

ENERGY ABSOLUTE PLC

No. 48/2020
19 June 2020

CORPORATES

| | |
|------------------------|--------|
| Company Rating: | A |
| Issue Ratings: | |
| Senior unsecured | A- |
| Guaranteed | AA |
| Outlook: | Stable |

Last Review Date: 19/05/20

Company Rating History:

| Date | Rating | Outlook/Alert |
|----------|--------|---------------|
| 10/05/19 | A | Stable |
| 09/04/18 | A- | Stable |
| 02/06/16 | BBB+ | Stable |

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RATIONALE

TRIS Rating affirms the company rating on Energy Absolute PLC (EA) at “A”, and affirms the ratings on its senior unsecured debentures at “A-”. The senior unsecured debentures ratings’ one notch down from the company rating reflects the structural subordination of the senior unsecured debentures since EA is a holding company. TRIS Rating also affirms the ratings on the company’s guaranteed debentures at “AA”. The debentures are guaranteed by Siam Commercial Bank PLC (SCB), which is rated “BBB+” (international scale) by S&P Global Ratings.

At the same time, TRIS Rating assigns the rating of “A-” to EA’s proposed issue of up to Bt3 billion in senior unsecured debentures and an additional greenshoe portion of up to Bt2 billion. The proceeds will primarily be used to refinance the maturing bond worth Bt3 billion due in July 2020 with the balance used to support new investments.

EA’s ratings continue to reflect robust cash flows from its power generation portfolio, consistent performance of its power generation assets, and sound financial profile. However, the ratings are constrained by the large-scale investment and execution risks associated with its new battery-related businesses.

EA’s earnings before interest, taxes, depreciation, and amortization (EBITDA) from the power business are projected to hold steady until 2023 before declining by 10% per annum upon adder expiration. The sustainability of EA’s cash flow level will depend on the success of its new businesses. The new businesses, including battery manufacturing, green diesel, and phase change materials and electric vehicle (EV) cars, are expected to deliver new income streams from 2020 onwards, and gradually transform EA’s assets and revenue mix as well as business profile.

TRIS Rating expects EA’s revenue to grow continually, reaching Bt21 billion in 2022. The revenue from non-power generating businesses is projected to rise and accounts for 40%-45% of the total in 2022, while that from the power generation business could shrink from 75% in 2019 to 50%-55% in 2022. However, in terms of cash flow, we project the stable EBITDA from the power business will continue its dominant contribution of over 90% of total during 2020-2022. EA’s EBITDA is expected to rise from Bt10.5 to Bt11.5 billion per annum over the same period.

We view EA’s sound financial profile will continue in the foreseeable future. During 2020-2022, EA’s net debt to EBITDA ratio is forecast to stay below 4.0 times and the ratio of funds from operations (FFO) to net debt should stay above 20% over the same period.

RATING OUTLOOK

The “stable” outlook reflects TRIS Rating’s expectation that EA’s solar and wind power plants will generate reliable cash flows as planned. TRIS Rating believes that the company will take a prudent approach in making investment decisions regarding its new battery-related businesses.

RATING SENSITIVITIES

The prospect of a rating upgrade is limited in the medium term due to the risk from the large-scale investment in the battery-related businesses. However, a rating upside may occur if EA can materially enlarge its cash-flow base while maintaining a sound financial status. On the other hand, we could lower the ratings if EA's financial profile is materially weaker than our expectations. This could happen due to aggressive debt-funded investments or large equity losses from the new businesses.

The ratings and outlook for EA's guaranteed debentures solely reflect the creditworthiness of its guarantor, SCB, which is assigned a global-scale company rating of "BBB+" with a "stable" outlook by S&P Global Ratings. The ratings and outlook for the guaranteed debentures could be revised should there be any changes in the credit ratings on SCB.

RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

Energy Absolute PLC (EA)

| | |
|---|--------|
| Company Rating: | A |
| Issue Ratings: | |
| EA207A: Bt3,000 million guaranteed debentures due 2020 | AA |
| EA217A: Bt4,000 million guaranteed debentures due 2021 | AA |
| EA227A: Bt1,000 million senior unsecured debentures due 2022 | A- |
| EA228A: Bt500 million senior unsecured debentures due 2022 | A- |
| EA248A: Bt1,500 million senior unsecured debentures due 2024 | A- |
| EA260A: Bt3,000 million senior unsecured debentures due 2026 | A- |
| EA297A: Bt2,000 million senior unsecured debentures due 2029 | A- |
| EA298A: Bt2,000 million senior unsecured debentures due 2029 | A- |
| Up to Bt3,000 million senior unsecured debentures due within 10 years and additional greenshoe portion of up to Bt2,000 million | A- |
| Rating Outlook: | Stable |

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