

# BANPU PLC

No. 237/2024  
24 December 2024

## CORPORATES

**Company Rating:** A+  
**Issue Ratings:**  
Senior unsecured A+  
**Outlook:** Stable

**Last Review Date:** 08/03/24

### Company Rating History:

| Date     | Rating | Outlook/Alert    |
|----------|--------|------------------|
| 26/12/14 | A+     | Stable           |
| 29/11/13 | AA-    | Negative         |
| 15/12/10 | AA-    | Stable           |
| 06/07/10 | AA-    | Alert Developing |
| 26/06/08 | AA-    | Stable           |
| 07/11/05 | A+     | Stable           |
| 28/07/05 | A      | Positive         |
| 12/07/04 | A      | Stable           |
| 14/01/03 | A      | -                |
| 22/03/01 | A-     | -                |

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## RATIONALE

TRIS Rating affirms the company rating on Banpu PLC (BANPU) and the ratings on BANPU’s senior unsecured debentures at “A+” with a “stable” outlook. The ratings reflect the company’s significant market presence in the Asia-Pacific energy upstream industry, underpinned by its extensive operational scale, established customer base, and cost efficiency. Additionally, the company’s strategic diversification towards the natural gas, power, and energy technology businesses helps reduce reliance on coal business and supports long-term earnings. However, the ratings are constrained by its moderately high leverage, volatility in coal and natural gas prices, higher exposure to the electricity merchant market, and potential long-term decline in coal demand due to environmental concerns.

## KEY RATING CONSIDERATIONS

### Strong position in coal business

BANPU’s strong market position in the coal business stems from its extensive reserves and established customer base, especially in developing countries where demand for coal remains strong due to its cost advantage compared with other energy sources. BANPU’s annual sales volume will be around 33-34 million tonnes in 2024. Its coal reserves, with an estimated lifespan of over 10 years in Indonesia and over 20 years in Australia, are well-positioned to capitalize on this opportunity and support its long-term earnings.

Additionally, the company has effectively managed cost adjustments to mitigate coal price volatilities. We expect BANPU’s coal business to demonstrate resilient cash generation in 2024, despite a 28% year-on-year (y-o-y) decrease in the Newcastle Coal Price Index to an average of USD134 per tonne for the first nine months of 2024. BANPU’s average selling price of coal decreased at a slower rate of 11% to USD100 per tonne in the same period. Efficiency improvements and increased production in Indonesia and Australia led to a 7.4% year-over-year increase in coal sales volume to 24.1 million tonnes in the first nine months of 2024. Despite a significant drop in the Newcastle Coal Index, the company’s gross margin of coal business declined to 29.5% from 35.3% in the first nine months of 2023, demonstrating moderate resilience in BANPU’s coal operations.

### Gas and power business diversification supports long-term earnings

Over the past decade, BANPU has diversified into the natural gas and power sectors, particularly in the US, to reduce reliance on coal operations. Natural gas is viewed as a transitional energy source in the context of global decarbonization trends. BANPU’s natural gas reserves, with an expected lifespan over 15 years, could support earnings during this transition period. Also, BANPU’s acquisitions of two US combined-cycle gas turbine (CCGT) power plants, Temple I and Temple II, have enhanced its gas value chain in the US.

However, BANPU’s power operations in 2024 are partially constrained by challenges faced by its US gas-fired power plants. These facilities face a lower spark spread (the difference between electricity tariff and fuel cost) due to reduced demand during a cooler summer and the disruptive effects of hurricanes. Despite these setbacks, the improved performance in its coal-fired power plants in China has provided some relief, as relatively stable electricity tariffs and declining fuel costs are expected to support its operations in China.

We expect the company to generate revenue of about USD680-USD700 million from its overall power business in 2024, a 20% y-o-y drop mainly due to the reduced spark spread in the US. We also forecast the gross profit margin to decline to around 24%-25% in 2024, down from 33% in 2023. However, looking ahead, we expect BANPU's power portfolio revenue to increase to USD790-USD830 million per annum in 2025-2026, driven by rising electricity tariffs in the US aligned with higher gas prices. We also project the gross profit margin of the power business to slightly increase to 25%-27% in 2025-2026, mainly due to improving profitability in China's coal-fired power plants as coal costs decline.

