CreditUpdate เครดิตวาระ
New Issue Report

PTG ENERGY PLC

No. 8/2022
17 January 2022

CORPORATES

Company Rating:	BBB+
Issue Ratings:	
Senior unsecured	BBB+
Outlook:	Stable

Last Review Date: 31/03/21

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) and the rating on PTG's outstanding senior unsecured debentures at "BBB+" with a "stable" outlook. At the same time, TRIS Rating assigns the rating of "BBB+" to PTG's proposed senior unsecured debenture issues of up to THB1.2 billion due within three years. The company intends to use the proceeds from the new debenture issuance to refinance part of its existing debts.

The ratings continue to reflect PTG's strengthened market position in oil retailing. As of September 2021, PTG's network reached 2,142 service stations including 1,925 gasoline stations, 80 liquefied petroleum gas (LPG) stations, and 137 mixed stations. PTG remains the second largest oil retailer in terms of network and sales volume through service stations, trailing behind the market-leading PTT PLC. Based on data collected by TRIS Rating, PTG's oil retail market share was 17.7% in the first nine months of 2021.

Notwithstanding the protracted Coronavirus Disease 2019 (COVID-19) outbreak, PTG has staged a satisfactory performance in the first nine months of 2021. The widespread delta variant forced the Thai government to reintroduce lockdown measures in 2021. Domestic petroleum sales through service stations plummeted by 6.7% year-on-year (y-o-y), whereas the outbreak led to a plunge in demand by 19.3% in the third quarter alone. That said, PTG managed to reach 3.7 billion liters in sales volume in the first nine months of 2021, suggesting a 2.1% increase y-o-y.

In all, PTG's performance in the first nine months of 2021 was in line with our forecast. The company's operating revenue increased by 25.4% y-o-y to THB96.2 billion. Earnings before interest, taxes, depreciation, and amortization (EBITDA) came in at THB4.3 billion. The ratio of debt to capitalization was 78% and the debt to EBITDA ratio (annualized with the trailing 12 months) was at 5 times. Both ratios are in line with our expectations.

We expect PTG will benefit from the lockdown easing and resumption of tourism activities. However, the recent emergence of the new variant could add uncertainty and slow economic recovery. In addition, we hold the view that the severe competition in the oil retail business and the wavering oil prices remain the key downside risks.

In response to the lingering COVID-19 outbreak, PTG has scaled down its expansion plans for new service stations and non-oil businesses, resulting in the reduction of its capital spending. However, we anticipate that PTG will resume its expansion in the longer term, in presence of a more confident outlook for the economy.

As of September 2021, PTG had its debt obligations coming due over the next 12 months of THB6.5 billion, primarily comprising THB3.2 billion short-term loans, THB1.3 billion long-term loans, and THB1.4 billion debentures. We expect PTG will need to roll over most of its existing debts to support its business plan. We hold the view that the refinancing risk is manageable, considering the company's business prospects.

At the end of September 2021, PTG had bank loans and debentures of THB10.7 billion, including approximately THB3.6 billion of priority debt, which is unsecured debt at the subsidiary level. The priority debt to total debt ratio of 33%, which is below the threshold of 50% according to TRIS Rating's "Issue Rating Criteria", suggests that PTG's unsecured creditors are not significantly disadvantaged with respect to the priority of claim against its assets.

RATING OUTLOOK

The "stable" outlook embeds our expectation that PTG will be able to maintain its strong position in the oil retail market with its prudent business plan. We also expect the company's financial leverage and level of cash generation against debt obligations to remain within our forecast range.

RATING SENSITIVITIES

A credit upgrade could occur if PTG continues to strengthen its market position and deliver sound performance. Conversely, the ratings could be revised downwards in case of a material weakening of financial profile due to a significant deterioration of financial performance or a surge of debt-financed investments.

RELATED CRITERIA

- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019

PTG Energy PLC (PTG)

Company Rating:	BBB+
Issue Ratings:	
PTG233A: THB1,000 million senior unsecured debentures due 2023	BBB+
Up to THB200 million senior unsecured debentures due within 2 years	BBB+
Up to THB1,000 million senior unsecured debentures due within 3 years	BBB+
Rating Outlook:	Stable

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