

BCPG PLC

No. 169/2024
30 September 2024

CORPORATES

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

Last Review Date: 26/04/24

Company Rating History:

Date	Rating	Outlook/Alert
31/08/23	A	Stable
19/01/23	A	Alert Negative
27/10/22	A	Stable
21/04/21	A-	Stable

Contacts:

Narongchai Ponsirichusopol
narongchai@trisrating.com

Supasith Tiensuksai, CFA
supasith@trisrating.com

Parat Mahuttano
parat@trisrating.com

Sermwit Sriyotha
sermwit@trisrating.com



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RATIONALE

TRIS Rating affirms the company rating on BCPG PLC (BCPG) and the ratings on its outstanding senior unsecured debentures at “A”. The rating outlook remains “stable”. At the same time, we have revised down the company’s status within the BCP Group from “core” to “highly strategic” subsidiary, reflecting its significantly reduced earnings contribution to the group. As a result, BCPG’s company rating is now one notch below the group credit profile (GCP) of Bangchak Corporation (BCP, rated “A+/Stable”). BCPG’s stand-alone credit profile (SACP) remains at “bbb+”.

The SACP continues to reflect BCPG’s stable earnings, driven by long-term power purchase agreements (PPA) and a well-diversified power portfolio. However, the SACP is weighed down by execution risks associated with projects in the pipeline and the potential for increasing financial leverage over the forecast period.

KEY RATING CONSIDERATIONS

Highly strategic subsidiary of BCP Group

We have reassessed BCPG’s status within the BCP Group to a “highly strategic subsidiary” from a “core subsidiary”. The revised assessment reflects BCPG’s contribution to the group’s earnings has diminished due to the integration of BCP’s refining and marketing operation with Bangchak Sriracha PLC (BSRC) as well as the expansion of the petroleum exploration and production (E&P) business. BCPG’s EBITDA contribution to the group in 2023 decreased to about 10% from approximately 25%-30%. Looking ahead, we expect BCPG’s EBITDA contribution to the BCP Group to remain above 10%.

However, despite BCPG’s lower contribution to the group’s overall earnings, we believe that BCPG continues to play a critical role in supporting the group’s carbon neutrality goals and generating stable earnings to the group. Therefore, we assess that BCP has a strong incentive to provide extraordinary support to BCPG when necessary. Currently, BCP, via its Treasury Center, provides a THB10 billion credit facility to BCPG.

Reliable earnings backed by long-term PPAs and well-diversified portfolio

BCPG’s reliable earnings are underpinned by its long-term PPAs with reliable counterparties and the consistent performance of its power assets. A significant portion of BCPG’s power plants of 361.2 megawatts (MW) are covered by multi-year PPAs with state-owned or regional utilities in the countries where they operate. BCPG’s stable earnings are also backed by the solar power performance with predictable output and low operating risks. Solar power contributed about 60% of BCPG’s EBITDA.

In addition, BCPG’s well-diversified portfolio is also shaped by its investments across different countries and energy sources that help reduce its exposure to market fluctuations and reliance on any single fuel source.

Capital recycling to balance growth and leverage

During the past three years, BCPG has used a capital recycling strategy to balance its growth and leverage. BCPG has expanded its power investment portfolio to capture growth opportunities and to offset a decline in earnings due to the phase-out of adders of solar power projects in Thailand. The investment has pushed up BCPG’s leverage. To address the issue, BCPG has

recycled its power portfolio by divesting its entire Japanese solar power portfolio with a cash receipt of THB6 billion. This will result in a temporary decline in EBITDA of about THB0.9-THB1 billion per annum. But BCPG has plans to reinvest the proceeds into new projects to mitigate the impact. This recycling of power portfolio helps control its leverage within an acceptable band, with a debt to EBITDA ratio of 4-7 times, while maintaining the capacity to capture growth opportunities.

Future earnings hinge on success of projects under development

BCPG's future earnings rely on the successful execution of ongoing projects. The company currently has a pipeline of projects with a combined capacity of 441 MW based on the proportions of BCPG's equity stakes in the projects, that include a substantial wind farm in the Lao People's Democratic Republic (Lao PDR), two solar projects in Taiwan, and a wind farm in the Philippines. These projects are expected to generate earnings for BCPG starting in 2026.

The successful completion of these projects will enhance BCPG's incomes diversification and growth potential. BCPG also has the potential to add up new projects beyond its current commitments. However, the project risks involved will need to be taken into consideration, including the risks of construction delays, permit issues, cost overruns, and regulatory changes. The company's ability to manage these risks will be key to its future earnings potential.

