Moody’s Investors Service said that it has assigned a Ba2 long-term debt rating to the senior unsecured bonds to be issued by state-owned Bulgarian Energy Holding (BEH), adding that the company’s outlook is stable.
The Ba2 rating assigned to the new bonds is in line with that of the existing bonds of BEH, reflecting their senior unsecured ranking. The issuance amount is expected to be 600 million euros but execution is subject to market conditions. Moody’s expects the proceeds of the issuance to be largely used to repay the company’s outstanding 550 million euros bond which matures on 2 August 2021.
BEH has a corporate family rating of Ba1, which is underpinned by growing income from the liberalized power market, given its competitive generation mix featuring high output from low-variable cost nuclear and hydro power; by significant earnings from regulated electricity and gas grid operations; and by a history of relatively low investment expenditures and dividend restraint from BEH’s 100 % owner, the Government of Bulgaria (Baa1 stable). Consequently, the company’s credit metrics are currently strong, but Moody’s expects leverage to increase, caused by high gas infrastructure spending.
Limiting factors for BEH’s rating include an evolving regulatory regime, marked by a lack of predictability of cash flows; little transparency regarding the path to full liberalization of the Bulgarian power market; and the near exclusive reliance on operating cash flows as a funding source, reflecting the absence of sound liquidity management.
BEH’s rating incorporates the company’s Baseline Credit Assessment (BCA) of b1 and Moody’s view of a high default dependence and high support by its owner in case of financial distress, given that the company is in charge of important domestic energy infrastructure. Notwithstanding Moody’s support assumption, the rating agency views BEH as exposed to risks from political interventions and adverse regulation.