

# PTG ENERGY PLC

No. 59/2020  
17 August 2020

## CORPORATES

<b>Company Rating:</b>	BBB+
<b>Issue Rating:</b>	
Senior unsecured	BBB+
<b>Outlook:</b>	Stable

**Last Review Date:** 24/03/20

### Company Rating History:

Date	Rating	Outlook/Alert
14/02/17	BBB+	Stable
12/02/15	BBB	Stable

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## RATIONALE

TRIS Rating affirms the company rating on PTG Energy PLC (PTG) at “BBB+” with a “stable” outlook. At the same time TRIS Rating assigns the rating of “BBB+” to PTG’s proposed issue of up to THB1 billion in senior unsecured debentures. The company intends to use the proceeds from the new debentures to refinance existing debts and/or to support general corporate purposes.

The ratings mirror PTG’s strengthened market position in oil retailing, and its extensive distribution network. Contrarily, the ratings are tempered by PTG’s high financial leverage, susceptibility to oil price intervention by the government, and fierce competition in the oil retailing business.

Like those of other oil retailers, PTG’s sales volume was dragged down by the outbreak of Coronavirus Disease 2019 (COVID-19), which weakened domestic consumption with the sudden decline in economics activity during the lockdown. In the second quarter of 2020, PTG’s sales volume declined by 1% from the previous quarter. PTG’s total operating revenue and net profit came in at THB22 billion and THB513 million, respectively. Earnings before interest, tax, depreciation, and amortization (EBITDA) were THB1.6 billion.

In response to the COVID-19 fallout, PTG has scaled down its expansion plans for new service stations and non-oil businesses. The company now plans to open less than 100 service stations in 2020. In all, PTG will slash its capital spending from THB4.5 billion to THB3 billion.

TRIS Rating expects the demand for oil products will gradually recover from the latter-half of 2020 onward, given the easing of lockdown measures. That said, we consider the recovery to be fragile due to the possibility of a second wave of virus outbreak. In our base case, we conservatively project that PTG’s oil sales volume will expand by 3% in 2020, and then grow by 7%-8% per annum during 2021-2022. We expect a moderate level of overall marketing margin (including retail and wholesale) of around THB1.7 per liter, and capital expenditures (CAPEX) of THB2.5 billion in 2020 and THB4.5 billion per year in 2021-2022.

Given lower average oil prices, we expect PTG’s operating revenue to drop by 18% in 2020 to THB98 billion, before bouncing back to THB128-THB144 billion in 2021 and 2022. Over the forecast period, we expect EBITDA to range from THB4.6-THB5.5 billion per year. The company’s leverage will likely remain elevated as the company continues to expand. Adoption of the Thai Financial Reporting Standard 16 (TFRS 16) is also likely to heighten the company’s debt. In effect, the debt to capitalization ratio is projected to be 77%-79% while the debt to EBITDA ratio to stay around 5 times.

As of June 2020, PTG had bank loans and bonds of THB5.3 billion coming due over the next 12 months. Its sources of liquidity include THB671 million in cash and forecast funds from operations (FFO) for the next 12 months of THB3.7 billion. We expect PTG will need to roll over most of its existing loans to support its growth plan. Given its anticipated cash flow in the years ahead, we consider the refinancing risk to be manageable.

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**RATING OUTLOOK**

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The “stable” outlook reflects the expectation of TRIS Rating that PTG will be able to maintain its strong position in the oil retailing market, and that, PTG will be prudent in its expansion plans. We also expect the company’s financial leverage to remain within our forecast range.

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**RATING SENSITIVITIES**

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A credit upside for PTG is limited in the near term given its lingering high financial leverage. Conversely, downward rating pressure could emerge if the company makes aggressive debt-funded investments. A sustained deterioration in operating performance could also prompt a rating downgrade.

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**RELATED CRITERIA**

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- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

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**PTG Energy PLC (PTG)**

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<b>Company Rating:</b>	BBB+
<b>Issue Rating:</b>	
Up to THB1,000 million senior unsecured debentures due within 2 years 6 months	BBB+
<b>Rating Outlook:</b>	Stable

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**TRIS Rating Co., Ltd.**

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