Leverage ratio to rise during expansion

In our base case projection, we expect BCPG to spend THB10.5 billion in net capital expenditures (CAPEX) and investments between 2024 and 2026, with a significant portion allocated in 2026. These CAPEX and investments are earmarked for developing the wind farm project in the Lao PDR, solar projects in Taiwan, and wind farms in the Philippines. These also include an acquisition of solar farms in Thailand and uncommitted projects to sustain growth. BCPG's debt is expected to rise to about THB26-THB28 billion in 2024-2026, up from THB22.6 billion as of June 2024.

We project BCPG's revenue to hover around THB4.2-THB4.5 billion per year in 2024-2026. EBITDA is expected to reach THB5.6 billion in 2024, a 37% increase from THB4.1 billion in 2023. The increase in EBITDA is primarily attributed to a special dividend of THB2.2 billion received in the first half of 2024 from BCPG's investments in combined-cycle power plants in the United States (US). We anticipate BCPG's EBITDA to decline to around the THB3.5-THB4.0 billion range in 2025 due to the full-year impact of the adder phase-out and normalized dividend received from the US assets, and then rise to about THB4.0-THB4.5 billion in 2026 when BCPG begins to receive dividends from the Monsoon project (wind power project in the Lao PDR).

Based on the investment plan and expected earnings, we project BCPG's debt to EBITDA ratio to temporarily rise above 7 times in 2025, from a range of 4-5 times in 2024, and decline to around 6 times in 2026. We believe the debt to EBITDA ratio to continue decreasing as development projects reach full operation in 2027. BCPG could again resort to a capital recycling to balance its investment and leverage in the future. Over the forecast period, the fund from operation (FFO) to debt ratio is projected to be in the range of 8%-13%, with the debt to capitalization ratio to stay below 50%.

Adequate liquidity

We assess BCPG as having sufficient liquidity over the next 12 months. As of June 2024, the company held a substantial cash balance of about THB13.1 billion. We forecast BCPG to generate FFO of about THB3.0 billion over the next 12 months. Meanwhile, BCPG has short-term and long-term debts coming due totaling THB8.5 billion. We believe its access to capital and credit markets will enable it to effectively manage its liquidity during its expansion phase.

Debt structure

As of June 2024, BCPG's consolidated debt, excluding lease liabilities, totaled THB34.9 billion, of which THB5.3 billion was priority debt, comprising all borrowings incurred by its operating subsidiaries. The priority debt to total debt ratio was 15%.

BASE-CASE ASSUMPTIONS

The key assumptions underpinning our base case for BCPG's operations in 2024-2026 include:

- Average capacity factor of power plants to be:
 - Solar ~ 17%
 - Wind ~ 14%
 - Hydro ~ 50%
- Revenues from tank terminal business to be about THB0.9 billion per year.
- Net total CAPEX and investments to be THB10.5 billion.
- Gross installed capacity to reach 1,525 MW in 2025.

RATING OUTLOOK

The “stable” outlook reflects our expectation that BCPG will maintain its status as a highly strategic subsidiary of BCP and continue to receive strong support from BCP. In addition, the outlook reflects the expectation that BCPG to earn satisfactory returns from the investments, while its financial leverage and cash generation against debt obligations will be at the levels in line with our forecasts over the course of its expansion.

RATING SENSITIVITIES

The ratings and/or outlook for BCPG could be revised upward and downward should there be any changes in BCP’s credit profile or if there are changes in BCPG’s group status.

The potential of an upward revision to BCPG’s SACP is limited in the near term. However, we could raise the SACP if the company could generate substantial cash flow that materially reduces its financial leverage. Conversely, we could lower the SACP if BCPG’s operating performance is considerably below our expectation, or if the company embarks on debt-funded investments that are more aggressive than we expect.

COMPANY OVERVIEW

BCPG was initially a department of BCP in charge of developing and operating the Bangchak Group’s renewable power business. BCPG was spun off from BCP in 2015 and listed on the Stock Exchange of Thailand (SET) in September 2016. After that, BCPG diversified its portfolio from concentrating on solar power projects in Thailand to solar power projects in Japan, geothermal plants in Indonesia, wind farms in the Philippines and Thailand, and hydropower plants in the Lao PDR. BCPG successfully raised new capital of about THB7.4 billion and earned THB2.1 billion from warrant execution during 2020-2021 to support its investment plans over 2022-2025. In March 2022, BCPG sold all investments in geothermal plants in Indonesia. During 2023, the company diversified portfolio into the US by investing in four combined-cycle power plants, adding 857 MW to portfolio. The company also extended its scope of investment into tank terminal business in 2023. With an aim to balance its leverage and growth, BCPG divested all 117-MW solar power portfolio in Japan in June 2024.

