

Research Update:

# WRC Holdings Outlook Revised to Negative; 'AA+/A-1+' Ratings Affirmed

February 18, 2024

## 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 revised our long-term rating outlook on WRCH to negative from stable. At the same time, we affirmed our 'AA+/A-1+' long- and short-term issuer credit ratings on WRCH.
- The negative outlook on the long-term rating reflects that on Greater Wellington.

## Rating Action

On Feb. 19, 2024, S&P Global Ratings revised its outlook on WRC Holdings Ltd. to negative from stable. At the same time we affirmed our 'AA+/A-1+' long- and short-term issuer ratings on WRCH. WRCH is the investment holding company of Greater Wellington Regional Council, a New Zealand local council.

## Outlook

The negative outlook on WRCH reflects that on Greater Wellington, as well as our expectation that WRCH's role will remain critical and its link integral to the council over the next two years.

## Downside scenario

We would lower our ratings if we downgrade Greater Wellington, or if we believe WRCH's role or link to the council is weakening.

## Upside scenario

We could revise the rating outlook to stable if we take the same action on Greater Wellington, and

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## Research Update: WRC Holdings Outlook Revised to Negative; 'AA+/A-1+' Ratings Affirmed

we believe WRCH's role and link to the council remain the same.

### Rationale

The ratings on WRCH reflect our assessment of an almost-certain likelihood of extraordinary support 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 have a stand-alone credit profile for WRCH because of the almost-certain likelihood of extraordinary government support, and we do not think that WRCH would be subject to any transition risk because of 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 Outlook Revised To Negative As Financial Metrics Weaken And Sectorwide Debt Rises, Feb. 19, 2024.

### Ratings List

#### Ratings Affirmed; Outlook Action

	To	From
<b>WRC Holdings Ltd.</b>		
Issuer Credit Rating		

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### Ratings Affirmed; Outlook Action

	To	From
Local Currency	AA+/Negative/A-1+	AA+/Stable/A-1+

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