

RATING RELEASE

October 20, 2022

NGC retains its **high** ratings

Caribbean Information and Credit Rating Services Limited (CariCRIS) has reaffirmed the ratings currently assigned to the USD 400 million debt issue of The National Gas Company of Trinidad and Tobago Limited (NGC) of *CariAA* (Foreign and Local Currency) on the regional rating scale, and *ttAA* on the Trinidad and Tobago (T&T) national rating scale. These ratings indicate that the level of creditworthiness of this obligation, adjudged in relation to other obligations in the Caribbean and within T&T, is **high**.

The ratings reflect the Company's strategic importance to the domestic energy sector and the Government of the Republic of Trinidad and Tobago (GoRTT), as well as the improving prospects for gas supply from continued exploration and development activity. Further supporting the ratings is a strong rebound in financial performance by NGC reflected in robust growth in revenue and profitability, underpinned by higher energy commodity prices notwithstanding a decline in gas production, and a material decline in total operating expenses. NGC's low gearing and robust debt protection metrics continue to support the ratings. These rating strengths are tempered by the Company's high vulnerability to a changing energy landscape characterized by volatile energy prices.

CariCRIS has also maintained a **stable** outlook on the ratings. The stable outlook is based on our expectation of continued elevated energy prices for the remainder of 2022, underpinned by ongoing demand and supply disruptions due to the Russian/Ukraine conflict with prices expected to normalise somewhat in 2023. The favourable outlook for energy and commodity prices is expected to continue to support NGC's financial performance over the next 12-15 months and we expect continued profitability and robust debt protection metrics over the period.

Rating Sensitivity Factors:

Factors that could, individually or collectively, lead to an improvement of the ratings and/or outlook:

- An improvement in the CariCRIS credit rating of the GoRTT
- An increase in the DSCR to >3 times over the next 12 to 15 months leading to an improvement in the ability to service its amortised debt payments

Factors that could, individually or collectively, lead to a lowering of the ratings and/or outlook:

- A fall in gross margins to below 15% for 2 consecutive years
- Debt / EBITDA increases to >5 times
- A fall in the Effective DSCR to <1 times for 2 consecutive years leading to a deterioration in the ability to service its amortised debt payments
- A significant decline in international prices of ammonia/ methanol, leading to a material decline in revenue to > 20%
- Inability to monetize receivables from T&TEC which could constrain NGC's cash flows
- Deterioration in the CariCRIS credit rating of the GoRTT

About the company:

NGC is a limited liability company wholly owned by the Government of the Republic of Trinidad and Tobago (GoRTT) and is designated as the government's prime mover in the natural gas sector. Since its establishment in August 1975, NGC has played a leading and key role in the development of Trinidad and Tobago's natural gas industry. With over 46 years' experience, the NGC Group has a diversified portfolio of business interests, which can be placed under the following three major categories:

- **Gas transportation and compression** – NGC is the sole transmitter and distributor of natural gas to the natural gas-based energy industry as well as manufacturing concerns throughout the country. NGC's role was augmented in 1982 by the collection and compression of low-pressure offshore gas from the Teak and Poui platforms.
- **Merchant gas trading** – Since 2004, as the sole purchaser and seller of natural gas, NGC has been purchasing natural gas from four major suppliers (British

Petroleum Trinidad and Tobago (bpTT), Shell Trinidad Limited, BHP Billiton¹, and EOG Resources and supplying same to consumers in the heavy industrial sector as well as in the light industrial/commercial sector located at the Point Lisas Industrial Estate.

- **Investment holdings** - NGC has strategic equity investments in natural gas liquids (NGLs) and liquefied natural gas (LNG) companies, and subsidiary and associated companies operating in different segments of the local natural gas value chain including port and site infrastructure development, marine infrastructure management and helicopter services.

In the last decade, NGC has increased its strategic positioning within the natural gas value-chain in Trinidad and Tobago while supporting the global clean energy agenda. As part of its repositioning within the value chain, the Group has made investments in the upstream, midstream, downstream and commodity trading. Furthermore, one of NGC's primary evolving objectives is to lead the change in the domestic industrial sector to support the Green Agenda via investments in solar energy projects and work on the production of green hydrogen.

¹ On November 22, 2021, BHP Group (BHP) and Woodside Petroleum Ltd (Woodside) signed a binding share sale agreement (SSA) for the merger of BHP's oil and gas portfolio with Woodside. Woodside will acquire the entire share capital of BHP Petroleum International Pty Ltd (BHP Petroleum) in exchange for new Woodside shares. On completion, the merger will create a global top 10 independent energy company by production and the largest energy company listed on the Australian Securities Exchange (ASX).



**Caribbean Information &
Credit Rating Services Limited**

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