As of September 2024, BCP held a 57.8% shareholding in BCPG. BCP has a control over BCPG’s business strategies and financial policies through the company’s board of directors, investment committee, and top management.

KEY OPERATING PERFORMANCE

Table 1: BCPG’s Portfolio (As of Jun 2024)

Project	Country	Gross Capacity (MW)	Net Capacity (MW)	PPAs Tenor (Years)	Tariff Scheme
Operating Projects		3,989.8	1,235.0		
Solar farms	Thailand	188.9	188.9	5 years and automatic renew 5 years	Base tariff (Plus adder in first 10 years)
Solar farms	Thailand	33.9	33.9	25 years	Fixed feed-in tariff
Solar (private PPA)	Thailand	20.0	16.9	Up to 25 years	Base tariff (with discount)
Wind farm	Thailand	10.0	10.0	5 years and automatic renew 5 years	Base tariff (Plus adder in first 10 years)
Hydropower	Lao PDR	114.0	114.0	25 years	Fixed feed-in tariff
Wind farm	Philippines	36.0	14.4	20 years	Fixed feed-in tariff
CCGT	US	3,587.0	857.0	n.a.	Day-ahead bidding
Developing Projects		1,102.2	781.2		
Solar farms (FiT)	Thailand	5.0	5.0	25 years	Fixed feed-in tariff
Solar (private PPA)	Thailand	14.9	11.9	Up to 25 years	Base tariff (with discount)
Wind farm	Lao PDR	600.0	290.0	25 years	Fixed feed-in tariff
Solar farm	Taiwan	469.0	469.0	20 years	Fixed feed-in tariff
Wind farm	Philippines	13.3	5.3	20 years	Fixed feed-in tariff
Total		5,092.0	2,016.2		

Source: BCPG

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	Jan-Jun 2024	-----Year Ended 31 December -----			
		2023	2022	2021	2020
Total operating revenues	2,300	5,096	5,421	4,692	4,241
Earnings before interest and taxes (EBIT)	933	2,506	2,704	3,110	2,777
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	3,850	4,090	4,079	3,791	4,490
Funds from operations (FFO)	2,791	2,448	2,538	2,800	3,643
Adjusted interest expense	830	1,284	891	897	821
Capital expenditures	908	651	1,912	3,349	1,141
Total assets	70,584	74,240	56,160	58,721	51,220
Adjusted debt	22,647	31,674	5,055	18,513	16,005
Adjusted equity	32,703	29,612	29,276	27,228	22,549
Adjusted Ratios					
EBITDA margin (%)	167.4	80.3	75.2	80.8	105.9
Pretax return on permanent capital (%)	3.5 **	4.0	4.8	5.8	6.5
EBITDA interest coverage (times)	4.6	3.2	4.6	4.2	5.5
Debt to EBITDA (times)	3.8 **	7.7	1.2	4.9	3.6
FFO to debt (%)	17.6 **	7.7	50.2	15.1	22.8
Debt to capitalization (%)	40.9	51.7	14.7	40.5	41.5

* Consolidated financial statements

** Annualized with trailing 12 months

RELATED CRITERIA

- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

BCPG PLC (BCPG)

Company Rating:	A
Issue Ratings:	
BCPG256A: THB1,146.70 million senior unsecured debentures due 2025	A
BCPG266A: THB1,612.50 million senior unsecured debentures due 2026	A
BCPG269A: THB1,000 million senior unsecured debentures due 2026	A
BCPG276A: THB2,253.40 million senior unsecured debentures due 2027	A
BCPG276B: THB1,200 million senior unsecured debentures due 2027	A
BCPG289A: THB1,000 million senior unsecured debentures due 2028	A
BCPG296A: THB800 million senior unsecured debentures due 2029	A
BCPG319A: THB4,000 million senior unsecured debentures due 2031	A
BCPG326A: THB353.60 million senior unsecured debentures due 2032	A
BCPG339A: THB4,000 million senior unsecured debentures due 2033	A
BCPG356A: THB2,825 million senior unsecured debentures due 2035	A
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

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