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DBRS Comments on Veridian Corporation Merger Receiving Approval from Shareholders

Bloomberg: DBRS Comments on Veridian Corporation Merger

Industry Group: Corporate Finance

Sub-Industry: Utilities & Independent Power

Region: Canada

DBRS Limited (DBRS) notes that all shareholders of Veridian Corporation (Veridian; rated “A” with a Stable trend by DBRS) and Whitby Hydro Energy Corporation (Whitby Hydro) have approved the proposed merger of the two utilities (the Merger). Veridian and Whitby Hydro will next submit a Mergers, Acquisitions, Amalgamations and Divestitures application with the Ontario Energy Board (OEB) and target closing in early 2019.

As noted in DBRS’s Veridian rating report dated May 2, 2018, DBRS expects the Merger to have a modestly positive impact on Veridian as (1) like Veridian, Whitby Hydro is regulated by the OEB; (2) Veridian will not have to issue incremental debt for the Merger; (3) leverage of Whitby Hydro is below the regulatory capital structure of 60% debt and its earnings in the past few years have either been in line or have exceeded the regulatory return on equity; and (4) the transaction should result in meaningful synergetic benefits, which, under the current regulatory regime, would be to the benefit of the shareholders for a period of up to ten years. However, DBRS notes that this is partly offset by the integration risk associated with the Merger and early rebasing risk, which could result in synergetic benefits being less than projected.

Notes:

The principal methodology is Rating Companies in the Regulated Electric, Natural Gas and Water Utilities Industry (September 2017), which can be found on dbrs.com under Methodologies.

For more information on this credit or on this industry, visit www.dbrs.com or contact us at info@dbrs.com.

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