

BANGKOK MASS TRANSIT SYSTEM PLC

No. 93/2023
24 May 2023

CORPORATES

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

Last Review Date: 26/05/22

Company Rating History:

| Date | Rating | Outlook/Alert |
|----------|--------|---------------|
| 28/05/20 | A | Negative |
| 17/05/16 | A | Stable |

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RATIONALE

TRIS Rating downgrades the company rating on Bangkok Mass Transit System PLC (BTSC) and the ratings on BTSC's outstanding senior unsecured debentures to "A-" from "A". At the same time, we revise the rating outlook to "stable", from "negative". The rating action follows the rating downgrade on BTS Group Holdings PLC (BTS) to "A-" from "A" and the revision of BTS's rating outlook to "stable", from "negative". The ratings on BTSC primarily reflect its status as the core subsidiary of BTS. According to our "Group Rating Methodology", a core subsidiary is generally rated at the same level as the group's credit profile.

KEY RATING CONSIDERATIONS

Core subsidiary of BTS

We assess BTSC as the core subsidiary of BTS. BTSC holds the concession rights to operate the Green Line metro rail and provides operating and maintenance (O&M) services for all the rail systems operated by the BTS Group. BTSC also provides media services inside the BTS trains and the commercial spaces in the BTS train stations through its subsidiary, VGI PLC (VGI). BTSC is the core source of revenue and profit for the BTS Group. BTSC's revenue has represented over 75% of the BTS Group's consolidated revenue over the past few years. In terms of profit, it represented nearly all of BTS's consolidated net profit in the first nine months of fiscal year (FY) 2023 (BTS's FY2023 spans over 1 April to 31 December 2022). We expect BTSC to continue its dominant revenue and profit contribution to the BTS Group, thanks to its predictable O&M service income and the revenue improvement from its expanded MIX business.

As of March 2023, BTS owned a 98% equity interest in BTSC. The management and group strategies of the two companies are highly integrated and interdependent.

Concession and O&M contracts for rail operation

BTSC holds a 30-year build-transfer-operate (B-T-O) concession for the core section of the metro Green Line. The concession was awarded by the Bangkok Metropolitan Administration (BMA), spanning the period of 1999-2029. In 2013, the company sold future net farebox revenues from train operations under the concession to the BTS Rail Mass Transit Growth Infrastructure Fund (BTSGIF), an infrastructure investment fund, for THB61 billion. BTSC entered into two O&M contracts with Krungthep Thanakom Co., Ltd. (KT), the business arm of the BMA. The first contract signed in 2012 covers the first rail extension and core section, while the second contract signed in 2017 covers the second rail extension. Both contracts will expire in 2042.

BTSC has also entered into O&M agreements with Northern Bangkok Monorail Co., Ltd. and Eastern Bangkok Monorail Co., Ltd., the two joint ventures (JVs) between BTS and its two partners, to operate the Pink Line and the Yellow Line monorails. Both projects are under development and are expected to commence full operation in 2023.

BTSC's revenue from O&M services is the key contribution to the BTS Group. In the first nine months of FY2023, the O&M service income accounted for around 55% of the BTS Group's revenue. The O&M service income continues to rise from the increasing schedule for the Green Line O&M service fees and

additional O&M service fee to be collected from the Pink Line and the Yellow Line starting from FY2024.

Well positioned to bid for new mass transit projects

BTS Group's strategy is to set up JVs with its partners to bid for or develop new mass transit projects. The JVs could help BTS mitigate its exposure to the project. BTSC is positioned as the core entity of the BTS Group to bid for new infrastructure projects, especially mass transit projects, due to its operating experience and track record which are important qualifications for the bidding. BTSC is one of the two main electric train operators in Thailand, with more than 20 years of experience in operating electric rail systems. This strength is the key competency that places the BTS Group in a good position to win new mass transit projects.

Liquidity to remain adequate

We assess BTSC will have adequate liquidity over the next 12 months. As of December 2022, the company had cash on hand of THB5.7 billion and short-term investments worth THB2.7 billion. Funds from operations (FFO) for the next 12 months are projected to be around THB7 billion. In addition, the company also has undrawn credit facilities from commercial banks of THB13.7 billion. The debt repayments over the next 12 months will include THB4.3 billion long-term debt repayments and THB3 billion short-term loans.

As of December of 2022, BTSC had no priority debt.

