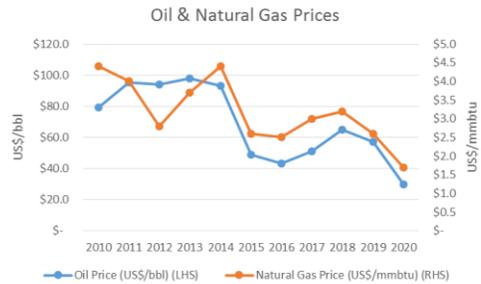
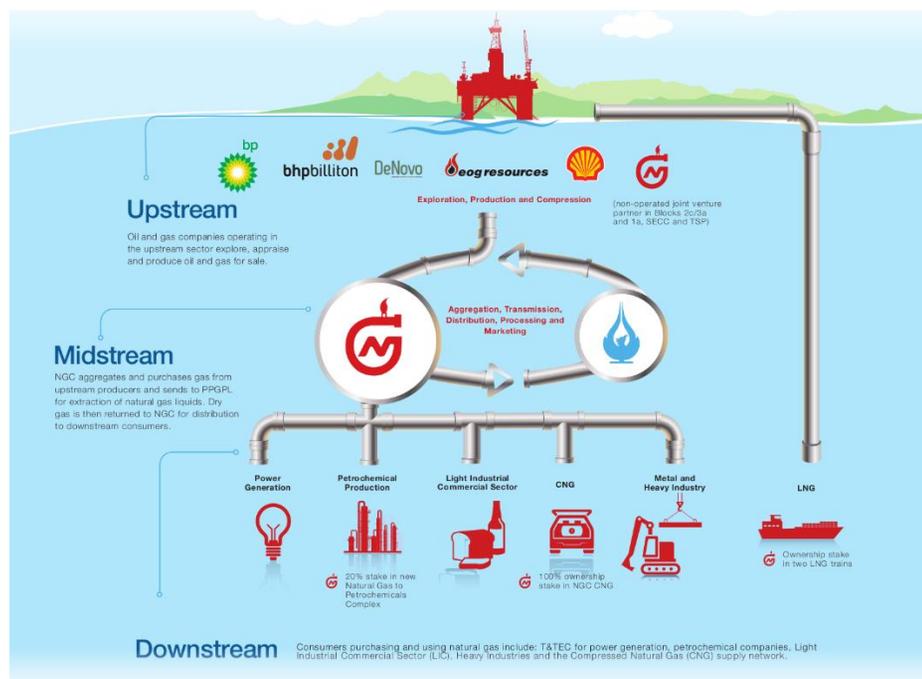


