TRIS RATING
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# PTT EXPLORATION AND PRODUCTION PLC

No. 18/2025
17 March 2025

## CORPORATES

| | |
|---|---|
| **Company Rating:** | AAA |
| **Issue Ratings:** | |
| Senior unsecured | AAA |
| **Outlook:** | Stable |

**Last Review Date:** 21/03/24

**Rating History:**

| Date | Rating | Outlook/Alert |
|---|---|---|
| 16/03/06 | AAA | Stable |
| 12/07/04 | AA+ | Positive |
| 28/11/01 | AA+ | - |
| 21/11/00 | AA | - |

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## RATIONALE

TRIS Rating affirms the company rating on PTT Exploration and Production PLC (PTTEP) and the ratings on its senior unsecured debentures at "AAA", with a "stable" outlook. The "AAA" company rating incorporates PTTEP's stand-alone credit profile (SACP) of "aaa", and our view that PTTEP is a core subsidiary of PTT PLC (PTT, rated "AAA/Stable"*).

The SACP continues to reflect the company's dominant position in Thailand's petroleum exploration and production (E&P) industry, its low market risk due to long-term gas sales agreements with PTT, its competitive production cost, and very strong financial profile supported by a conservative financial policy.

## KEY RATING CONSIDERATIONS

### Core subsidiary of PTT

We continue to assess PTTEP as a "core subsidiary" of PTT, Thailand's national oil and gas company, due to its crucial role in PTT's natural gas supply chain. PTTEP supplies 45%-50% of PTT's natural gas needs, supporting gas separation plants that distribute outputs to power plants, petrochemical plants, and other industrial users. Added to that, PTTEP contributed around 50%-60% of PTT's EBITDA over the past three years.

We believe PTT remains firmly committed to supporting PTTEP, given the strong integration between PTTEP's upstream operations and PTT's other key businesses. PTT is also PTTEP's largest customer, accounting for around two-thirds of its annual sales. Both PTT and PTTEP are state-owned enterprises.

### Leading position in Thai E&P industry

PTTEP holds a strong competitive position in Thailand's E&P industry, led by its large-scale of operations and significant natural gas production, which stabilize earnings. In 2024, PTTEP achieved a record sales volume of 489 thousand barrels of oil equivalent per day (KBOED), driven by increased production from the G1/61 asset. The company commands an 82% market share in Thailand's natural gas production, underscoring its leadership in the sector.

Most of PTTEP's natural gas is secured under long-term gas sales agreements (GSAs) with PTT. These take-or-pay GSAs minimize market risks for PTTEP. The natural gas price formula in the GSAs is indexed to fuel oil or Dubai crude oil prices, with adjustment lagging by 3-21 months. This lag time helps stabilize PTTEP's average selling price and provides a visible cost position to be managed by the company.

### Overseas expansion supporting long-term business profile

We view the company's strategy to expand its overseas presence in key areas such as Malaysia and the Middle East as supporting its long-term business profile. In 2024, PTTEP acquired a 10% interest in the Ghasha Concession Project, one of the largest offshore natural gas fields in the United Arab Emirates (UAE), and entered into a Sale and Purchase Agreement (SPA) to acquire an indirect 22.1% investment in the Touat Project—an onshore natural gas field in Algeria. Its effort to expand overseas has strengthened its petroleum reserve base. By the end of 2024, PTTEP's reserve life based on proved reserve (1P) increased to 6.4 years.

* *The company rating assigned to PTT is based on public information, which TRIS Rating believes provides a sufficient basis for the assessment of credit profile of PTT. The rating is assigned without participation from PTT.*

Also, these projects have fixed-price contracts with escalation clauses and credible off-takers, diluting market risk and reducing regulatory risk from Myanmar projects.

### Resilient performance in 2024

PTTEP's operating performance in 2024 remains strong, with sales volume increasing by around 6% year-on-year (y-o-y) to 489 KBOED, primarily driven by higher production from the G1/61 asset. As a result, PTTEP's EBITDA rose to USD7.0 billion in 2024, up from USD6.8 billion in 2023. This growth occurred despite a slight decline in PTTEP's overall average selling price, which fell by about 3% y-o-y to USD46.8 per barrel of oil equivalent (BOE), due to a drop in the Dubai crude oil price.

