

# BANPU PLC

No. 247/2023  
22 December 2023

## CORPORATES

**Company Rating:** A+  
**Issue Ratings:**  
**Senior unsecured:** A+  
**Outlook:** Stable

**Last Review Date:** 25/01/23

### Company Rating History:

Date	Rating	Outlook/Alert
26/12/14	A+	Stable
29/11/13	AA-	Negative
15/12/10	AA-	Stable
06/07/10	AA-	Alert Developing
26/06/08	AA-	Stable
07/11/05	A+	Stable
28/07/05	A	Positive
12/07/04	A	Stable
14/01/03	A	-
22/03/01	A-	-

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## RATIONALE

TRIS Rating affirms the company rating on Banpu PLC (BANPU) and the ratings on BANPU's senior unsecured debentures at "A+" with a "stable" outlook. The ratings reflect the company's leading position in the Asia-Pacific coal industry, predictable cash flows from the power business, and its transition investments toward a "greener" energy portfolio, energy technology businesses including battery value chain and decarbonization businesses. The ratings factor in the volatilities of coal and natural gas prices and declining demand for coal over the long-term.

## KEY RATING CONSIDERATIONS

### Leading coal miner in Asia-Pacific

BANPU is one of the leading coal mining companies in the Asia-Pacific region. The company has coal mining operations in Indonesia, Australia, and China. BANPU's coal reserves in Indonesia and Australia totaled 512 million tonnes as of September 2023. Reserves at its Indonesian mines indicate a reserve life of about 15 years, and over 25 years for the Australian mines. Coal sales volume from its Indonesian and Australian mines, including trading activities, is expected to remain at about 30 million tonnes in 2023.

BANPU's coal business has a diversified customer base. Of the total sales volume of its Indonesian coal in the first nine months of 2023, 35% was sold to buyers in China, 23% Indonesia, and 12% Japan. The remaining volume was sold to customers in the Philippines, India, Thailand, and other Southeast Asian countries. Buyers of BANPU's Australian mines are mainly domestic power producers.

### Tempered performance of coal business

We anticipate a softening of BANPU's operating performance in 2023-2025, following the normalized coal and gas prices. The Newcastle Coal Price Index (6,000 kcal) was trending down to an average of USD187 per tonne for the first nine months of 2023 from the abnormally high of USD358 per tonne in 2022 due to the Russia-Ukraine conflict. BANPU's average selling price decreased by 29% year-on-year (y-o-y) to USD115 per tonne. The company's earnings before interest, taxes, depreciation, and amortization (EBITDA) was USD1.06 billion for the first nine months of 2023.

The gross margin in its coal business for the first nine months of 2023 was recorded at 36%. A lower sales volume especially from its Australian operation was another factor that pushed up unit cost and pressured gross margin in coal business. The company's coal sales volume declined by 4% (y-o-y) to 21.9 million tonnes for the first nine months of 2023.

In our base-case forecast, we anticipate annual coal sales to gradually recover to 38 million tonnes in 2025 from about 30 million tonnes in 2022. To drive this recovery, we expect new mine developments and production ramp-up in its Indonesian operations—along with mining improvement efforts of its Australian operations.

We maintain our view that Newcastle coal prices will normalize to USD100 per tonne in 2024 and USD90 per tonne in 2025. Our coal price forecast reflects our view on a gradual slowdown in global coal consumption and China's policy to increase domestic coal production, which may reduce demand for seaborne coal.

## Weakened gas operation to recover in 2024-2025

In 2023, BANPU will achieve a full year of operation for the North Texas shale asset—which has a net production capacity of 225 million cubic feet per day (MMCFD)—following the acquisition in June 2022. As a result, the natural gas production capacity has reached 864 MMCFD upon the acquisition.

For the first nine months of 2023, BANPU's shale gas operating performance was adversely affected by lower-than-expected demand, attributed to mild temperatures during the previous winter, increased gas production, and inventory level higher than the 5-year average. The Henry Hub natural gas price (gas price) experienced a 61% y-o-y decrease, reaching around USD2.57 per million British thermal unit (MMBTU) for the same period. BANPU's EBITDA from the gas business declined to around USD117 million, an 80% y-o-y decrease.

