

ENERGY ABSOLUTE PLC

No. 69/2019
2 October 2019

CORPORATES

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

Last Review Date: 02/08/19

Company Rating History:

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

Contacts:

Pravit Chaichamnapai, CFA

pravit@trisrating.com

Sermwit Sriyotha

sermwit@trisrating.com

Parat Mahuttano

parat@trisrating.com

Wiyada Pratoomsuwan, CFA

wiyada@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating on Energy Absolute PLC (EA) at "A". At the same time, TRIS Rating affirms the ratings on EA's existing senior unsecured debentures at "A-" and the ratings on its fully 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.

Also, TRIS Rating assigns the rating to EA's newly proposed issue of up to Bt3 billion in senior unsecured debentures at "A-". The one notch down of issue rating from the company rating reflects the structural subordination of the senior unsecured debentures since EA is a holding company. The proceeds from the issuance will be mainly used to refinance its Hanuman wind power project.

EA's ratings continue to reflect reliable cash flows from its power portfolio, consistent performance of its existing power generating assets, and improving financial profile after all renewable power projects run full operation. However, the ratings are constrained by the large investment and high execution risks in the battery project.

TRIS Rating views that EA's renewable power portfolio will continue to generate solid cash flow over long period. We forecast that its earnings before interest, taxes, depreciation, and amortization (EBITDA) will rise to approximately Bt10 billion per annum after the Hanuman project achieves its full-year operation in 2020. At the same time, the company's financial profile is expected to weaken slightly due to investments in new projects, including the first-phase battery factory, expansion of biodiesel business and other new battery-related projects. However, EA's growing cash flow base from its power portfolio should be able to compensate its weakening financial status. The debt to EBITDA should maintain at fair level, ranging between 3.5-4.0 times between 2020 and 2021.

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 views that the company will take a prudent approach in making investment decisions in relation to the battery project.

RATING SENSITIVITIES

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

The ratings and outlook for EA's guaranteed debentures solely reflect the creditworthiness of its guarantor, SCB, which has an international scale company rating of "BBB+" with a "stable" outlook from S&P Global Ratings. The rating of guaranteed debentures could be revised should there be any changes in the credit profile of 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-
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 7 years	A-
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 0-2098-3000

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