ABSOLUTE CLEAN ENERGY PLC

No. 136/2025
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CORPORATES

Company Rating: BBB+
Outlook: Stable

Last Review Date: 30/08/24

Company Rating History:

Date	Rating	Outlook/Alert
11/10/21	BBB+	Stable

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RATIONALE

TRIS Rating affirms the company rating on Absolute Clean Energy PLC (ACE) at "BBB+" with a "stable" outlook. The rating is supported by ACE's stable cash flow, underpinned by long-term power purchase agreements (PPAs) with state-owned utilities, as well as the company's sound record in operating power plants. However, the rating is constrained by ACE's increasing financial leverage, driven by its sizable investment commitments. It also reflects execution risks associated with new projects in the pipeline.

KEY RATING CONSIDERATIONS

Stable cash flow backed by long-term PPAs

The rating on ACE is primarily supported by its consistent cash flow generation, which is underpinned by long-term PPAs with state-owned utilities. As of March 2025, ACE operated 33 projects with a total net capacity of 342 megawatts (MW), proportionate to its ownership in the power plants.

Most of ACE's power assets are secured by long-term agreements with Electricity Generating Authority of Thailand (EGAT) and Provincial Electricity Authority (PEA), both of which are rated "AAA/Stable," with minimal counterparty risk. ACE's biomass power plants sell electricity to PEA, earning a combination of fixed, inflation-linked, and premium tariffs. However, the premium tariff has expired for most of these plants.

ACE's cogeneration power plant holds a 25-year PPA with EGAT for 90 MW, with a commitment to dispatch at least 80% of the contracted capacity based on operating hours. The agreement includes a take-or-pay clause and adjustments for fuel prices and exchange rates, providing strong protection against fluctuations in demand and fuel costs.

Sound performance record

In addition to the contractual safeguards, ACE's stable cash flow is also attributed to the sound performance of its power plants. Most biomass power plants have maintained a high average availability factor ranging from 88%-99%, with an average dispatch factor exceeding 95%. The cogeneration plant has also performed reliably, with an average availability factor above 95% and a heat rate consistently below the contractual limit of 7,950 British thermal units per kilowatt-hour (BTU/kWh). Furthermore, two municipal solid waste (MSW) power plants have shown dependable operational performance despite experiencing some unplanned outages in recent years.

Exposure to biomass feedstock risks

ACE's biomass power plants remain exposed to significant feedstock supply risks. The primary feedstock used, such as wood bark and woodchips, are limited in availability due to seasonal fluctuations and competition from other industries. This situation creates uncertainty in supply and leads to volatile fuel costs.

In the first quarter of 2025, the average fuel cost per kWh sold from ACE's biomass power plants increased by 3% year-over-year, mainly driven by higher average feedstock prices.

To mitigate these risks, ACE has implemented several strategies. The company has located its plants close to feedstock sources to reduce transportation costs and maintain supply reliability. The plants are also designed to accommodate a variety of feedstocks. Added to that, ACE has secured long-term supply agreements with related companies and is exploring new feedstock sources to ensure a stable and cost-effective supply.

Substantial growth from committed projects in pipeline

In 2024, the company successfully launched a hybrid power plant and several solar projects, aligning with their target timelines. Currently, ACE is progressing with a sizable portfolio of committed renewable energy projects, all scheduled to commence operations by 2030. In our base case for 2025-2028, we project ACE to develop nine biomass power plants, two MSW projects, and several solar power projects. These developments are crucial to ACE's future earnings, with total operating capacity anticipated to reach nearly 620 MW once all projects are fully operational.

That said, ACE faces execution risks associated with managing multiple projects concurrently. These risks include potential construction delays, cost overruns, and operational challenges. Additionally, ACE is also expected to encounter increased exposure to biomass feedstock risks. However, its established experience in developing and operating biomass projects should mitigate these associated risks.

Rising financial leverage ahead

In our base-case scenario, ACE is expected to spend a total of THB14.3 billion in capital expenditure during 2025 and 2028. The bulk of this investment will be directed toward biomass and MSW projects. As a result of this expansion, ACE's adjusted net debt is projected to soar to a peak of THB16.9 billion in 2026 from THB7.2 billion in 2024.

