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GLOW ENERGY PLC

No. 117/2017

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Company Rating: AA-

Issue Ratings:
Guaranteed AA-

Outlook: Stable

Company Rating History:

Date	Rating	Outlook/Alert
09/09/14	A+	Stable
04/05/06	A	Stable
25/07/03	A-	Stable
27/07/00	BBB+	Stable

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Rating Rationale

TRIS Rating upgrades the company rating of GLOW Energy PLC (GLOW) to "AA-" from "A+" and, at the same time, upgrades GLOW's guaranteed debenture ratings to "AA-" from "A+". The rating upgrades reflect the company's stronger financial profile as a result of a continued declining debt level. The ratings still reflect GLOW's proven track record in the power generating industry in Thailand, reliable cash flows from long-term power purchase agreements (PPA) with the Electricity Generating Authority of Thailand (EGAT), and long-term contracts with a group of industrial customers. These strengths are partially offset by some degree of customer concentration risk, as most of GLOW's industrial customers are in the petrochemical industry and are located in the Map Ta Phut Industrial Estate.

GLOW is a leading private power producer in Thailand. Its business scope includes cogeneration plants under the Small Power Producer (SPP) scheme and Independent Power Producer (IPP) projects. As of September 2017, GLOW's power generating capacity totaled 3,207 megawatts (MW), consisting of 1,525 MW in IPP plants and 1,682 MW in cogeneration units. GLOW's technical knowledge and operations are underpinned by ENGIE, one of the world's leading energy providers, supplying energy throughout the world, but primarily in Europe. ENGIE remains GLOW's major shareholder, holding about 69% of total shares.

GLOW's strong business profile is supported by long-term contracts with EGAT and its industrial customers. Of GLOW's 3,207-MW capacity, 2,285 MW has been contracted to EGAT under several PPAs. The remainder of GLOW's electricity and steam generating capacities are supplied to industrial customers via long-term contracts. These long-term commitments provide GLOW with reliable sources of cash inflow. In 2016, GLOW's revenue was about Bt52.6 billion. Sales of electricity to EGAT comprised approximately 57% of total annual revenue. Sales of electricity to industrial customers were about 29%. The rest was sales of steam and water to industrial customers.

GLOW carries some degree of customer concentration risk. Most of GLOW's power plants are located in Rayong province. In addition, about 40% of total revenue came from electricity and steam sales to industrial customers. Majority of them are petrochemical plants in the Map Ta Phut Industrial Estate.

The expiration of some SPP contracts has limited impact to GLOW. According to the resolution of the National Energy Policy Committee (NEPC), GLOW is allowed to extend two expired PPAs for three years. The new extended contract limits selling capacity at 60 MW per contract, lower than GLOW's existing contracts at 90 MW per contract. As a result, GLOW's contracted capacity with EGAT fell to 2,285 MW from 2,345 MW after GLOW extended two PPAs. The new tariff of extended PPAs will mainly cover the energy payment. The two expiring PPAs have a limited effect on GLOW's credit profile. The reduction in the contracted capacity is estimated to decrease GLOW's earnings before interest, tax, depreciation, and amortization (EBITDA) by Bt700 million per annum, compared with GLOW's EBITDA of about Bt18 billion in 2016.

GLOW's operating performance continues to be excellent, evidenced by its sustained high availability factor and low number of force outages over the past several years. The equivalent availability factor (EAF) in the cogeneration segment in the first half of 2017 was reported at 96.9%, outpacing an average of about 95%. The EAF in the IPP segment was 89.5% in the first half of 2017, as GHECO-One

Co., Ltd. entered planned maintenance for 36 days. However, the operation of IPP units is considered good, witnessed by a very low forced outage of 0.3%. The sales of electricity to industrial customers rose by 3.9% to 2,626 gigawatt hour (GWh) in the first six months of 2017, indicating healthy demand from petrochemical customers.

The financial profile of GLOW is stronger, despite a gradual decline in EBITDA and funds from operations (FFO) following the diminished availability payments of IPP and expiration of some SPP contracts. After the completion of a large capacity expansion in 2013, the amount of debt continued to noticeably decline, strengthening the capital structure. The debt to capitalization ratio declined to 43.5% as of June 2017, from 51.8% in 2014. The annualized FFO to total debt ratio increased to 31.4% in the first six months of 2017, from 27.9% in 2014. Liquidity is considered strong, supported by a sizable FFO of about Bt14 billion per year and cash-on-hand of Bt5.6 billion, as of June 2017, compared with its debt repayments which will range between about Bt3.5-Bt6.3 billion per annum over the next three years.

