

GULF ENERGY DEVELOPMENT PLC

No. 65/2021
26 August 2021

CORPORATES

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

Last Review Date: 26/04/21

Company Rating History:

Date	Rating	Outlook/Alert
26/04/21	A	Alert Negative
25/12/18	A	Stable

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RATIONALE

TRIS Rating removes the “CreditAlert” with “negative” implication placed on the company rating and issue ratings on Gulf Energy Development PLC (GULF) since 26 April 2021. Concurrently, we affirm the company rating on GULF at “A” and the issue ratings on GULF’s senior unsecured debentures at “A-”. We also assign a “stable” outlook to the ratings. At the same time, TRIS Rating assigns a rating of “A-”, with a “stable” outlook, to GULF’s proposed issue of up to THB25 billion in senior unsecured debentures. The proceeds are intended for debt repayment and/or business expansion.

We resolve the CreditAlert following the results of GULF’s tender offer for the entire ordinary shares of Intouch Holdings PLC (INTUCH) and Advanced Info Service PLC (ADVANC). The tender offer costs GULF THB48.6 billion in total, much lower than our initial estimate of THB120-THB170 billion. GULF acquired an additional stake of 23.32% in INTUCH, increasing its ownership in this company to 42.25%. GULF acquired a very small number of the ordinary shares of ADVANC through the tender offer.

In our view, GULF’s financial profile following the INTUCH acquisition remains commensurate with the assigned ratings. With its 42.25% ownership of INTUCH, GULF will receive a share of profit and dividend income from INTUCH. During 2018-2020, INTUCH reported an average net profit of THB11.2 billion per annum and dividend payment of THB8.6 billion per annum.

Post INTUCH acquisition, GULF’s ratio of debt to earnings before interest, taxes, depreciation, and amortization (EBITDA) will likely rise, reaching about 10 times in 2021. The ratio should improve to 8-9 times in 2022-2023 once the performance of INTUCH is fully recognized. We also expect GULF to stay compliant with the financial covenant on its debentures.

The issue ratings being one notch below the company rating reflects the structural subordination of the senior unsecured debentures to the debt obligations of GULF’s operating subsidiaries. As of June 2021, GULF’s total debt was THB162 billion, of which about THB120 billion was secured debt at the subsidiary level considered priority debt. The ratio of priority debt to total debt was 74%, exceeding the 50% threshold, thus indicating that the unsecured creditors are significantly disadvantaged to the priority debt holders with respect to priority claim against the company’s assets, according to TRIS Rating’s “Issue Rating Methodology”.

RATING OUTLOOK

The “stable” outlook reflects our expectation that GULF’s power plants in operation will run smoothly and generate cashflows as planned, while the plants under construction will commence operations as scheduled. The company’s financial profile after incorporation of INTUCH’s performance should not deviate significantly from our expectations.

RATING SENSITIVITIES

A rating upgrade could happen if GULF’s debt to EBITDA ratio improves and is maintained below 8 times on a sustained basis. In contrast, a rating downside could occur if the projects under development are materially delayed from

schedule, significantly affecting projected cash flow. Any huge debt-funded investment, that materially deteriorates the company's capital structure, could also put downward pressure on the ratings.

RELATED CRITERIA

- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

Gulf Energy Development PLC (GULF)

Company Rating:	A
Issue Ratings:	
GULF221A: THB2,000 million senior unsecured debentures due 2022	A-
GULF238A: THB4,500 million senior unsecured debentures due 2023	A-
GULF241A: THB2,500 million senior unsecured debentures due 2024	A-
GULF258A: THB2,500 million senior unsecured debentures due 2025	A-
GULF261A: THB2,000 million senior unsecured debentures due 2026	A-
GULF278A: THB2,000 million senior unsecured debentures due 2027	A-
GULF291A: THB1,000 million senior unsecured debentures due 2029	A-
GULF308A: THB1,000 million senior unsecured debentures due 2030	A-
Up to THB25,000 million senior unsecured debentures due within 10 years	A-
Rating Outlook:	Stable

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