

BTS GROUP HOLDINGS PLC

No. 108/2023
19 September 2023

CORPORATES

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

Last Review Date: 24/05/23

Company Rating History:

Date	Rating	Outlook/Alert
24/05/23	A-	Stable
28/05/20	A	Negative
17/05/16	A	Stable

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RATIONALE

TRIS Rating affirms the company rating on BTS Group Holdings PLC (BTS) and the ratings on BTS's outstanding senior unsecured debentures at "A-", with a "stable" outlook. At the same time, TRIS Rating assigns a "A-" rating to BTS's proposed issue of up to THB20 billion senior unsecured debentures. The proceeds from the new debentures will be used for debt refinancing.

The ratings continue to reflect the company's strong business profile based on the steady service income from its Sky Train operation, the sizable cash flow received from its 33.33% investment in BTS Rail Mass Transit Growth Infrastructure Fund (BTSGIF), and its entrenched position in the media business. The ratings, however, are constrained by its high financial leverage from various investments.

We have not yet factored into our ratings the potential complication that could arise from the allegation made by the National Anti-Corruption Commission (NACC) against the former governor of Bangkok and 12 others, including a key subsidiary of the company and BTS's executives, for alleged malpractice in relation to the execution of the Operation and Maintenance (O&M) Contract for the Green Line Extension in 2012. There could be ensuing legal challenges following the allegation. As there is not sufficient information for us to assess the risk involved at the moment, we continue to assume in our base-case assumptions that all O&M agreements related to the Green Line Extension will remain valid and that the Bangkok Metropolitan Administration (BMA) will eventually repay its outstanding obligations under the agreements, possibly within fiscal year (FY) 2025. We will closely monitor the development and may take rating actions accordingly if there is sufficient information that suggests potential material impact on the credit profile of BTS.

In the first quarter of FY2024 (April-June 2023), BTS's revenue (excluding revenue from installation and construction services and train procurement service) increased by 6% to THB3.1 billion. The rise was supported by the increase of O&M income and the recovery of its media business. BTS's earnings before interest, taxes, depreciation, and amortization (EBITDA) also increased by 12% to THB1.9 billion in the first quarter of FY2024 due mainly to the rise of interest income. BTS's debt to EBITDA ratio, inclusive of debts that finance the account receivables from the BMA, hovered at around 18 times during FY2023 to the first quarter of FY2024. We expect the company's debt to EBITDA ratio to improve significantly after the BMA repays all obligations to the company. The ratio could decline to around 10 times in FY2026 per our base-case assumptions.

As of June 2023, BTS's total interest-bearing debt of THB134 billion included priority debt of THB39 billion. The priority debt comprised secured debts and unsecured debts at the subsidiary level. The company's priority debt to total debt ratio was 29%.

RATING OUTLOOK

The "stable" outlook reflects our expectation that the company's operating performance will continue to improve, driven by growing contracted O&M fee revenue and the recovery of the media business. The outlook also reflects our expectation that the BMA will likely pay off the outstanding debt to the company in the near future.

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.

Credit Updates are part of TRIS Rating's monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

RATING SENSITIVITIES

A rating upgrade could occur if BTS's adjusted net debt to EBITDA ratio declines below 8 times on a sustained basis, which could result from a substantial improvement in the company's operating performance or a significant reduction in its debt burden. Conversely, the ratings could be revised downward if BTS's debt to EBITDA ratio stays over 11 times on a sustained basis, which might be caused by a significant amount of additional debt-funded investments, or a weaker-than-expected ramp up in operating performance.

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

BTS Group Holdings PLC (BTS)

Company Rating:	A-
Issue Ratings:	
BTSG23NA: THB4,000 million senior unsecured debentures due 2023	A-
BTSG245A: THB3,000 million senior unsecured debentures due 2024	A-
BTSG247A: THB1,500 million senior unsecured debentures due 2024	A-
BTSG24NA: THB1,591 million senior unsecured debentures due 2024	A-
BTSG24NB: THB4,091.2 million senior unsecured debentures due 2024	A-
BTSG255A: THB700 million senior unsecured debentures due 2025	A-
BTSG25NA: THB1,500 million senior unsecured debentures due 2025	A-
BTSG265A: THB2,700 million senior unsecured debentures due 2026	A-
BTSG267A: THB3,500 million senior unsecured debentures due 2026	A-
BTSG275A: THB2,800 million senior unsecured debentures due 2027	A-
BTSG275B: THB1,853.9 million senior unsecured debentures due 2027	A-
BTSG275C: THB4,951.8 million senior unsecured debentures due 2027	A-
BTSG27NA: THB2,000 million senior unsecured debentures due 2027	A-
BTSG27DA: THB2,000 million senior unsecured debentures due 2027	A-
BTSG289A: THB4,660 million senior unsecured debentures due 2028	A-
BTSG295A: THB5,000 million senior unsecured debentures due 2029	A-
BTSG295B: THB3,800 million senior unsecured debentures due 2029	A-
BTSG29DA: THB2,000 million senior unsecured debentures due 2029	A-
BTSG305A: THB1,941.1 million senior unsecured debentures due 2030	A-
BTSG305B: THB1,716.8 million senior unsecured debentures due 2030	A-
BTSG30NA: THB600 million senior unsecured debentures due 2030	A-
BTSG317A: THB8,000 million senior unsecured debentures due 2031	A-
BTSG325A: THB3,700 million senior unsecured debentures due 2032	A-
BTSG32NA: THB1,614 million senior unsecured debentures due 2032	A-
BTSG32NB: THB2,240.2 million senior unsecured debentures due 2032	A-
Up to THB20,000 million senior unsecured debentures due within 12 years	A-
Rating Outlook:	Stable

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