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Research Update:

WRC Holdings Ltd. Outlook Revised To Positive After Similar Action On Parent; 'AA/A-1+' Ratings Affirmed

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Research Update:

WRC Holdings Ltd. Outlook Revised To Positive After Similar Action On Parent; 'AA/A-1+' Ratings Affirmed

Overview

- On Feb. 1, 2019, we revised the rating outlook on WRC Holdings Ltd.'s (WRCH) parent, Greater Wellington Regional Council, to positive from stable following a similar action on New Zealand.
- Consequently, we are revising the rating outlook on Greater Wellington's investment holding company WRCH to positive from stable.
- At the same time, we are affirming our 'AA/A-1+' long- and short-term ratings on WRCH. We equalize the ratings on WRCH with that on the council.
- The ratings on WRCH reflect our assessment that there is an almost certain likelihood that extraordinary support would be forthcoming from sole owner Greater Wellington in a distress scenario.

Rating Action

On Feb. 1, 2019, S&P Global Ratings revised its outlook on WRC Holdings Ltd. (WRCH) to positive from stable. At the same time, we affirmed our 'AA/A-1+' long- and short-term issuer credit ratings on WRCH.

Outlook

The positive outlook reflects that on the ratings on Greater Wellington because we equalize the ratings on WRCH with that on the council. We could raise the ratings on both WRCH and Greater Wellington within the next two years. Our expectation is that WRCH's role will remain critical and its link integral to Greater Wellington.

We could revise the outlook to stable if Greater Wellington's outlook was revised to stable, or if we consider WRCH role or link with the council was weakening.

Rationale

We affirmed our ratings on WRCH to reflect our assessment that there is an almost certain likelihood that extraordinary support would be forthcoming from WRCH's sole owner, Greater Wellington Regional Council, in a distress scenario.

In accordance with our criteria for government-related entities, our view of an almost certain likelihood of extraordinary support is based on our assessment of WRCH's:

- 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. It manages a portfolio of important council-controlled trading organizations (CCTO), and also executes strategic policies for the council.
- Integral link with the council as 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.

Related Criteria

- 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: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Greater Wellington Regional Council Outlook Revised To Positive After Similar Action On New Zealand; Ratings Affirmed, Feb. 1, 2019
- New Zealand Outlook Revised To Positive On Improving Fiscal Position; 'AA+' LC And 'AA' FC Ratings Affirmed, Jan. 31, 2019

Ratings List

Ratings Affirmed; CreditWatch/Outlook Action

To

From

WRC Holdings Ltd.

Issuer Credit Rating

Local Currency

AA/Positive/A-1+

AA/Stable/A-1+

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