

WHA UTILITIES AND POWER PLC

No. 35/2018

18 May 2018

CORPORATES

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

Company Rating History:

Date	Rating	Outlook/Alert
03/04/18	A-	Stable

Contacts:

Nauwarut Temwattanangkul
nauwarut@trisrating.com

Jutatip Chitphromphan
jutatip@trisrating.com

Sasiporn Vajarodaya
sasiporn@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating of WHA Utilities and Power PLC (WHAUP) at "A-". At the same time, TRIS Rating assigns the rating of "A-" to WHAUP's proposed issue of up to Bt5,000 million in senior unsecured debentures. The proceeds from the new debentures will be used for refinancing WHAUP's existing debt and working capital. The ratings reflect WHAUP's status as a "core" subsidiary of WHA Corporation PLC (WHA; rated "A-/Stable" by TRIS Rating), the country's leading developer of industrial estates and built-to-suit warehouses.

The ratings take into consideration WHAUP's position as the sole utility service provider in the leading industrial estates of Thailand, recurring income from the sale of utility services, and dividend income WHAUP received from its investment in the power segment. The ratings also incorporate rising leverage from new projects in pipelines both in Thailand and overseas.

WHAUP's operating performance remains healthy. For the first quarter of 2018, revenue grew by 8.8% to Bt422 million compared with the same period last year. The rise was due to an increase in the volume of utility services sold to existing customers and new power plants. The operating profit margin before depreciation and amortization increased from 34.9% in 2017 to 43.8% in the first quarter of 2018. The increase was due to a rise in sales volume and cost control efforts.

Earnings before interest, tax, depreciation, and amortization (EBITDA) surged to Bt610 million in the first quarter of 2018, up from Bt206 million during the same period of 2017. EBITDA rose sharply because WHAUP received more equity income from the five new power plants, which started commercial operations during the past few months. In addition, GHECO-One power plant, WHAUP's largest power investment, contributed more equity income because it was operating throughout the first quarter of 2018. The plant was shut down for maintenance during the first quarter of 2017.

Total debt remained flat at Bt7,935 million as of March 2018. As a result, the total debt to capitalization ratio improved to 37.4% as of March 2018, from 38.7% in 2017. The ratio of funds from operations (FFO) to total debt also improved to 12.6% (annualized, from the trailing 12 months) in the first three months of 2018, compared with 12.1% in 2017.

RATING OUTLOOK

The "stable" outlook reflects the expectation that WHAUP will continue to receive reliable cash flow from its resilient utility service and predictable dividend income earned from the power projects as planned. Under TRIS Rating's base case scenario, FFO is forecasted at Bt1,400-Bt1,700 million per year in 2018-2020. EBITDA is forecasted at Bt2,100-Bt2,400 million over the same period. Given the projected levels of cash flow and capital expenditures, leverage should hold at a moderate level. Over the next three years, the FFO to total debt ratio is projected to stay around 15% and the EBITDA interest coverage ratio is forecasted at 5-7 times.

RATING SENSITIVITIES

As a core subsidiary of WHA, the ratings of WHAUP are aligned with WHA's credit profile. Any change in WHA's credit rating or relationship with WHA will affect WHAUP's ratings accordingly.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Bt million

	Jan-Mar 2018	----- Year Ended 31 December -----		
		2017	2016	2015
Revenue	422	1,634	1,468	853
Gross interest expense	94	460	404	47
Net income from operations	466	1,407	363	157
Funds from operations (FFO)	111	962	898	271
Earnings before interest, tax, depreciation, and amortization (EBITDA)	610	2,066	1,657	1,296
Capital expenditures & Investments	355	1,709	11,149	537
Total assets	21,995	21,378	18,652	11,593
Total debts	7,935	7,930	10,421	1,273
Shareholders' equity	13,284	12,577	7,419	10,100
Operating income before depreciation and amortization as % of sales	43.84	34.88	41.07	34.43
Pretax return on permanent capital (%)	11.64 **	9.83	10.25	10.63
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	6.52	4.49	4.10	27.70
FFO/total debt (%)	12.55 **	12.12	8.61	21.33
Total debt/capitalization (%)	37.40	38.67	58.41	11.19

Note: Hemaraj Land and Development PLC (HEMRAJ) transferred the utility service business to WHAUP in late March 2016. WHAUP accepted, through a share transfer, the power companies owned by HEMRAJ and WHA in May 2016.

* Consolidated financial statements

** Annualized from trailing 12 months

WHA Utilities and Power PLC (WHAUP)

Company Rating:	A-
Issue Ratings:	
WHAUP208A: Bt3,200 million senior unsecured debentures due 2020	A-
WHAUP208B: Bt800 million senior unsecured debentures due 2020	A-
Up to Bt5,000 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

© Copyright 2018, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at www.trisrating.com/rating-information/rating-criteria