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\*

Unit: Mil. THB

	Jan-Sep 2024	-----Year Ended 31 December -----			
		2023	2022	2021	2020
Total operating revenues	3,827	5,848	5,701	5,818	6,193
Earnings before interest and taxes (EBIT)	2,607	3,691	3,805	4,022	3,933
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	3,061	4,684	4,692	4,777	5,059
Funds from operations (FFO)	2,502	3,941	3,875	3,884	4,101
Adjusted interest expense	100	149	170	251	276
Capital expenditures	396	190	162	362	377
Total assets	19,581	20,277	21,490	22,504	22,842
Adjusted debt	1,760	1,654	3,432	4,711	5,737
Adjusted equity	15,011	15,282	14,750	14,195	13,700
<b>Adjusted Ratios</b>					
EBITDA margin (%)	80.0	80.1	82.3	82.1	81.7
Pretax return on permanent capital (%)**	18.7	18.2	17.8	18.3	17.6
EBITDA interest coverage (times)	30.5	31.4	27.6	19.1	18.4
Debt to EBITDA (times)**	0.4	0.4	0.7	1.0	1.1
FFO to debt (%)**	190.4	238.3	112.9	82.4	71.5
Debt to capitalization (%)	10.5	9.8	18.9	24.9	29.5

\* Consolidated financial statements

\*\* Annualized from the 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

**TTW PLC (TTW)**

<b>Company Rating:</b>	AA-
<b>Issue Ratings:</b>	
TTW255A: THB1,400 million senior unsecured debentures due 2025	AA-
TTW272A: THB1,000 million senior unsecured debentures due 2027	AA-
<b>Rating Outlook:</b>	Stable

**TRIS Rating Co., Ltd.**

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