Press Release

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TRIS Rating Upgrades Company Rating of "PTG" to "BBB+" from "BBB"
with "Stable" Outlook

TRIS Rating has upgraded the company rating of PTG Energy PLC (PTG) to "BBB+" from "BBB" with "stable" outlook. The upgrade reflects the company's stronger operating performance and rising market share in the oil trading segment. The rating continues to reflect the company's track record as an oil retailer, efficient control of operating costs, and extensive distribution network. The rating is partially weighed down by the thin operating margin common for oil traders and the risk of government intervention in the oil retailing segment especially as oil prices rise.

The "stable" outlook reflects the expectation that PTG can maintain its current market position in the oil retailing industry. PTG is also expected to control operating costs and selling, general, and administrative (SG&A) expenses while it expands.

The downside factors for PTG's rating are a prolonged deterioration in the marketing margin or inefficient control of costs during the expansion period. An overly aggressive investment plan, which would push the ratio of total liabilities to total equity above two times and weaken cash flow protection on a sustained basis, would also be a negative factor for the credit rating.

The upside factors for PTG's rating are a significant improvement in operating cash flow and debt serviceability, or successful efforts to diversify sources of income.

PTG was established in 1988 as Paktai Chueplerng Co., Ltd. to operate an oil distribution center. In 1992, PTG became an oil retailer when it opened service stations under its own "PT" brand. The company was listed on the Stock Exchange of Thailand (SET) in 2013. As of November 2016, the company's major shareholders comprised the Ratchakitprakarn family (33.5%), Mr. Sakanan Wijitthanarak (13.3%), and the Vachirasakpanich family (8.8%). PTG operates 1,306 service stations nationwide under the "PT" trademark, or about 5% of all service stations in Thailand as of September 2016.

For the first nine months of 2016, PTG sold 2,126 million liters (ML) of refined oil products, of which 75% was sold through COCO stations, 12% was sold through DODO stations and the rest (13%) was sold directly to industrial customers. PTG's competitive advantage is supported by efficient logistics and inventory management systems because PTG has a fleet of 407 trucks and nine oil distribution centers as of September 2016.

The market position of PTG has strengthened during the past few years. PTG's market share in refined oil trading rose significantly during 2013 through the first nine months of 2016. PTG's market share in term of fuel sales, excluding LPG, increased from 3.8% in 2012 to 6.8% in the first nine months of 2016. More new service stations and increased sales at existing stations led to the rapid increase in market share.

PTG continued to add service stations nationwide. The number of service stations increased from 739 in 2013 to 1,407 at the end of 2016. PTG added about 200 stations per year in 2014 and 2015, and added 257 stations in 2016. PTG also stimulated sales via a member card, the PT MAX Card. As of September 2016, there were 5.1 million PT MAX cardholders. Sales volume at PTG has grown faster than at peer companies from 2013 through the first nine months of 2016. PTG added more service stations. Sales volume at its existing stations also climbed because of the low oil prices coupled with PTG's effective sales strategy. PTG's sales volume grew by 17.3% in 2014 and 20.9% in 2015 while peer firms posted no growth or growth rates in the low single digits over the same period. For the first nine months of 2016, PTG sold 2,126 ML, an increase of 29.3% over the same period of the prior year, compared with 6.9% growth in fuel sales industrywide in the same period. PTG's overall marketing margin improved to Bt1.79 per liter in the first nine months of 2016, from Bt1.60 per litre in 2014 and Bt1.69 per liter in 2015. The rise was due to the smoother pass through of oil price change during 2015 and 2016 as well as more sales at higher-margin COCO service stations. Earnings before interest, tax, depreciation, and amortization (EBITDA) rose by 33.1% year-on-year (y-o-y) to Bt1,718 million in 2015 and jumped to Bt1,964 million in the first nine months of 2016, a rise of 70.8% over the same period of the prior year.

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PTG's leverage ratio rose, but remained at an acceptable level. In addition to hefty capital expenditures needed to expand the service station network and related facilities, PTG also invested in oil-related businesses to support its core business. PTG invested in Palm Complex project in order to secure a source of bio-oil (B100) to mix with diesel fuel products. It holds a 24% stake in AMA Marine and a 9.55% stake in Fuel Pipeline Transportation Co., Ltd. (FPT) to strengthen its logistics network. The total adjusted debt to capitalization ratio rose to 62.0% at the end of September 2016, from 48.1% as of December 2015. Despite the rise in leverage, liquidity and cash flow protection remained at satisfactory levels. The adjusted FFO to total debt ratio was 31.7% (from the trailing 12 months) during the first nine months of 2016, compared with values ranging from 42% to 58% during 2013-2015. The adjusted EBITDA interest coverage ratio was fair at 7.6 times, compared with values of 8.8-10.5 times during 2013-2015.

During 2017-2019, PTG plans to open about 350-400 COCO stations per year. Capital expenditures will range from Bt4,000-Bt5,000 million per year for the existing oil retailing business. The company will further secure its sources of supply by investing about Bt270 million in an ethanol project and add other service revenues by investing in an auto care project (repair and maintenance services). PTG plans to manage the total liabilities to equity ratio below two times even as it implements its investment plan. Cash flow is projected to increase along as the number of petrol stations rises. PTG will also benefit from a revival in the domestic economy and the low level of fuel prices which will increase the demand of petroleum products.

In TRIS Rating's base-case scenario, the adjusted debt to capitalization ratio will hover around 60%-65% in 2016-2019. EBITDA interest coverage will range from 6-7 times and adjusted FFO to total debt ratio will stay around 25%-30% in the next few years.

PTG Energy PLC (PTG)	
Company Rating:	BBB+
Rating Outlook:	Stable

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