RATING OUTLOOK

The "stable" outlook is based on the rating outlook assigned to BTS.

RATING SENSITIVITIES

The ratings on BTSC and its debentures and/or outlook could be revised upward or downward should there be any changes in BTS's credit profile or if TRIS Rating perceives any changes in BTSC's group status relative to other subsidiaries or affiliates of BTS.

COMPANY OVERVIEW

Established in 1992, BTSC is currently owned (98%) by BTS. BTSC was initially set up to build and operate the BTSC (BTS Skytrain) under a 30-year B-T-O concession, spanning 1999-2029, awarded by the BMA. In 2013, the company sold future net farebox revenues from train operations under the concession to the BTSGIF, an infrastructure investment fund, for THB61 billion. BTS, its parent company, holds 33% of the investment units of BTSGIF. BTSC has two O&M contracts with KT, the business arm of the BMA, covering two extensions of the BTS Skytrain.

The company also operates its MIX business resulting from the transformation of its media business into an omni-channel marketing platform. The company provides advertising services and rents retail space on the BTS Skytrain network through its subsidiary VGI. VGI has the exclusive rights to manage advertising and merchandising space on BTS trains and at stations until 2029. In addition, VGI has first rights to renew and/or extend contracts to cover space on additional projects for which BTSC is granted the right to provide media services. VGI has continuously expanded its business scope. VGI now offers other types of OOH media through its acquisition of an 18.10% stake in Plan B Media PLC (PLANB) as of December 2022. The company has also expanded to offline channels by acquiring Kerry Express (Thailand) PLC (KERRY), JMART, Fanslink Communication Co., Ltd. (Fanslink) and Nation International Edutainment PLC (NINE). The acquisitions will enlarge its revenue base and create synergies in terms of cross-selling and the pooling of consumer data.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

| | Apr-Dec 2022 | ----- Year Ended 31 March ----- | | | |
|---|-----------------|---------------------------------|--------|--------|--------|
| | | 2022 | 2021 | 2020 | 2019 |
| Total operating revenues | 9,074 | 11,151 | 8,421 | 8,080 | 6,193 |
| Earnings before interest and taxes (EBIT) | 4,808 | 6,475 | 7,534 | 5,830 | 4,857 |
| Earnings before interest, taxes, depreciation, and amortization (EBITDA) | 5,834 | 7,599 | 8,062 | 6,919 | 5,613 |
| Funds from operations (FFO) | 3,904 | 5,653 | 6,019 | 5,037 | 3,851 |
| Adjusted interest expense | 665 | 784 | 730 | 913 | 923 |
| Capital expenditures | 449 | 635 | 493 | 613 | 680 |
| Total assets | 101,287 | 102,489 | 78,404 | 66,239 | 77,362 |
| Adjusted debt | 21,211 | 38,962 | 17,274 | 18,228 | 18,813 |
| Adjusted equity | 62,121 | 50,491 | 46,329 | 35,787 | 38,666 |
| Adjusted Ratios | | | | | |
| EBITDA margin (%) | 64.29 | 68.15 | 95.73 | 85.62 | 90.62 |
| Pretax return on permanent capital (%) | 7.71 ** | 8.20 | 12.32 | 9.58 | 8.20 |
| EBITDA interest coverage (times) | 8.77 | 9.69 | 11.05 | 7.57 | 6.08 |
| Debt to EBITDA (times) | 2.74 ** | 5.13 | 2.14 | 2.63 | 3.35 |
| FFO to debt (%) | 24.80 ** | 14.51 | 34.85 | 27.63 | 20.47 |
| Debt to capitalization (%) | 25.45 | 43.56 | 27.16 | 33.75 | 32.73 |

* Consolidated financial statements

** Annualized with the 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

Bangkok Mass Transit System PLC (BTSC)

| | |
|---|--------|
| Company Rating: | A- |
| Issue Ratings: | |
| BTSC23NA: THB4,100 million senior unsecured debentures due 2023 | A- |
| BTSC24NA: THB2,000 million senior unsecured debentures due 2024 | A- |
| BTSC26NB: THB1,500 million senior unsecured debentures due 2026 | A- |
| BTSC28NA: THB2,500 million senior unsecured debentures due 2028 | A- |
| BTSC31NA: THB4,200 million senior unsecured debentures due 2031 | A- |
| Rating Outlook: | Stable |

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