

Research Update:

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

January 22, 2020

Overview

- Our ratings on WRC Holdings Ltd. 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.
- We are affirming our 'AA/A-1+' long- and short-term ratings on WRCH, the investment holding company of Greater Wellington Regional Council. Our ratings on WRCH are equalized to those on the council.
- The outlook on the rating is positive.

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Rating Action

On Jan. 23, 2020, S&P Global Ratings affirmed its 'AA/A-1+' long- and short-term issuer credit ratings on WRC Holdings Ltd. (WRCH). The outlook is positive.

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.

This 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; 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

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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.

Outlook

The positive outlook reflects that on our ratings on Greater Wellington because we equalize the ratings on WRCH with that on the council. We could raise our 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 we were to revise to stable our outlook on Greater Wellington or if we consider WRCH's role or link with the council to be weakening.

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 'AA/A-1+' Ratings Affirmed; Outlook Positive, Jan. 23, 2020

Ratings List

Ratings Affirmed

WRC Holdings Ltd.

Issuer Credit Rating

Local Currency AA/Positive/A-1+

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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