

BANGCHAK CORPORATION PLC

No. 116/2023

28 September 2023

CORPORATES

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

Last Review Date: 31/08/23

Company Rating History:

Date	Rating	Outlook/Alert
31/08/23	A	Stable
19/01/23	A	Alert Negative
27/10/22	A	Stable
09/12/20	A-	Stable
11/06/20	A	Negative
04/11/15	A	Stable
26/12/12	A-	Stable
06/07/12	A-	Alert Negative
12/10/10	A-	Stable
05/11/09	BBB+	Positive
05/11/08	BBB+	Stable

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RATIONALE

TRIS Rating affirms the company rating on Bangchak Corporation PLC (BCP) and the ratings on its outstanding senior unsecured debentures at "A". TRIS Rating also affirms the rating on BCP's subordinated capital debentures at "BBB+". The rating outlook is "stable".

At the same time, we assign a rating of "A" to BCP's proposed issue of up to THB3.0 billion senior unsecured debentures, with a tenor of up to 5 years. BCP intends to use the proceeds from the new debentures for refinancing existing debentures coming due and working capital needs.

The ratings continue to reflect BCP's strengthened competitive position in the oil refinery and marketing businesses, underpinned by its recent takeover of ESSO (Thailand) PLC (ESSO). The ratings embed expected post-acquisition synergies, and improvement in operating efficiencies. Conversely, the ratings are tempered by BCP's heightened susceptibility to volatile oil prices, and near-term integration risks. The ratings also consider BCP's huge investments in the years ahead.

BCP has recently completed its acquisition of 65.99% of the shares of ESSO. The company is currently in the process of a tender offer for the remaining shares. We view the acquisition as augmenting BCP's competitive strengths in its integrated oil refining and marketing business. The acquisition increases BCP's refinery capacity and provides BCP with access to the advantageous crude receiving facilities and fuel pipelines network. In addition, BCP has become the second largest fuel retailer.

We expect the acquisition will also lead to synergistic benefits, which could potentially be achieved through the production optimization and several cost savings spread out among the refinery operations, retail market network, and back-office operations. However, the full benefit from the acquisition is subject to near-term integration risks. In addition, we view that the acquisition has heightened BCP's exposure to fluctuating oil prices.

The ratings also consider BCP's heavy investments over 2023-2025. That said, we view BCP's current financial position as strong enough to cope with its planned investments. We forecast BCP's debt to capitalization ratio to increase to about 55%-65% during 2023-2025. We project BCP to arrive at THB34-THB36 billion in earnings before interest, tax, depreciation, and amortization (EBITDA) for 2023, with a four-month period of consolidating ESSO's earnings. The debt to EBITDA ratio will likely rise to about 4.0-5.0 times towards the end of 2023. This is because BCP's planned investments will concentrate in late 2023, resulting in elevated debt load towards the end of the year. Meanwhile, the earnings contribution from such investments will be recognized for only a few months.

Looking forward, we forecast BCP's EBITDA to grow to THB45-THB50 billion per year during 2024-2025. We expect BCP's financial leverage to trend downward over the next few years. The debt to EBITDA ratio will likely decline gradually to 3.0-3.5 times over the period.

As of June 2023, BCP's consolidated debt was about THB96.8 billion (including its subordinated capital debentures). BCP's priority debt consisted of THB17.7 billion secured debt and THB25.9 billion senior unsecured debt owed by subsidiaries. The priority debt to total debt ratio was about 45% at the end of

CreditUpdate, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company's current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been "upgraded," "downgraded," "affirmed" or "cancelled." The update includes information to supplement the previously published ratings.

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June 2023. We expect the company to keep its priority debt ratio below 50% over the forecast period, taking into account the debt to be consolidated from the acquisition of ESSO.

RATING OUTLOOK

The “stable” outlook reflects our expectation that BCP will materialize the expected synergies of the ESSO acquisition, which will significantly strengthen the company’s competitive position, with its financial performance to be in line with our base-case forecast.

RATING SENSITIVITIES

A rating upgrade could arise if BCP could achieve earnings materially higher than our expectation, while its financial leverage declines considerably. This could occur if BCP can smoothly integrate the operations of ESSO’s refinery and oil retail networks, according to the merger roadmap.

Conversely, a downward revision to the ratings could emerge from a material deterioration in BCP’s financial risk profile. This could happen if BCP’s operating performance significantly falls short of our estimates, or if the company engages in aggressive debt-financed investments or acquisitions. A downward pressure on the ratings could also develop if BCP experiences unexpected execution issues in the integration, which result in a material delay in the realization of acquisition benefits.

RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Hybrid Securities Rating Criteria, 28 June 2021
- Issue Rating Criteria, 15 June 2021

Bangchak Corporation PLC (BCP)

Company Rating:	A
Issue Ratings:	
BCP23NA: THB2,000 million senior unsecured debentures due 2023	A
BCP244A: THB3,500 million senior unsecured debentures due 2024	A
BCP258A: THB600 million senior unsecured debentures due 2025	A
BCP258B: THB4,500 million senior unsecured debentures due 2025	A
BCP260A: THB3,000 million senior unsecured debentures due 2026	A
BCP26NA: THB1,000 million senior unsecured debentures due 2026	A
BCP273A: THB2,000 million senior unsecured debentures due 2027	A
BCP275A: THB500 million senior unsecured debentures due 2027	A
BCP278A: THB2,000 million senior unsecured debentures due 2027	A
BCP28DA: THB7,000 million senior unsecured debentures due 2028	A
BCP29NA: THB1,400 million senior unsecured debentures due 2029	A
BCP303A: THB1,000 million senior unsecured debentures due 2030	A
BCP305A: THB4,500 million senior unsecured debentures due 2030	A
BCP31NA: THB2,600 million senior unsecured debentures due 2031	A
BCP328A: THB3,500 million senior unsecured debentures due 2032	A
BCP19PA: THB10,000 million subordinated capital debentures	BBB+
Up to THB3,000 million senior unsecured debentures due within 5 years	A
Rating Outlook:	Stable

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