TRIS Rating's base case scenario forecasts that GLOW's EBITDA will decline from about Bt17-Bt18 billion in 2017 to about Bt15-Bt15.5 billion in 2020 according to the step down of availability payment profile of Glow IPP Co., Ltd. (GIPP) and GHECO-One. However, its debt level is expected to continue to fall further. At this stage, GLOW is seeking investment opportunities in both Thailand and neighboring countries, but in our views, the large power projects which require huge capital spending seem unlikely to happen over the medium terms. TRIS Rating views that GLOW can maintain its debt service ability by reducing its debt further to be commensurate with its EBITDA profile. Over the next three years, the debt to capitalization ratio is likely to stay below 35%. The FFO to total debt ratio should improve and stay above 40% and debt to EBITDA should stay about 2 times.

Rating Outlook

The "stable" outlook reflects the expectation that GLOW will receive stable streams of cash from its long-term power sales contracts with EGAT and its industrial customers. TRIS Rating also expects GLOW will sustain a good operating performance level, deliver reliable cash flow streams, and maintain its capital structure as planned.

The rating and/or outlook upgrade is unlikely in the near term as no further significant improvement in its business or financial profile is expected. In contrast, the ratings and/or outlook could be revised downward if GLOW's operating performance deteriorates significantly or the company engages in a large debt-financed acquisition or investments that would significantly weaken its financial profile.

GLOW Energy PLC (GLOW)

Company Rating:	AA-
Issue Ratings:	
GLOW17OA: Bt1,600 million guaranteed debentures due 2017	AA-
GLOW186A : Bt2,500 million guaranteed debentures due 2018	AA-
GLOW18NA : Bt1,500 million guaranteed debentures due 2018	AA-
GLOW194A : Bt2,000 million guaranteed debentures due 2019	AA-
GLOW19OA : Bt1,400 million guaranteed debentures due 2019	AA-
GLOW218A : Bt5,555 million guaranteed debentures due 2021	AA-
GLOW259A : Bt4,000 million guaranteed debentures due 2025	AA-
GLOW265A : Bt3,000 million guaranteed debentures due 2026	AA-
Rating Outlook:	Stable

Plant Performance Statistics of GLOW

Cogeneration Performance	Unit	Jan-Jun 2017	2016	2015	2014	2013	2012	2011
Net output*	MWhe ('000)	6,284	12,640	12,655	12,673	12,402	11,724	9,594
Availability	%	96.9	97.0	94.1	96.6	97.5	95.9	95.3
Forced outage	%	0.4	1.0	1.9	0.7	0.5	0.5	0.6
Schedule & maintenance outage**	%	2.7	2.0	4.0	2.7	2.0	3.7	4.1
Plant heat rate* - Gas-fired	BTU/kWh eq	8,167	8,113	8,098				
Plant heat rate* - Coal-fired	BTU/kWh eq	10,207	10,363	10,389	8,155	8,105	8,091	8,621
IPP Performance* **					10,437	10,513	10,420	10,796
Net output	MWhe ('000)	2,292	5,521	7,477	9,831	9,222	6,661	4,841
Availability	%	89.5	93.5	88.0	96.2	88.4	84.8	96.3
Forced outage	%	0.3	1.7	2.7	1.0	6.8	5.5	1.8
Schedule & maintenance outage**	%	10.2	4.8	9.3	2.8	4.8	9.7	1.9
Plant heat rate - Gas-fired	BTU/kWh eq	7,218	7,400	7,054	6,980	6,946	6,930	6,924
Plant heat rate - Coal-fired	BTU/kWh eq	8,850	9,021	8,895	8,940	9,183	9,094	-

* *Including power and steam*
** *Planned and unplanned maintenance outages*
*** *Excluding HHPC*

Financial Statistics and Key Financial Ratios*

Unit: Bt million

		------------------- Year Ended 31 December	--------------		
	Jan-Jun 2017	2016	2015	2014	2013
Sales	25,086	52,567	64,225	72,991	69,207
Gross interest expense	1,233	2,599	3,244	3,386	3,389
Net income from operations	3,847	8,750	8,512	9,200	8,217
Fund from operations (FFO)	7,169	14,585	15,217	15,739	13,927
Total capital expenditures	590	1,141	1,975	854	1,783
Total assets	106,590	110,076	117,169	120,322	125,006
Total debt	43,001	45,401	52,771	56,451	65,305
Total liabilities	50,763	53,305	61,210	67,751	77,746
Shareholders' equity	55,826	56,771	55,958	52,571	47,260
Depreciation & amortization	2,227	4,364	4,317	4,772	4,869
Dividends paid	6,341	9,188	6,380	5,537	3,277
Operating income before depreciation and amortization as % of sales	33.8	33.3	28.6	27.0	25.4
Pretax return on permanent capital (%)	11.9 **	12.7	13.0	13.8	11.6
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	7.0	6.9	5.7	5.9	5.4
FFO/total debt (%)	31.4 **	32.1	28.8	27.9	21.3
Total debt/capitalization (%)	43.5	44.4	48.5	51.8	58.0

* *Consolidated financial statements*
** *Annualized from trailing 12 months*

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