We anticipate a gradual recovery in BANPU's gas business over the next two years, thanks to the U.S.'s LNG facilities along the Gulf Coast coming online in 2024-2025. In our base-case scenario, we project the gas price to increase incrementally from about USD2.6 to USD4.00 per million British thermal unit (MMBTU) over 2023-2025, due partly to rising export demand in the U.S. shale gas. However, we assume that BANPU's shale gas production will decline from about 300-320 billion cubic feet (Bcf) in 2023 to about 260-280 Bcf per year in 2024-2025, aligning with the company's production plan for shale gas. For 2024-2025, we forecast that BANPU's shale gas business will contribute between USD260-USD460 million in EBITDA per year or about 20% to 30% of the group's EBITDA.

BANPU also places emphasis on carbon neutrality through the development of CCUS (Carbon Capture, Utilization, and Storage) projects. In November 2023, its Barnett Zero project commenced the initial injection of carbon dioxide. The project boosts up a carbon capture capacity of up to 210,000 tonnes per year, supported by government incentives of about USD85 per tonne.

## Strengthening power portfolio in the U.S.

The power business provides predictable cash flows to BANPU, as about 60%-70% of BANPU's power plants operate under long-term power purchase agreements (PPAs) with credit-worthy off-takers. Also, Banpu Group has doubled its power generation in the U.S. from the acquisition of the 755-megawatt (MW) Temple II gas-fired power plant in July 2023. The power plant is adjacent to its twin project, namely the 768-MW Temple I power plant, which BANPU acquired in 2022. This acquisition helped BANPU increase its overall power portfolio to 4,960 MW as of September 2023.

TRIS Rating forecasts that BANPU's power and energy technology portfolios will contribute around USD330-USD350 million to the Group's EBITDA in 2023, a significant increase from USD148 million in 2022. The robust performance has been driven by two U.S. power plants, particularly in the third quarter of 2023, benefiting from increased demand from hotter conditions with unexpected heat waves in Texas. However, we anticipate a softening EBITDA from power and energy technology businesses in 2024-2025 to USD230-USD260 million per year. This is attributed to the normalization of U.S. power plant performance and the recovery of coal-fired power plants in China.

## Rationalized investment plan stabilizes financial status

We forecast the company to invest around USD2.8-USD2.9 billion over 2023-2025, about 30% reduction from our last year's estimate. We believe that the lower investment budget reflects BANPU's careful reassessment of investment headroom, following the aggressive expansion into the U.S. in 2020-2023. The softening operating cashflow in 2023-2025 and risen cost of borrowings, especially in U.S. dollars, would potentially raise the expected return hurdle to justify new investments.

The recent investment budget incorporates the USD460 million acquisition of the Temple II power plant, about USD230 million in battery-related businesses, and the rest for the development of two new solar power plants in Vietnam with a total capacity of 60 MW, production sustaining investments for coal and gas businesses, and other investments in its 'greener' portfolio.

In our base-case scenario, we forecast BANPU's EBITDA in 2023 to be around USD1.45-USD1.55 billion. The company's debt-to-EBITDA ratio is projected to be around 3.0-3.2 times in 2023. Looking ahead toward 2024-2025, we anticipate coal prices to return to the normal range of USD90-USD100 per tonne, while we expect gas prices to increase to USD3.25-USD4.00 per MMBTU. As a result, the company's annual EBITDA is projected to be in the USD1.3-USD1.5 billion range in 2024-2025. The company's debt to EBITDA ratio is expected to be within the 3-4 times range over 2023-2025.

Proceeds from the BANPU-W5 warrant exercise of about USD340 million also helped Banpu stabilize its capital structure, following the acquisition for Temple II. We expect the company's debt to capitalization ratio to stay around 48%-52% in 2024-2025.

## Satisfactory liquidity profile

We view that BANPU has a satisfactory liquidity profile, further strengthened by the receipt of an equivalent amount of USD340 million through warrant exercises in October 2023.

As of September 2023, BANPU's sources of liquidity included cash on hand and cash equivalent of about USD1.5 billion, plus undrawn credit facilities—both committed and uncommitted—of about USD610 million. We expect BANPU's funds from operations (FFO) over the next 12 months to be about USD1.1-USD1.2 billion. These sources of liquidity can cover the scheduled debt repayments, and debentures maturing over the next 12 months of about USD1.7 billion.

## Debt structure

BANPU's consolidated debt, excluding lease liabilities, was about USD6.4 billion as of September 2023. BANPU's priority debt consisted of USD802 million in secured debts plus USD1.3 billion in senior debts owed by its subsidiaries. The ratio of priority debt to total debt was about 32% at the end of September 2023.

