

# AQUA CORPORATION PLC

No. 137/2024  
6 August 2024

## CORPORATES

|                 |        |
|-----------------|--------|
| Company Rating: | BB     |
| Issue Rating:   |        |
| Secured         | BB     |
| Outlook:        | Stable |

Last Review Date: 04/08/23

### Company Rating History:

| Date     | Rating | Outlook/Alert |
|----------|--------|---------------|
| 04/08/23 | BB+    | Stable        |
| 02/08/17 | BBB-   | Stable        |

### Contacts:

Yanisa Sawatdipong

yanisa@trisrating.com

Suchana Chantadisai

suchana@trisrating.com

Wajee Pitakpaibulkij

wajee@trisrating.com

Sasiporn Vajarodaya

sasiporn@trisrating.com



WWW.TRISRATING.COM

## RATIONALE

TRIS Rating downgrades the company rating on Aqua Corporation PLC (AQUA) to “BB” from “BB+” and affirms the rating on its senior secured debenture (AQUA25NA) at “BB”. The rating outlook is “stable”. The rating on senior secured debenture (AQUA25NA) is the same as the company rating because the expected liquidation value of the pledged assets exceeds 50% of the total outstanding amount.

The downgrade reflects the execution risk associated with the company’s new businesses, which are more volatile and competitive than the existing rental business. It also reflects a higher-than-expected debt level due to restructuring and investment in the food business. The ratings also take into consideration AQUA’s small rental business scale.

## KEY RATING CONSIDERATIONS

### Rising debt from restructuring and investment in the food business

AQUA expanded into the food industry by partnering with established players to diversify its revenue streams. AQUA will hold 51% in the newly established food holding company, FAB Food Holding Co. Ltd. (FAB), with a THB1.275 billion investment. The investment is being partially paid by the company’s holding in Nomimashou Company Limited (a ramen restaurant), rights to use out-of-home media, and cash received from business divestments and intercompany-loan repayment. The remainder will be financed through loans and bonds collateralized by the company’s remaining assets, which are expected to raise the company’s total debt by THB700-THB800 million.

### Risks from new businesses

After the restructuring, AQUA’s primary operations will include the warehouse and real estate for rent business, logistics business, and food business. The rental business generates recurring income with high margins. However, the new logistics and food businesses are highly competitive with relatively low barriers to entry.

### Revenue growth likely, but with significantly lower margins

In 2023, rental revenue rose 12.8% from the previous year to THB335.6 million as AQUA recognized a full-year rental fee from Thonburi Rehab Center, a clinical addiction treatment center. We expect rental revenue to stay around THB340 million in 2024 and decrease slightly to THB325-THB330 million in 2025-2026 following the combination of lower rental rates in 2025. AQUA’s rental business is relatively small with more than 70% of revenue derived from one client who has leased the area for more than 20 years.

Under our baseline scenario, AQUA’s total operating revenue is projected to reach around THB1.1-THB2.7 billion annually during 2024-2026 following the full-year consolidation of the logistics and food businesses. The EBITDA margin is projected to be 32% in 2024 and 26% in 2025-2026, decreasing as the contribution from new lower-margin businesses rises. EBITDA is projected to reach around THB360 million in 2024 and around THB700 million per annum in 2025-2026.

However, dividend upstream from its subsidiary, Eastern Power Group PLC (EP), is anticipated to be low due to the prolonged delays in the commencement of operations of its wind power projects in Vietnam.

### Decline in leverage anticipated

AQUA's net debt to EBITDA ratio rose to 8 times in 2023. Meanwhile, the funds from operations (FFO) to net debt and the EBITDA interest coverage ratio fell to 4.5% and 2.0 times, respectively. The deterioration in the ratios resulted from substantial investments that have not yet generated profits. Going forward, we expect a decline in financial leverage due to increased earnings from the food business. The net debt to EBITDA ratio is projected to remain around 8 times in 2024 before gradually decreasing to below 5 times in 2025-2026.

### Almost all the assets are encumbered

AQUA has an acceptable liquidity risk. As of March 2024, the company had cash and cash equivalents of THB93 million. We forecast FFO over the next 12 months to be around THB170 million. During the same period, the company will have maturing debt, comprising THB400 million in loans and THB630 million in debentures. However, AQUA received a refinancing loan amounting to THB965 million in July 2024.

The key financial covenant on AQUA's debt obligations requires its debt-to-equity ratio (D/E) to remain below 1.0 times, net interest-bearing debt to EBITDA ratio to remain below 6.0 times and debt service coverage ratio (DSCR) above 1.05 times. The ratios at the end of 2023 were 0.5 times, 9.5 times and 1.13 times, respectively. However, the company received a covenant waiver for the net interest-bearing debt to EBITDA ratio from the lender. The company is committed to closely monitor these ratios and, if necessary, request covenant waivers from the lenders.

At the end of March 2024, AQUA had consolidated debts (excluding lease liabilities) of THB1.7 billion which were all secured debt. While, the rental revenue is partially and conditionally assigned to repay bank loan.

### BASE-CASE ASSUMPTIONS

- Revenue to increase by around 73% in 2024, 126% in 2025 and 7% in 2026.
- EBITDA margin of 32% in 2024 and around 26% in 2025-2026.
- Capital expenditure of THB700 million in 2024, and around THB350 million per year during 2025-2026.

### RATING OUTLOOK

The "stable" outlook reflects our expectation that AQUA will continue to earn recurring income from long-term warehouse and estate rental contracts, and the performance of logistics and food businesses will be in line with our base case scenario.

