

ENERGY ABSOLUTE PLC

No. 48/2024
12 June 2024

CORPORATES

Company Rating:	BBB+
Issue Ratings:	
Senior unsecured	BBB+
Outlook:	Negative

Last Review Date: 11/04/24

Company Rating History:

Date	Rating	Outlook/Alert
27/07/23	A-	Negative
24/04/23	A-	Stable
10/05/19	A	Stable
09/04/18	A-	Stable
02/06/16	BBB+	Stable

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RATIONALE

TRIS Rating downgrades the company rating on Energy Absolute PLC (EA) and the ratings on its existing senior unsecured debentures to “BBB+” from “A-”. The rating outlook remains “negative”. At the same time, we assign a rating of “BBB+” to EA’s newly proposed issue of up to THB5.5 billion senior unsecured debentures. The company intends to use the proceeds to refinance debentures maturing in August and September this year.

The downgrades reflect our expectation that EA’s debt to EBITDA ratio will remain above our downgrade threshold of 5 times for the next two to three years. EA’s worsening financial profile is primarily driven by weaker-than-expected electrical vehicle (EV) sales and the persistently high level of debt used to fund the extended cash collection period of its EV sales to NEX Point PLC (NEX). Additionally, we are concerned over the ability of Thai Smile Bus Co., Ltd. (TSB) to repay outstanding hire-purchase loans to EA, given TSB’s weak financial profile. The ratings are supported by EA’s highly predictable and sizable cash generation from its power generation business.

The “negative” rating outlook reflects the risk of further deterioration in EA’s financial profile, given the uncertainty surrounding its plans to boost EV sales by targeting new customer segments and concentrating sales efforts in areas with better infrastructure readiness.

In the first quarter of 2024, EA’s EBITDA dropped by 40% year-on-year (y-o-y) to THB2.27 billion, while the company’s outstanding debts remain unchanged at THB64.2 billion. This earnings decline was primarily attributed to weak EV sales, the expiration of the adder of Solar Nakhonsawan, and a downward adjustment of the Ft (fuel adjustment charge). In addition, EA’s debt burden remains high partly due to the extended collection period of receivables due from NEX. At the end of March 2024, its accounts receivable due from NEX have increased to approximately THB7 billion, of which THB2.5 billion was overdue by more than six months.

The ratings continue to be constrained by EA’s significant exposure to the credit risk of TSB. The loan exposure was approximately THB9.4 billion as of March 2024. TSB’s operating result remains weak and the company heavily relies on financial support from its parent, Beyond Securities PLC (BYD), to service debt obligations. We note that a potential delivery of 200-300 E-buses to TSB in the second half of 2024 to support new bus route operations could heighten the counterparty risk since TSB’s operating performance remains weak.

Looking forward, we expect EA’s debt to EBITDA ratio to remain well above 5 times, in contrast to our previous expectation. We view the risk of weakening credit metrics to linger as EA’s deleveraging efforts remain uncertain. If the delayed cash collection issue remains unresolved, the company’s debt to EBITDA ratio could exceed 6.5 times and the ratio of funds from operation (FFO) to debt could decrease to below 10% over the next one to two years. In such a scenario, the ratings could be subject to further downward revision.

EA’s liquidity is relatively tight but manageable. Over the next 12 months, the company is likely to meet its debt obligations through a combination of internal cash flow from its power assets, rolling over short-term debt, and debenture issuances.

CreditUpdate, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company’s current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been “upgraded,” “downgraded,” “affirmed” or “cancelled.” The update includes information to supplement the previously published ratings.

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RATING OUTLOOK

The “negative” rating outlook reflects the risk of further deterioration in the company’s financial profile. The debt to EBITDA ratio could rise further as cashflow from the power business is on a downtrend following the expiration of adder tariffs, while cash generation from the EV business remains uncertain over the medium term. Additionally, we anticipate the company may need to incur additional debt to support increasing working capital need and capital expenditure plans.

RATING SENSITIVITIES

We could lower the ratings if EA’s financial profile experiences further material weakening, which could be caused by a significant increase in debt to support working capital needs, aggressive debt-funded investments, or persistently weak financial operations from the new businesses. We could take a negative action on the ratings if the company’s debt to EBITDA ratio exceeds 6.5 times or the FFO to debt ratio falls below 10%.

A revision of the outlook to “stable” may occur following meaningful debt reduction or significant improvement in the cash conversion cycle with respect to EV sales. This would be supported by a debt to EBITDA ratio lower than 6.5 times, and an FFO to debt ratio of more than 10% on a sustainable basis.

RELATED CRITERIA

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

Energy Absolute PLC (EA)

Company Rating:	BBB+
Issue Ratings:	
EA248A: THB1,500 million senior unsecured debentures due 2024	BBB+
EA249A: THB4,000 million senior unsecured debentures due 2024	BBB+
EA257A: THB700 million senior unsecured debentures due 2025	BBB+
EA259A: THB1,250 million senior unsecured debentures due 2025	BBB+
EA261A: THB1,150 million senior unsecured debentures due 2026	BBB+
EA269A: THB3,095.7 million senior unsecured debentures due 2026	BBB+
EA260A: THB3,000 million senior unsecured debentures due 2026	BBB+
EA279A: THB750 million senior unsecured debentures due 2027	BBB+
EA281A: THB2,000 million senior unsecured debentures due 2028	BBB+
EA289A: THB2,770.3 million senior unsecured debentures due 2028	BBB+
EA297A: THB2,000 million senior unsecured debentures due 2029	BBB+
EA298A: THB2,000 million senior unsecured debentures due 2029	BBB+
EA299A: THB1,400 million senior unsecured debentures due 2029	BBB+
EA301A: THB1,000 million senior unsecured debentures due 2030	BBB+
EA329A: THB1,700 million senior unsecured debentures due 2032	BBB+
EA331A: THB2,850 million senior unsecured debentures due 2033	BBB+
Up to THB5,500 million senior unsecured debentures due within 5 years	BBB+
Rating Outlook:	Negative

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