#### **Improved operating performance expected; rising gas prices to offset lower coal prices**

We expect BANPU's operating performance to improve in the next 2-3 years as higher gas prices are expected to offset declining coal prices. In our base-case forecast, we expect revenues from BANPU's gas business to increase to USD960-USD990 million in 2026 from USD620-USD660 million in 2024, with the gross margin rising to 26%-29% in 2026 from about 6.5%-7.0% in 2024, driven by higher gas prices as liquefied natural gas (LNG) facilities along the Gulf Coast of the US coming online. In our base-case scenario, we project the gas price to increase to about USD3.75 per million British thermal units (MMBTU) in 2026 from about USD2.35-USD2.40 per MMBTU in 2024. However, we project BANPU's shale gas sales volumes to decline to 280-290 billion cubic feet (Bcf) in 2024, and to the 265-295 Bcf range per annum during 2025-2026. This projection considers the increased production investments which will partially offset the divestment of Marcellus gas assets.

Also, BANPU is expanding its investments in the CCUS (Carbon Capture, Utilization, and Storage) Projects, which will help decarbonize and enhance its gas-to-power value chain. Following the first injection of carbon dioxide in November 2023, BANPU's Barnett Zero Project has increased its injection capacity to 183 kilotonnes per annum (KTA). Furthermore, the group is developing the Cotton Cove Project with a capacity of 43 KTA, targeting commencement in 2026. Revenues from this business is expected to be around USD15 million per annum.

Conversely, we expect coal prices to decline, reflecting a gradual decline in global coal consumption due to decarbonization trends. The Newcastle Coal Price Index is projected to decrease to USD90 per tonne in 2026 from about USD134-USD138 per tonne in 2024. However, we forecast BANPU's annual coal sales volume to recover to 33-35 million tonnes in 2024-2025 and increase to 40-42 million tonnes in 2026, supported by the recently developed mines in Indonesia and improvements in Australian mines. Thus, revenue from the coal business is expected to gradually decline to around USD2.8-USD3.0 billion in 2026 from USD3.2-USD3.3 billion in 2024, and the gross margin is expected to range around 30%-35%.

#### **Moderately high financial leverage**

Due to prolonged pressure on gas prices in 2023-2024, BANPU's deleveraging efforts have been delayed, despite stable coal operations in 2024. Under our base-case scenario, we project BANPU's debt to EBITDA ratio to remain high at around 4.3-4.5 times in 2024 as the Henry Hub natural gas prices drop to around USD2.2 per MMBTU in the first nine months of 2024. However, with a better gas price outlook, BANPU's EBITDA is expected to rise to USD1.2-USD1.3 billion per annum in 2025-2026 from about USD1.1-USD1.2 billion in 2024, driven primarily by rising Henry Hub natural gas prices, even as coal prices decline. Consequently, the debt to EBITDA ratio is expected to decline to around 4.0 times in 2025-2026.

We forecast the company's net investment in 2024-2026 to total USD1.9-USD2.1 billion for committed and production-sustaining investments. Our assumption does not yet include potential investments for the company's business expansion. We expect the company to manage its leverage in line with our expectations, even if it concludes significant investments.

BANPU has demonstrated financial discipline in maintaining its capital structure during the aggressive expansion in the US energy market from 2021-2023. This was achieved through a capital increase program during the same period, providing net proceeds of about USD795 million in fresh equity. Also, the group raised additional funds through the initial public offering (IPO) of BKV Corporation, the US holding company, raising net proceeds of USD254 million in September 2024.

#### **Adequate liquidity profile**

We view BANPU's liquidity position as adequate. As of September 2024, BANPU's sources of liquidity included cash on hand and cash equivalent of about USD1.5 billion, plus undrawn credit facilities, both committed and uncommitted, of about USD651 million. We expect BANPU's funds from operations (FFO) over the next 12 months to be about USD700-USD800 million. These sources of liquidity can cover the scheduled debt repayments and debentures maturing over the next 12 months of about USD1.7 billion.