## BASE-CASE ASSUMPTIONS

- Newcastle Coal Price Index to be around USD170-USD175 per tonne in 2023, then normalizing to USD100 and USD90 per tonne in 2024 and 2025, respectively.
- Henry Hub natural gas price to be around USD2.6-USD2.7 per MMBTU in 2023, rising to USD3.25-USD4.00 per MMBTU in 2024-2025.
- Coal sales volume from the Indonesian and Australian operations of about 30 million tonnes in 2023, and 32-38 million tonnes per year in 2024-2025.
- Capital expenditures and equity investments over 2023-2025 to total USD2.8-USD2.9 billion for committed and production-sustaining investments.

## RATING OUTLOOK

The "stable" outlook reflects TRIS Rating's expectation that BANPU will maintain its leading position in the coal industry. Dividends from the steady power business and greater contribution from the gas business will provide some cushion against downside risk in the coal business. We also view that BANPU's financial discipline and prudent liquidity management will help it weather the volatility in market conditions.

## RATING SENSITIVITIES

A rating upside could occur if the company's debt to EBITDA ratio falls below 2 times on a sustained basis. A rating downgrade could occur if BANPU's performance materially deviates from our forecast, possibly from coal prices and gas prices that fall significantly short of expected levels. Any additional debt-funded investments, which significantly weaken the capital structure and cash flow protection for an extended period, could be another factor leading to a downgrade.

## COMPANY OVERVIEW

BANPU is one of the major energy companies in Asia. The BANPU Group consists of three cores business groups: energy resources, energy generation, and energy technology. The company was established in 1983 to mine coal in Thailand. Currently, BANPU runs coal operations in Indonesia, Australia, and China.

Over 2020-2023, the company has been expanding its presence in the U.S in the natural gas production and gas-fired power generation businesses. For the first nine months of 2023, BANPU's coal operations and its growing shale assets contributed 56.7% and 15.5% of the group's EBITDA, respectively. The rest of 27.8% mainly came from its power businesses.

Apart from the energy resource and conventional power business, BANPU continues to pursue its "greener and smarter" strategies through Banpu NEXT Co., Ltd. (BANPU NEXT). The subsidiary focuses its investments on renewable energy and energy technologies such as energy storage, energy trading platforms, and other energy solutions. In 2023, BANPU NEXT expanded its presence in the battery value chain through an increased holding in Durapower Holdings Pte Ltd and investment in EV-battery production joint venture—SVOLT Thailand.

KEY OPERATING PERFORMANCE

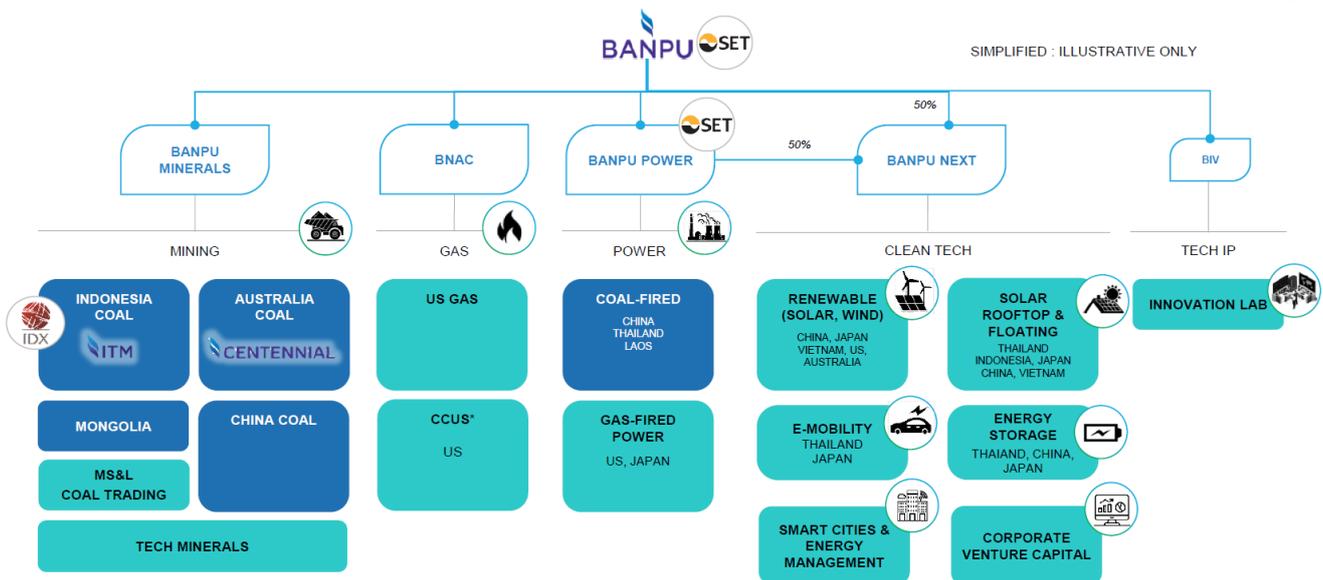
Table 1: BANPU's EBITDA Percentage Contribution by Business Segment

