

Research Update:

New Zealand's WRC Holdings 'AA+/A-1+' Ratings Affirmed; Outlook Negative

January 21, 2025

Overview

- WRC Holdings Ltd. (WRCH) benefits from an almost-certain likelihood of receiving timely extraordinary support from its sole owner, Greater Wellington Regional Council, based on its critical role and integral link to the council.
- We affirmed our 'AA+/A-1+' long- and short-term issuer credit ratings on WRCH.
- The negative outlook on the long-term rating on WRCH reflects that on Greater Wellington.

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Rating Action

On Jan. 22, 2025, S&P Global Ratings affirmed its 'AA+' long-term and 'A-1+' short-term issuer credit ratings on WRCH. The outlook on the long-term rating is negative. WRCH is the investment holding company of Greater Wellington Regional Council, a New Zealand local council.

Outlook

The negative rating outlook on WRCH reflects that on Greater Wellington.

Downside scenario

We would lower our ratings on WRCH if we were to downgrade Greater Wellington, or if we believed WRCH's role or link to the council was weakening.

Upside scenario

We could revise the outlook on WRCH to stable if we were to take the same action on Greater Wellington and we believed WRCH's role and link to the council remain the same.

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 stand-alone credit profile to WRCH because of the almost-certain likelihood of extraordinary government support. Nor do we think that WRCH would be subject to any transition risk, given its status as 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 Negative, Jan. 22, 2025

Ratings List

Ratings Affirmed

WRC Holdings Ltd.

Issuer Credit Rating

Local Currency AA+/Negative/A-1+

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