### RATING SENSITIVITIES

Downward pressure on the rating and/or outlook would emerge if the performance of its new businesses turns out to be weaker than expected. Any breaches of financial covenants without waivers from lenders would also pressure the ratings.

A rating upgrade is unlikely in the near term. However, an upgrade could occur if there are significant improvements in the financial profile which could come from significantly better-than-expected performance from the investments in new businesses.

### COMPANY OVERVIEW

AQUA was established in 1994 to provide hire-purchase loans for electrical home appliances. The company was listed on the Stock Exchange of Thailand (SET) in September 2004. In 2007, MIDA Assets PLC (MIDA), led by the Leosivikul family, became the company's major shareholder. The family subsequently decided to terminate the hire-purchase business. As of March 2024, AQUA's major shareholders were Mr. Pakorn Mongkoltada (15.7% of the company's shares) and Ms. Auraorn Akrasanee (7.4%).

AQUA has operated as an investment management company since 2007. The company bought AQUA Ad PLC (AQUA Ad), a provider of out-of-home media services and invested in a 43.8% stake in EP.

In 2015, it acquired Thai Consumer Distribution Center Co., Ltd. (TCDC) and Accomplish Way Holding Co., Ltd., which operate built-to-suit warehouses for rent. In 2016, AQUA developed a rehabilitation resort, and then leased the property to "The Cabin Chiang Mai" in order to earn rental income.

In 2022, AQUA divested all its shares in the out-of-home media business, comprising Aqua Ad Co., Ltd. (AA) and M.I.S. Media Co., Ltd. (MIS), together with ordinary shares of Boardway Media Co., Ltd. (BWM) and S. Thana Media Co., Ltd. (STN) to PLANB.

In April 2022, AQUA invested in a 60% stake in the peer-to-peer lending business, Nestify Co., Ltd. (Nestify), with a total investment of THB316 million. AQUA subsequently divested the peer-to-peer business in August 2023.

In July 2022, AQUA invested in a 35% stake in Thai Parcels PLC (TPL), engaging in the delivery business and offering parcel delivery services in Thailand, as well as providing cash-on-delivery services. The total investment cost was THB214 million. TPL gained a capital increase through a public offering in June 2023, diluting AQUA's holding in TPL to 26.7%. As of March 2024, AQUA held a 19.5% stake in TPL.

In March 2023, AQUA invested in a 78.9% stake in Chalernpat Corporation Co., Ltd. (Chalernpat) at a total cost of THB463 million. Chalernpat's wholly owned subsidiaries provide mostly non-fixed-route bus services for industrial clients.

In June 2023, AQUA invested in a 40% stake in At Ease Property Co., Ltd. which operates a hotel in Chiang Mai, with total a investment cost of THB185 million. In July 2024, AQUA sold all its shares in At Ease Property Co., Ltd. to the partner.

#### FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\*

Unit: Mil. THB

|   | Jan-Mar<br>2024 | -----Year Ended 31 December ----- |       |       |       |
|---|-----------------|-----------------------------------|-------|-------|-------|
|   |                 | 2023                              | 2022  | 2021  | 2020  |
| Total operating revenues  | 228             | 659                               | 321   | 283   | 912   |
| Earnings before interest and taxes (EBIT)                                   | 96              | -19                               | 91    | 584   | 550   |
| Earnings before interest, taxes, depreciation,<br>and amortization (EBITDA) | 76              | 259                               | 405   | 711   | 505   |
| Funds from operations (FFO)   | 37              | 94                                | 278   | 573   | 356   |
| Adjusted interest expense   | 31              | 130                               | 119   | 95    | 121   |
| Capital expenditures  | 4               | 22                                | 38    | 781   | 220   |
| Total assets  | 8,757           | 9,003                             | 8,396 | 9,415 | 8,283 |
| Adjusted debt   | 1,990           | 2,072                             | 1,170 | 1,946 | 2,873 |
| Adjusted equity   | 5,991           | 6,071                             | 5,798 | 5,408 | 4,477 |
| <b>Adjusted Ratios</b>  |                 |                                   |       |       |       |
| EBITDA margin (%)   | 33.1            | 39.3                              | 126.4 | 251.3 | 55.4  |
| Pretax return on permanent capital (%) **                                   | 0.6             | -0.2                              | 1.2   | 7.5   | 7.3   |
| EBITDA interest coverage (times)  | 2.4             | 2.0                               | 3.4   | 7.5   | 4.2   |
| Debt to EBITDA (times)  | 7.7             | 8.0                               | 2.9   | 2.7   | 5.7   |
| FFO to debt (%) **  | 4.5             | 4.5                               | 23.8  | 29.5  | 12.4  |
| Debt to capitalization (%)  | 24.9            | 25.4                              | 16.8  | 26.5  | 39.1  |

\* Consolidated financial statements

\*\* Annualized with trailing 12 months

#### RELATED CRITERIA

- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Corporate Rating Methodology, 15 July 2022
- Issue Rating Criteria, 15 June 2021

---

**Aqua Corporation PLC (AQUA)**

---

|   |        |
|---|--------|
| <b>Company Rating:</b>  | BB     |
| <b>Issue Rating:</b>  |        |
| AQUA25NA: THB556.8 million senior secured debentures due 2025 | BB     |
| <b>Rating Outlook:</b>  | Stable |

---

**TRIS Rating Co., Ltd.**

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

© Copyright 2024, 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](http://www.trisrating.com/rating-information/rating-criteria)