Its cash generation was slightly constrained by a modest rise in total cash costs, which increased from around USD15.1 per BOE in 2023 to USD15.5 per BOE in 2024. This increase was primarily due to higher maintenance costs at Arthit and Malaysian projects.

### Strong financial profile despite higher CAPEX

We assess the company's financial profile as very strong, despite higher investment spending over 2025-2027. This strength is supported by an increase in sales volume—which offsets a drop in average selling price due to the 13%-15% decline in Dubai crude oil price over the same period—and low lifting costs. We forecast PTTEP's sales volume to increase slightly from 497 KBOED in 2025 to 500-520 KBOED in 2026-2027, driven primarily by assets in the Middle East and Malaysia. As a result, we expect the company's annual EBITDA to moderately decrease to around USD5.7-USD6.2 billion in 2025-2027. This size of EBITDA could support its investment plan and maintain the strong financial profile.

We expect PTTEP's capital expenditure (CAPEX) to total USD15.2 billion for production maintenance and the new project development during 2025-2027, including additional CAPEX for the development of the Ghasha Concession project acquired in June 2024. We assume this new project to add sales volume and generate returns with full capacity from 2028 onward.

As a result, the company's leverage may temporarily rise, with the debt to EBITDA ratio increasing from 0.8 times in 2025 to 1.2 times in 2027. However, we expect the rise in leverage to ease starting in 2028 as the Ghasha project and other natural gas assets in Malaysia begin significant production. Throughout 2025-2027, the capital structure is expected to remain strong, with the debt to capitalization ratio staying below 30%.

### Adequate liquidity

PTTEP's liquidity profile remains very strong. At the end of 2024, PTTEP's sources of liquidity comprised cash on hand of USD3.9 billion and undrawn bank credit facilities of USD858 million, of which USD577 million was on a committed basis. Also, we forecast PTTEP to generate funds from operations (FFO) of around USD4.3-USD4.8 billion in 2025. The company's cash on hand plus FFO should comfortably cover the dividend payment of about THB586 million to be paid in April 2025, as well as capital expenditures and equity investments totalling approximately USD5.3 billion over the next 12 months.

PTTEP does not have any interest-bearing debt maturing in 2025.

### Debt structure

The PTTEP Group sources debt financing primarily through debenture issuances by both PTTEP and PTTEP Treasury Center Co., Ltd. At the end of 2024, PTTEP's consolidated debt was USD2.8 billion, of which none was considered priority debt.

## BASE-CASE ASSUMPTIONS

Key assumptions in TRIS Rating's base-case forecast for 2025-2027 are as follows:

- Average Dubai crude oil price of USD75 per barrel in 2025, USD70 per barrel in 2026, and USD65 per barrel in 2027.
- Total cash cost in the USD15.0-USD17.0 per BOE range in 2025-2026, declining to USD14.0-USD15.0 per BOE in 2027.
- CAPEX and expansion investments to total USD15.2 billion.

## RATING OUTLOOK

The "stable" outlook reflects our expectation that PTTEP will maintain its resilient operating performance and strong financial position amid challenging market conditions. We believe its production cost advantage, ample liquidity, and ability to rationalize capital expenditures will help the company weather volatility in the petroleum industry.

## RATING SENSITIVITIES

A credit downside for PTTEP's SACP could occur if operating cash generation significantly deviates from our base case, potentially due to prolonged Dubai crude prices falling below USD40 per barrel or a substantial shortfall in sales volumes. Also, a significant increase in financial leverage from large debt-funded acquisitions could exert downward pressure.

As we assess PTTEP as a "core subsidiary" of PTT, the ratings on PTTEP will follow the rating on PTT.

## COMPANY OVERVIEW

PTTEP is Thailand's leading petroleum E&P company, with its primary operational base in Southeast Asia. Established in 1985, PTTEP was founded to develop and promote Thailand's petroleum industry while ensuring national energy security. Its gas production capacity in Thailand and Myanmar plays a crucial role in meeting Thailand's domestic energy demand.

PTTEP remains the largest petroleum producer in Thailand, with a total production rate of 696 KBOED and sales volume entitlement of 489 KBOED in 2024. As of December 2024, PTTEP had E&P operations in 12 countries and reported proven reserves of 1,637 MMBOE, representing a reserves life of around 6.4 years. About 46% of its proven reserves are in Thailand, with the rest spread across Asia-Pacific, the Middle East, and Africa. In 2024, natural gas accounted for around 73% of PTTEP's sales volumes.