## Debt structure

At the end of September 2024, BANPU's consolidated debt, excluding lease liabilities, stood at USD6.28 billion. BANPU's priority debt consisted of USD750 million in secured debts plus USD960 million in senior debts owed by its subsidiaries. The ratio of priority debt to total debt was about 27% at the end of September 2024.

## BASE-CASE ASSUMPTIONS

Key assumptions in TRIS Rating's base-case forecast for BANPU's operation during 2024-2026 are as follows:

- Newcastle Coal Price Index to be around USD134-USD138 per tonne in 2024, gradually declining to USD115 and USD90 per tonne in 2025 and 2026, respectively.
- Henry Hub natural gas price of about USD2.35-USD2.40 per MMBTU in 2024, gradually rising to about USD3.75 per MMBTU in 2026.
- Annual coal sales volume from the Indonesian and Australian operations of about 33-35 million tonnes in 2024-2025, and 40-42 million tonnes in 2026.
- Capital expenditures and equity investments to total USD1.9-USD2.1 billion for committed and production-sustaining investments.

## RATING OUTLOOK

The "stable" outlook reflects TRIS Rating's expectation that BANPU will perform in line with our expectation. BANPU's business diversification is expected to provide some protection against the downside risks in the coal business, which faces a dimming outlook as global energy consumption shifts away from coal.

We believe BANPU's disciplined approach to capital structure planning and prudent liquidity management will enable it to navigate through the volatility in energy market conditions and maintain a debt to EBITDA ratio of about 4 times over the forecast period.

## RATING SENSITIVITIES

The potential of an upward revision to the ratings is limited over the near term. Conversely, a downward revision to the ratings could occur if the company's debt to EBITDA ratio exceeds 5 times on a sustained basis. This could occur if the performance materially deviates from our forecast, possibly from coal and gas prices that fall significantly short of expected levels. Any additional debt-funded investments, which significantly weaken the capital structure and cash flow protection for an extended period could be another factor leading to a rating downgrade.

## COMPANY OVERVIEW

BANPU is a major energy company in Asia. The BANPU Group consists of three core business groups: energy resources, energy generation, and energy technology. The company was established in 1983 to mine coal in Thailand. Currently, BANPU runs coal operations in Indonesia, Australia, and China. The company remains a leading energy upstream player in the Asia-Pacific Region, with coal reserves in Indonesia and Australia totaling 584 million tonnes as of September 2024. The coal reserves at its Indonesian mines suggest a reserve life of over 10 years, whereas the reserves at its Australian mines have a longer life, exceeding 20 years. The company projects its 2024 coal sales distribution as follows: 38% to China, 15% to Indonesia, 17% to Australia, and 14% to Japan.

From 2020 to 2023, the company strategically expanded its shale gas operations in the US, achieving a daily production capacity of 830 million cubic feet by 2024. Investments in gas-fired power plants, including Temple I and II in Texas, have further enhanced its vertical integration within the US gas value chain. The company is also advancing its decarbonization efforts with its venture into carbon capture, utilization, and storage (CCUS) through the Barnett Zero Project, which achieved its first carbon injection in November 2023, marking the launch of the Gas-Power-CCUS value chain.

In addition to its energy resources and conventional power businesses, BANPU is actively investing in renewable energy and energy technologies. These investments include solar power generation, energy storage, energy trading platforms, and other innovative energy solutions. In 2024, the Banpu Group expanded its footprint in the battery value chain by acquiring Durapower Holdings Pte Ltd. and investing in Amp Japan, aiming to capitalize on further opportunities in renewable energy projects.

