

Research Update:

WRC Holdings Ltd. Long-Term Rating Raised To 'AA+' After Similar Action On Parent; Outlook Stable

February 22, 2021

Overview

- On Feb. 22, 2021, we raised our long-term local currency rating on Greater Wellington Regional Council to 'AA+' from 'AA'.
- Consequently, we are raising our long-term rating on WRCH to 'AA+' from 'AA'. We are also affirming the 'A-1+' short-term rating on WRCH. Our ratings on WRCH are equalized to those on the council.
- The ratings on WRCH continue to 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.
- The outlook is stable.

PRIMARY CREDIT ANALYST

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

SECONDARY CONTACT

Jin Zhang
Melbourne
+ 61 3 9631 2041
jin.zhang
@spglobal.com

Rating Action

On Feb. 22, 2021, S&P Global Ratings raised its long-term local-currency issuer credit ratings on WRC Holdings Ltd. (WRCH) to 'AA+' from 'AA' and revised the outlook to stable. At the same time, we affirmed our 'A-1+' short-term rating on WRCH. WRCH is the investment holding company of Greater Wellington Regional Council.

Outlook

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

We could lower our ratings on WRCH 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.

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

We have raised our long-term rating on WRCH following similar action on WRCH's sole owner, Greater Wellington (See "Greater Wellington Regional Council Long-Term Rating Raised To 'AA+' After Similar Action On New Zealand; Outlook Stable," published Feb. 22, 2021). The ratings on WRCH reflect our assessment that there is an almost-certain likelihood that extraordinary support would be forthcoming from Greater Wellington in a distress scenario. We base this on our view 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 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: 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 Long-Term Rating Raised To 'AA+' After Similar Action On New Zealand; Outlook Stable, Feb. 22, 2021
- Public Finance System Overview: New Zealand's Institutional Framework For Local And Regional Governments, Oct. 29, 2020
- Institutional Framework Assessments For International Local And Regional Governments, Sept. 25, 2020
- COVID-19: Fiscal Response Will Lift Local And Regional Government Borrowing To Record High, June 9, 2020
- Ratings History List: Asia-Pacific Local And Regional Government Ratings Since 1975, May 29, 2020

- COVID-19's Effects Will Pressure New Zealand Council Ratings, May 24, 2020
- New Zealand 'AA/A-1+' FC And 'AA+/A-1+' LC Ratings Affirmed; Outlook Positive, May 3, 2020
- COVID-19: Emerging Market Local Governments And Non-Profit Public-Sector Entities Face Rising Financial Strains, April 6, 2020
- Default, Transition, and Recovery: 2018 Annual International Public Finance Default And Rating Transition Study, Aug. 19, 2019

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria and Research').

Ratings List

Upgraded; CreditWatch/Outlook Action; Ratings Affirmed

	To	From
WRC Holdings Ltd.		
Issuer Credit Rating		
Local Currency	AA+/Stable/A-1+	AA/Positive/A-1+

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