We forecast ACE's EBITDA to remain steady in the range of THB2-THB2.2 billion per year during the initial investment phase in 2025 and 2026. As we assume new projects to begin operations from late 2026 through 2027, EBITDA is projected to rise to THB3.5-THB3.9 billion per year during 2027 and 2028. With that, we project the debt to EBITDA ratio to reach 7.5 times in 2026, up from 3.5 times in 2024. This ratio is expected to rapidly decline to about 5 times in 2027 and 4 times in 2028 as incremental cash generation from the new project kicks in. ACE's debt to capitalization ratio is expected to exceed 40% over the forecast period. However, we assess ACE's projected credit metrics throughout its investment cycle remain commensurate with the current rating. The rise in leverage is considered transitory.

Manageable liquidity

We assess ACE's liquidity position as manageable. As of June 2025, the company's cash balance was approximately THB0.8 billion. Over the next 12 months, we expect ACE to generate roughly THB1.6 billion in funds from operations (FFO). These sources of liquidity should be sufficient to cover the company's debt obligations of about THB1.3 billion maturing in the next 12 months. However, ACE is projected to invest approximately THB6.3 billion in its committed projects over the same period. Given the strong fundamentals and viability of these projects, we believe ACE will be able to secure the necessary funding through project-based loans.

Debt structure

As of June 2025, ACE reported consolidated debt of THB8 billion, excluding lease liabilities. The majority of this debt was held at the subsidiary level and classified as priority debt. With a priority debt to total debt ratio of 95%, ACE's unsecured creditors are significantly subordinated to priority debt holders in terms of claims against the company's assets.

BASE-CASE ASSUMPTIONS

The key assumptions underpinning our base case for ACE's operations during 2025-2028 include:

- Average availability factor
    - Biomass ~ 94%
    - MSW ~ 91%
    - Cogeneration ~ 97%
- Average dispatch factor
    - Biomass ~ 97%
    - MSW ~ 97%
    - Cogeneration ~ 80%
- Capacity factor for solar power projects to hover around 14%.
- Capital expenditures to add up to THB14.3 billion.
- ACE to obtain project loans for all new projects.

RATING OUTLOOK

The "stable" outlook reflects our expectation that ACE's existing power plants will continue to perform steadily and generate strong cash flow while its capital spending will align with our assumptions. Also, we expect ACE to successfully develop its new power projects, achieving commercial operation within committed timelines and budget.

RATING SENSITIVITIES

Given ACE's sizable investment commitments and development risk, a rating upgrade is unlikely in the near term. However, a rating upgrade could be considered if ACE demonstrates a significant improvement in cash generation while concurrently reducing its financial leverage, maintaining a sustained debt to EBITDA ratio below 4 times. Conversely, a rating downgrade may be triggered if ACE's performance materially falls short of our expectations, or the company adopts a more aggressive debt-funded growth strategy, or it fails to meet obligations related to the new power projects, resulting in a deterioration of its business or financial profile. We could contemplate a rating downgrade if the company's debt to EBITDA ratio rises above 6 times without clear signs of reversing the trend.

COMPANY OVERVIEW

ACE was established in December 2015 as a holding company to invest in power generation business. It was listed on the Stock Exchange of Thailand (SET) in November 2019. As of March 2025, the Songmetta Family remained the major shareholder, holding about 75% of the company's shares. ACE focuses on clean and renewable energy, with a strong emphasis on biomass power generation, and operates across multiple regions in Thailand.

As of March 2025, ACE owned and operated 33 power plants with a total net capacity of 342 MW. Biomass power plants accounted for the largest share at 35%, followed by a 114.4-MW gas-fired cogeneration plant contributing 33%. A hybrid biomass-solar plant added 6%, while the remaining 26% came from MSW, solar rooftop, and floating solar projects. These facilities are supported by long-term PPAs, primarily with EGAT, PEA, and private industrial users.

ACE's development began with a 9.9-MW biomass power plant in Chonburi in 2012. During 2012 and 2019, the company expanded its biomass portfolio to nine plants totalling 89 MW. In 2020, ACE acquired three additional biomass plants from Ua Withya PLC, increasing its biomass capacity to 116 MW. The company also launched a 20-MW hybrid plant in Kamphaeng Phet in 2024 and continues to diversify its portfolio with solar and MSW projects under various tariff schemes. Looking ahead, ACE remains committed to expanding its clean energy portfolio by approximately 275 MW.