**KEY OPERATING PERFORMANCE**

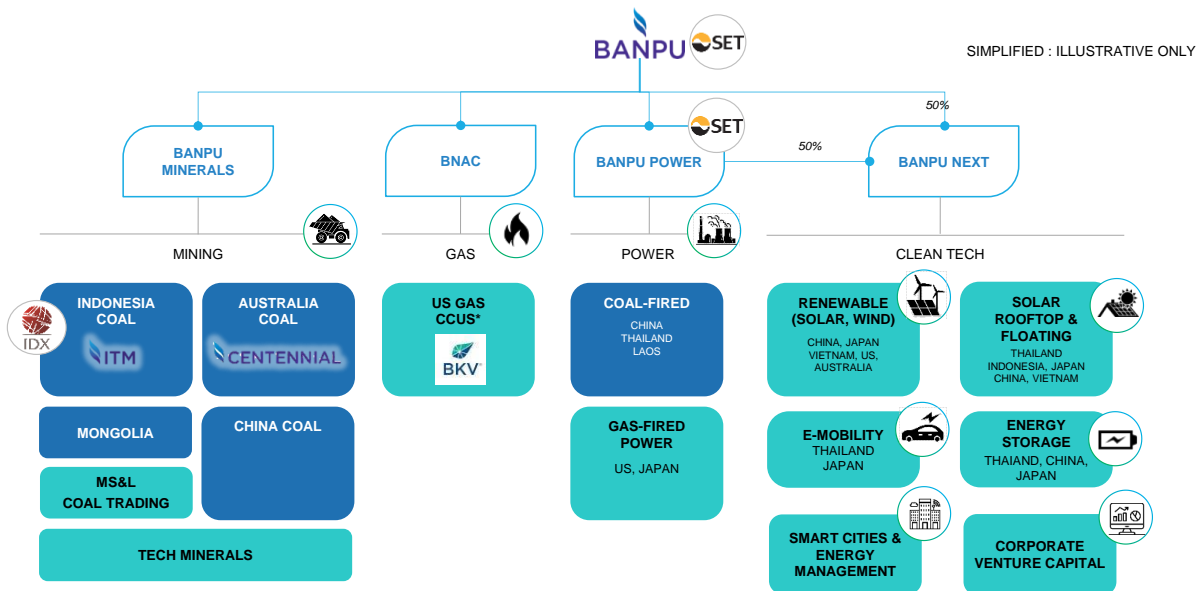
**Table 1: BANPU's EBITDA Percentage Contribution by Business Segment**

| EBITDA Contribution           |          | Jan-Sep 2024 | 2023  | 2022  | 2021  | 2020  |
|-------------------------------|----------|--------------|-------|-------|-------|-------|
| EBITDA                        | Mil. THB | 980          | 1,203 | 2,830 | 1,125 | 479   |
| - Coal                        | %        | 72.4         | 64.9  | 67.0  | 65.9  | 68.7  |
| - Gas                         | %        | 17.4         | 11.5  | 31.4  | 34.5  | 23.5  |
| - Power and energy technology | %        | 10.2         | 23.6  | 1.6   | (0.3) | 7.8   |
| Total EBITDA contribution     | %        | 100.0        | 100.0 | 100.0 | 100.0 | 100.0 |