PTTEP is a core subsidiary of PTT, with its gas production business closely integrated into PTT's gas value chain, including the gas distribution and petrochemical businesses. As of March 2025, PTT, Thailand's national oil and gas company, directly and indirectly held a 65.3% stake in PTTEP. Both PTT and PTTEP are state-owned enterprises.

Looking ahead, PTTEP is focused on expanding its E&P operations in Southeast Asia and the Middle East, while diversifying into decarbonization and energy transition initiatives. This includes non-E&P ventures in PTTEP's pipeline, such as a green hydrogen project in Oman, the SeaGreen Wind Farm in Scotland, the scaling up of artificial intelligence and robotics ventures, and pioneering carbon capture and storage (CCS) as a service in Thailand.

## KEY OPERATING PERFORMANCE

**Table 1: PTTEP's Key Operating Data**

| | | ---------------------- Year Ended 31 December --------------------- | | | | |
|---|---|---|---|---|---|---|
| | **Unit** | **2024** | **2023** | **2022** | **2021** | **2020** |
| Proven reserves | MMBOE | 1,637 | 1,436 | 1,442 | 1,350 | 1,074 |
| Yearly production | MMBOE | 255 | 233 | 214 | 181 | 155 |
| Reserve life | Years | 6.4 | 6.2 | 6.8 | 7.5 | 6.9 |
| Five-year reserve replacement ratio | Times | 1.5 | 1.8 | 2.0 | 1.9 | 1.5 |
| Lifting costs | USD/BOE | 4.8 | 4.7 | 4.4 | 4.1 | 4.5 |
| Average sales volume | KBOED | 489 | 462 | 468 | 416 | 354 |
| Average selling price | USD/BOE | 46.8 | 48.2 | 53.4 | 43.5 | 38.9 |

*Source: PTTEP*

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

*Unit: Mil. USD*

| | ------------------Year Ended 31 December ------------------ | | | | |
|---|---|---|---|---|---|
| | 2024 | 2023 | 2022 | 2021 | 2020 |
| Total operating revenues | 9,017 | 8,784 | 9,617 | 6,956 | 5,173 |
| Earnings before interest and taxes (EBIT) | 4,192 | 4,388 | 4,600 | 2,548 | 1,653 |
| Earnings before interest, taxes, depreciation, and amortization (EBITDA) | 7,006 | 6,809 | 7,049 | 5,001 | 3,796 |
| Funds from operations (FFO) | 4,936 | 5,036 | 5,184 | 3,518 | 2,799 |
| Adjusted interest expense | 343 | 302 | 244 | 218 | 271 |
| Capital expenditures | 3,551 | 2,392 | 1,892 | 1,661 | 1,215 |
| Total assets | 28,401 | 26,380 | 25,168 | 23,445 | 22,493 |
| Adjusted debt | 3,403 | 2,917 | 3,148 | 4,187 | 3,209 |
| Adjusted equity | 15,767 | 14,594 | 13,515 | 12,272 | 11,643 |
| **Adjusted Ratios** | | | | | |
| EBITDA margin (%) | 77.7 | 77.5 | 73.3 | 71.9 | 73.4 |
| Pretax return on permanent capital (%) | 18.6 | 20.9 | 23.5 | 13.5 | 9.0 |
| EBITDA interest coverage (times) | 20.4 | 22.5 | 28.9 | 22.9 | 14.0 |
| Debt to EBITDA (times) | 0.5 | 0.4 | 0.4 | 0.8 | 0.8 |
| FFO to debt (%) | 145.0 | 172.6 | 164.7 | 84.0 | 87.2 |
| Debt to capitalization (%) | 17.8 | 16.7 | 18.9 | 25.4 | 21.6 |

* *Consolidated financial statements*

## RELATED CRITERIA

- Issue Rating Criteria, 26 December 2024
- Rating Methodology for Government-related Entities, 27 October 2023
- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

## PTT Exploration and Production PLC (PTTEP)

| | |
|---|---|
| **Company Rating:** | AAA |
| **Issue Ratings:** | |
| PTTEP26NA: THB6,000 million senior unsecured debentures due 2026 | AAA |
| PTTEP296A: THB11,400 million senior unsecured debentures due 2029 | AAA |
| **Rating Outlook:** | Stable |

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