EBITDA contribution		Jan-Sep 2023	2022	2021	2020	2019
EBITDA	Mil. THB	1,055	2,835	1,199	560	866
- Coal	%	61.1	55.0	48.8	77.8	49.0
- Gas	%	11.1	39.7	46.6	9.3	7.9
- Power and energy technology	%	27.8	5.3	4.6	12.9	43.1
Total EBITDA contribution	%	100.0	100.0	100.0	100.0	100.0

Source: TRIS Rating's estimation

GROUP STRUCTURE

Chart 1: BANPU's Group Structure



Note: \*Carbon capture, utilization and sequestration

ENERGY RESOURCES & SUPPLY CHAIN MANAGEMENT

ENERGY GENERATION & TECHNOLOGY

Source: BANPU

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\***
*Unit: Mil. USD*

	Jan-Sep 2023	-----Year Ended 31 December -----			
		2022	2021	2020	2019
Total operating revenues	3,943	7,754	4,162	2,322	2,885
Earnings before interest and taxes (EBIT)	774	2,434	874	202	314
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	1,055	2,835	1,199	560	866
Funds from operations (FFO)	620	2,186	843	337	569
Adjusted interest expense	278	265	184	180	189
Capital expenditures	394	497	447	816	297
Total assets	12,458	12,638	10,946	9,377	8,069
Adjusted debt	5,323	4,318	5,351	5,163	4,094
Adjusted equity	4,254	4,409	3,103	2,815	2,635
<b>Adjusted Ratios</b>					
EBITDA margin (%)	26.77	36.56	28.80	24.10	30.01
Pretax return on permanent capital (%)	12.36 **	23.70	9.52	2.53	4.29
EBITDA interest coverage (times)	3.80	10.69	6.53	3.12	4.57
Debt to EBITDA (times)	3.10 **	1.52	4.46	9.22	4.73
FFO to debt (%)	20.46 **	50.62	15.75	6.52	13.90
Debt to capitalization (%)	55.58	49.48	63.30	64.71	60.84

\* Consolidated financial statements

\*\* Annualized with trailing 12 months

**RELATED CRITERIA**

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

## Banpu PLC (BANPU)

<b>Company Rating:</b>	A+
<b>Issue Ratings:</b>	
BANPU247A: THB5,000 million senior unsecured debentures due 2024	A+
BANPU248A: THB2,000 million senior unsecured debentures due 2024	A+
BANPU251A: THB2,000 million senior unsecured debentures due 2025	A+
BANPU257A: THB2,100 million senior unsecured debentures due 2025	A+
BANPU264A: THB2,000 million senior unsecured debentures due 2026	A+
BANPU268A: THB3,945 million senior unsecured debentures due 2026	A+
BANPU269A: THB4,000 million senior unsecured debentures due 2026	A+
BANPU274A: THB10,000 million senior unsecured debentures due 2027	A+
BANPU281A: THB1,000 million senior unsecured debentures due 2028	A+
BANPU282A: THB2,000 million senior unsecured debentures due 2028	A+
BANPU283A: THB3,226.8 million senior unsecured debentures due 2028	A+
BANPU288A: USD50 million senior unsecured debentures due 2028	A+
BANPU288B: THB4,010 million senior unsecured debentures due 2028	A+
BANPU295A: THB10,000 million senior unsecured debentures due 2029	A+
BANPU299A: THB1,860 million senior unsecured debentures due 2029	A+
BANPU301A: THB2,000 million senior unsecured debentures due 2030	A+
BANPU303A: THB1,531.4 million senior unsecured debentures due 2030	A+
BANPU312A: THB3,670 million senior unsecured debentures due 2031	A+
BANPU318A: THB6,045 million senior unsecured debentures due 2031	A+
BANPU321A: THB3,000 million senior unsecured debentures due 2032	A+
BANPU329A: THB3,240 million senior unsecured debentures due 2032	A+
BANPU333A: THB1,951.8 million senior unsecured debentures due 2033	A+
BANPU341A: THB4,000 million senior unsecured debentures due 2034	A+
BANPU383A: THB1,490 million senior unsecured debentures due 2038	A+
<b>Rating Outlook:</b>	Stable

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