Source: TRIS Rating's estimates and BANPU's notes to the financial statements

**GROUP STRUCTURE**

**Chart 1: BANPU's Group Structure**



Note: \*Carbon capture, utilization and sequestration

ENERGY RESOURCES & SUPPLY CHAIN MANAGEMENT

ENERGY GENERATION & TECHNOLOGY

Source: BANPU

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\***

Unit: Mil. USD

|   | Jan-Sep<br>2024 | -----Year Ended 31 December ----- |        |        |       |
|---|-----------------|-----------------------------------|--------|--------|-------|
|   |                 | 2023                              | 2022   | 2021   | 2020  |
| Total operating revenues  | 3,826           | 5,226                             | 7,754  | 4,162  | 2,322 |
| Earnings before interest and taxes (EBIT)                                   | 602             | 790                               | 2,429  | 800    | 121   |
| Earnings before interest, taxes, depreciation,<br>and amortization (EBITDA) | 980             | 1,203                             | 2,830  | 1,125  | 479   |
| Funds from operations (FFO)   | 565             | 629                               | 2,181  | 769    | 256   |
| Adjusted interest expense   | 308             | 384                               | 265    | 184    | 180   |
| Capital expenditures  | 301             | 492                               | 497    | 447    | 816   |
| Total assets  | 12,869          | 13,000                            | 12,638 | 10,946 | 9,377 |
| Adjusted debt   | 5,113           | 5,178                             | 4,245  | 4,979  | 5,193 |
| Adjusted equity   | 5,067           | 4,828                             | 4,409  | 3,103  | 2,815 |
| <b>Adjusted Ratios</b>  |                 |                                   |        |        |       |
| EBITDA margin (%)   | 25.6            | 23.0                              | 36.5   | 27.0   | 20.6  |
| Pretax return on permanent capital (%)                                      | 6.2 **          | 7.0                               | 24.1   | 8.9    | 1.5   |
| EBITDA interest coverage (times)  | 3.2             | 3.1                               | 10.7   | 6.1    | 2.7   |
| Debt to EBITDA (times)  | 4.2 **          | 4.3                               | 1.5    | 4.4    | 10.8  |
| FFO to debt (%)   | 13.0 **         | 12.1                              | 51.4   | 15.4   | 4.9   |
| Debt to capitalization (%)  | 50.2            | 51.8                              | 49.1   | 61.6   | 64.8  |

\* Consolidated financial statements

\*\* Annualized with trailing 12 months

**RELATED CRITERIA**

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

## Banpu PLC (BANPU)

|  |        |
|--|--------|
| <b>Company Rating:</b>   | A+     |
| <b>Issue Ratings:</b>  |        |
| BANPU251A: THB2,000 million senior unsecured debentures due 2025   | A+     |
| BANPU257A: THB2,100 million senior unsecured debentures due 2025   | A+     |
| BANPU264A: THB2,000 million senior unsecured debentures due 2026   | A+     |
| BANPU268A: THB3,945 million senior unsecured debentures due 2026   | A+     |
| BANPU268B: THB1,300 million senior unsecured debentures due 2026   | A+     |
| BANPU269A: THB4,000 million senior unsecured debentures due 2026   | A+     |
| BANPU274A: THB10,000 million senior unsecured debentures due 2027  | A+     |
| BANPU281A: THB1,000 million senior unsecured debentures due 2028   | A+     |
| BANPU282A: THB2,000 million senior unsecured debentures due 2028   | A+     |
| BANPU283A: THB3,226.8 million senior unsecured debentures due 2028 | A+     |
| BANPU288A: USD50 million senior unsecured debentures due 2028      | A+     |
| BANPU288B: THB4,010 million senior unsecured debentures due 2028   | A+     |
| BANPU295A: THB10,000 million senior unsecured debentures due 2029  | A+     |
| BANPU299A: THB1,860 million senior unsecured debentures due 2029   | A+     |
| BANPU301A: THB2,000 million senior unsecured debentures due 2030   | A+     |
| BANPU302A: THB1,859 million senior unsecured debentures due 2030   | A+     |
| BANPU303A: THB1,531.4 million senior unsecured debentures due 2030 | A+     |
| BANPU312A: THB3,670 million senior unsecured debentures due 2031   | A+     |
| BANPU315A: THB722 million senior unsecured debentures due 2031     | A+     |
| BANPU318A: THB6,045 million senior unsecured debentures due 2031   | A+     |
| BANPU321A: THB3,000 million senior unsecured debentures due 2032   | A+     |
| BANPU329A: THB3,240 million senior unsecured debentures due 2032   | A+     |
| BANPU333A: THB1,951.8 million senior unsecured debentures due 2033 | A+     |
| BANPU341A: THB4,000 million senior unsecured debentures due 2034   | A+     |
| BANPU345A: THB1,099 million senior unsecured debentures due 2034   | A+     |
| BANPU365A: THB2,410 million senior unsecured debentures due 2036   | A+     |
| BANPU383A: THB1,490 million senior unsecured debentures due 2038   | A+     |
| <b>Rating Outlook:</b>   | Stable |

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