

Research Update:

WRC Holdings Ltd. 'AA+/A-1+' Ratings Affirmed; Outlook Stable

February 20, 2022

Overview

- Our ratings on WRCH reflect our assessment that there is an almost-certain likelihood that extraordinary support in a distress scenario would be forthcoming from its sole owner, Greater Wellington Regional Council.
- We affirmed our 'AA+' long-term and 'A-1+' short-term issuer credit ratings on WRCH, the investment holding company of Greater Wellington. Our ratings on WRCH are equalized to those on the council.
- The outlook on the rating is stable.

PRIMARY CREDIT ANALYST

Anthony Walker
Melbourne
+ 61 3 9631 2019
anthony.walker
@spglobal.com

SECONDARY CONTACT

Rebecca Hrvatin
Melbourne
+ 61 3 9631 2123
rebecca.hrvatin
@spglobal.com

Rating Action

On Feb. 21, 2022, S&P Global Ratings affirmed its 'AA+' long-term and 'A-1+' short-term issuer credit ratings on WRC Holdings Ltd. (WRCH). The outlook is stable.

Outlook

The stable outlook reflects that on our ratings on Greater Wellington because we equalize the ratings on WRCH with those on the council.

Downside scenario

We could lower our ratings on WRCH in the next two years if we were to do the same for Greater Wellington or if we consider WRCH's role or link with the council to be weakening.

Upside scenario

We could raise our ratings on WRCH if we were to do the same for Greater Wellington. Our expectation is that WRCH's role will remain critical and its link integral to Greater Wellington.

Rationale

The ratings on WRCH reflect our assessment that there is an almost-certain likelihood extraordinary support would be forthcoming from Greater Wellington in a distress scenario. We base this on our view of the following WRCH characteristics:

- Critical role, given that the company operates on behalf of the council and separates the council's core operations (those supported by its tax base) from its commercial assets. WRCH manages a portfolio of important council-controlled trading organizations (CCTO) and executes strategic policies for the council.
- Integral link with the council; it is essentially an arm of Greater Wellington, with a legal framework in place that provides for explicit support. The council is the sole owner of the company. Although Greater Wellington is prohibited from legally guaranteeing the obligations of WRCH, explicit support is demonstrated through the council's subscription of callable capital in the company. In addition, WRCH is the holding company for all the council's CCTOs and there is significant council representation on the company's board, with regular reporting mechanisms to the council. We consider that the council has an incentive to provide emergency support in a timely manner, if required.

We do not assign a standalone credit profile to WRCH because of the almost-certain likelihood of timely extraordinary government support, and we do not think that WRCH would be subject to any transition risk because it is a nonseverable arm of the government.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Greater Wellington Regional Council 'AA+/A-1+' Ratings Affirmed; Outlook Stable, Feb. 21, 2022

Ratings List

Ratings Affirmed

WRC Holdings Ltd.

Issuer Credit Rating

Local Currency AA+/Stable/A-1+

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