

Press Release

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TRIS Rating Views the Proposed Shareholding Restructuring within the Business Group Has No Immediate Impact on the Ratings on BTS and BTSC

TRIS Rating assesses that the proposed shareholding restructuring by BTS Group Holdings PLC (BTS), which includes tender offers for Roctec Global PLC (ROCTEC) and Rabbit Holdings PLC (RABBIT), a rights offering to existing shareholders, and a share issuance of VGI PLC (VGI), will not have an immediate impact on the company and issue ratings on BTS and its "core" subsidiary, Bangkok Mass Transit System PLC (BTSC), both rated at "BBB+" with a "stable" outlook. Upon completion of the restructuring, TRIS Rating expects that while BTS's business risk may increase, it will remain predominantly driven by its mass transit business. Additionally, we do not expect BTS's financial risk profile to weaken from our previous projection.

On 2 August 2024, BTS announced a shareholding restructuring plan involving its associates and its subsidiary. The plan includes tender offers for all outstanding shares of ROCTEC amounting to approximately THB6.7 billion, and all outstanding common and preferred shares of RABBIT (excluding those of shareholders opting out of the preferred share tender) amounting to approximately THB8.2 billion. To fund these tender offers, BTS plans to issue 2,926 million new common shares to existing shareholders through a rights offering at THB4.50 per share. BTS has also secured financial support from financial institutions to mitigate potential funding shortfalls. Upon completion, BTS's shareholding in ROCTEC and RABBIT is expected to exceed 50%, transforming their status from associates to subsidiaries. Consequently, their financial performance will be consolidated into BTS's financial statements.

In addition, VGI, a subsidiary of BTS, plans to issue and offer up to 8,805 million ordinary shares to four institutional investors at a price of THB1.50 per share, raising approximately THB13.2 billion. The proceeds will be used to fund new business ventures and businesses related to its existing operations. Upon completion of share issuance, BTS's ownership in VGI will decline from 61.1% to 34.2%. However, BTS expects to maintain control over VGI, ensuring its status as a subsidiary and the continued consolidation of VGI's financial performance in BTS's consolidated financial statements.

Upon the successful completion of the restructuring, BTS's business will also encompass hotels, financial services, and system integration, which are considered more volatile than its current operations. However, we expect the company's core mass transit business will continue to be the primary driver of revenue and earnings. We project that the consolidation of ROCTEC and RABBIT's operating results will contribute approximately THB2.0-THB2.5 billion to BTS's EBITDA annually, while the extent of the debt increase will depend on the success of the tender offer and the capital raised through the rights offering. Despite this, we expect BTS's financial leverage to remain in line with our previous projection.

The company expects to complete the entire restructuring process during the fourth quarter of 2024. However, the success of these transactions remains uncertain, as they are subject to shareholder approval and the successful execution of the capital increase and tender offers. We will closely monitor the progress of the restructuring and the implementation of the post-restructuring business plan.

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