

ENERGY ABSOLUTE PLC

No. 55/2019
2 August 2019

CORPORATES

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

Last Review Date: 17/06/19

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". At the same time, TRIS Rating affirms the ratings on EA's 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 Bt4 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 business profile has improved, underpinned by the satisfactory performance of the Hadkanhan wind project and the completion of the Hanuman project. In addition, the company's cash flow base is expected to enlarge significantly in the near term due to a new income stream from the Hanuman project. We forecast that EA's earnings before interest, taxes, depreciation, and amortization (EBITDA) from the power portfolio will rise to approximately Bt10 billion per annum from 2020 onwards.

In terms of its financial profile, the company's leverage is expected to rise, given its planned investments in the first-phase battery factory with a capacity of 1 gigawatt-hours (GWh) and other new battery-related projects. However, we believe that EA's growing cash flow should be able to support the investments and thus maintaining its financial profile at a fair level. The adjusted debt to EBITDA should remain in the range of 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 ratings and outlook for EA's partially guaranteed debentures reflect the

creditworthiness of both SCB (guarantor) and EA (issuer), and could be revised should there be any changes in the credit profile of either SCB or EA.

RELATED CRITERIA

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

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-
EA297A: Bt2,000 million senior unsecured debentures due 2029	A-
Up to Bt4,000 million senior unsecured debentures due within 10 years	A-
Rating Outlook:	Stable

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