KEY OPERATING PERFORMANCE

Table 1: ACE's Net Operating Power Portfolio (End of Mar 2025)

Project	Fuel	Hold by ACE (%)	Installed (MW)	Contracted (MW)	COD	Off-taker	Tariff Scheme
ACP1	Biomass	100%	9.9	8.0	24-Apr-12	PEA	FiT + FiT premium
ACP2	Biomass	100%	9.9	8.0	04-Jun-13	PEA	FiT + FiT premium
ACP3	Biomass	100%	9.9	8.0	16-Aug-17	PEA	FiT + FiT premium
ACP4	Biomass	100%	9.9	8.0	26-Nov-21	PEA	FiT + FiT premium
AAP1	Biomass	100%	9.9	8.0	02-May-12	PEA	FiT + FiT premium
AAPP1	Biomass	100%	9.9	8.0	30-Oct-12	PEA	FiT + FiT premium
AAPP2	Biomass	100%	9.9	8.0	16-Jan-13	PEA	FiT + FiT premium
ABA	Biomass	100%	9.9	8.0	09-Jul-14	PEA	FiT + FiT premium
ALCP1	Biomass	100%	9.9	8.0	26-Dec-13	PEA	FiT + FiT premium
ALCP2	Biomass	100%	9.9	8.0	14-Aug-15	PEA	FiT + FiT premium
AAE1	Biomass	100%	9.9	8.0	11-Oct-11	PEA	FiT + FiT premium
ABE1	Biomass	100%	9.5	8.0	06-Feb-08	PEA	FiT
BPP3	Biomass/ solar	100%	20.0	13.3	02-Apr-24	EGAT	FiT firm
ALCP3	MSW	100%	6.0	4.5	29-Nov-16	PEA	TOU rate + adder
ALCP6	MSW	100%	6.0	4.4	28-Dec-20	PEA	FiT + FiT premium
AAA1	Gas	100%	114.4	90.0	10-Feb-17	EGAT	CP + EP + FS
ACE SOLAR (Pool of solar rooftop)	Solar	100%	6.2	6.2	2018-2024	IU	Discount on PEA rate
ACW2	Solar	100%	20.1	10.0	23-Dec-24	PEA	FiT
RENE1	Solar	100%	9.1	405	24-Dec-24	PEA	FiT
RESM1	Solar	100%	11.8	5.9	24-Dec-24	PEA	FiT
PLCP1	Solar	100%	16.1	8.0	25-Dec-24	PEA	FiT
RESM2	Solar	100%	14.1	7.0	25-Dec-24	PEA	FiT
			342.2	**249.9**			

MSW = Municipal solid waste
IU = Industrial user
CP = Capacity payment
EP = Energy payment
FS = Fuel saving payment
Source: ACE

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	Jan-Jun 2025		------------- Year Ended 31 December ----------- 2024	2023	2022	2021
Total operating revenues	3,283		6,462	6,603	6,931	5,738
Earnings before interest and taxes (EBIT)	594		1,193	1,326	1,524	1,749
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	1,070		2,065	2,138	2,254	2,417
Funds from operations (FFO)	843		1,707	1,886	2,084	2,247
Adjusted interest expense	172		304	207	132	141
Capital expenditures	330		5,009	1,771	1,814	1,856
Total assets	25,178		25,114	21,737	20,071	18,740
Adjusted debt	6,743		7,195	4,119	4,265	3,463
Adjusted equity	16,306		16,161	15,303	14,185	13,369
Adjusted Ratios						
EBITDA margin (%)	32.3		31.8	32.1	32.5	42.1
Pretax return on permanent capital (%)	4.7	**	5.3	6.6	8.1	10.3
EBITDA interest coverage (times)	6.2		6.8	10.3	17.0	17.1
Debt to EBITDA (times)	3.3	**	3.5	1.9	1.9	1.4
FFO to debt (%)	24.2	**	23.7	45.8	48.9	64.9
Debt to capitalization (%)	29.3		30.8	21.2	23.1	20.6

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

RELATED CRITERIA

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

Absolute Clean Energy PLC (ACE)

Company Rating:	BBB+
Rating Outlook:	Stable

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