Company (Ticker) (S&P / Moody's / Fitch)	Major Issues / Risks	Major Developments	Credit Outlook
<p>National Gas Company of Trinidad & Tobago Ltd. (NGCTT) (BBB-/Ba1/--)</p> <p>The National Gas Company of Trinidad and Tobago Limited (NGC) is 100% owned by the Government of the Republic of Trinidad & Tobago (GORTT). NGC has exclusive rights to the aggregation, purchase, sale, transmission, and distribution of natural gas, which is executed through various subsidiaries, including:</p> <ul style="list-style-type: none"> National Energy Corporation of Trinidad and Tobago (National Energy) Phoenix Park Gas Processors Limited (PPGPL) NGC CNG Company Limited (NGC CNG) Trinidad and Tobago NGL Limited (TTNGL) <p>Through its subsidiaries and investments NGC is integrally involved across the energy value chain and therefore plays a key role in the execution of nation's energy strategy.</p> <p>NGC's asset base, valued at TT\$46.2 billion, consists of an onshore and offshore transmission and distribution gas pipeline network of approximately 1,000 km with an installed capacity of 4.4 billion standard cubic feet per day (Bscf/d). NGC supplies to a wide customer base, including power generation firms, multinational petrochemical companies and entities involved in light manufacturing and other commercial enterprises.</p> <p>NGC has a record of profitability which it has maintained over the last five years despite a general decline in the prices of hydrocarbons since 2014, a trend that has deepened in recent months due to the COVID-19 pandemic.</p>  <p>Source: Central Bank of Trinidad & Tobago</p>	<p>Strengths/ Opportunities</p> <ul style="list-style-type: none"> Plays a key role in T&T's energy strategy. Holds a privileged competitive position due to exclusivity of its rights History of strong financial performance with no reliance on GORTT for support. Strong liquidity Strong cash flows Large asset base High pipeline reliability and availability record. Long term gas purchase and sales contracts with large local and multinationals firms. Natural gas production and associated activities have become more dominant in the T&T energy landscape due to the thrust towards renewable energy sources. <p>Weaknesses /Threats</p> <ul style="list-style-type: none"> Susceptible to the volatility of volume and prices. Contract structures do not fully mitigate volatility in volume and prices. A Prolonged economic contraction, due to COVID-19, would weigh on demand. 	<p>Revenues lower due to a combination of reduced prices and lower volumes delivered. The sustained decline since 2014 in the prices of hydrocarbons, including natural gas, led to a period of sustained contraction in economic activity in T&T. This reduced the volumes delivered to its customers. Despite evidence of a recovery in 2018, revenues remained below 2014 levels.</p> <p>Historically strong cash flow. Notwithstanding the fall off in revenues, NGC continued to generate healthy cash flows, albeit below pre-recession levels. During 2015-2018 NGC's operations generated Cash Flow from Operations of TT\$2.1 billion p.a. compared to TT\$5.6 Billion in 2014. Recent cash flow levels remain sufficient to cover capital expenditure, debt payments and maintain a robust cash position, which stood at TT\$7 billion at end September 2019.</p> <p>Low leverage – As at September 2019, NGC's total debt was TT\$2.5 million, consisting primarily two bank loans which mature in December 2020 and March 2021. Another major obligation is a US\$400 million bond issued in 2006 to finance capital expansion. This bond is to be repaid via a bullet payment in January 2036. Provision has been made for 50% of this liability through two (2) single tranche credit linked notes that are expected upon maturity in 2035 to "value US\$100 million each subject to any loss in value arising from credit events over the tenor of the investment."</p> <p>Rating Downgrade – In March 2020, S&P lowered T&T's sovereign credit ratings to BBB- from BBB, against the background of the sharp decline in oil prices caused by the COVID-19 pandemic and the expected impact on the economy and the GORTT's fiscal accounts and debt stock. Given the expected impact of the unfolding developments on NGC, S&P subsequently reduced the entity's credit rating to 'BBB-' from 'BBB' in April 2020. The rating agency noted the increased likelihood that the GORTT would provide support to NGC in the event of distress, given the entity's strategic importance to the county's energy strategy.</p>	<p>Stable</p> <p>S&P assigned a stable outlook to NGC, consistent with that of the sovereign. S&P anticipates that NGC will maintain negative net debt to EBITDA margins, albeit at lower levels, despite the current economic challenges. However, the rating agency noted that NGC could face a downgrade if the sovereign is downgraded. This could occur if there is a prolonged period of global economic contraction which will weigh on the global prices of hydrocarbons. This will delay the recovery of T&T's economic activity, industrial demand as well as the revenues of GORTT and major public entities. Consequently, there will be a greater likelihood of a scenario where the government would need to provide extraordinary support to state agencies such as NGC.</p> <p>Outlook</p> <p>NGC is expected to maintain a fair level of financial performance over the near term. Supported by its strong cash balance, NGC will be to meet capital expenditure requirements as well as payments on its bank loans. However, meaningful, and sustained improvement in NGC's financial performance ultimately rests on the pace and strength of the global economic recovery.</p> <p>NGC will likely maintain its strategic positioning in the energy sector for the foreseeable future. NGC could leverage its strategic position and the strength of its long-term contracts to secure financing on reasonable terms should the need arise. The strategic position also provides some assurance of extraordinary support from GORTT in the event of distress.</p> <p>Recommendation – If owning the issuer's notes is aligned with the client's overall objective, we recommend that they hold.</p>



Source: National Gas Company of Trinidad & Tobago Ltd.

The National Gas Co. of Trinidad & Tobago Ltd. -- Financial Summary					
Fiscal year ended Dec. 31					
(Mil. TT\$)	2018	2017	2016	2015	2014
Revenue	16,004.90	13,880.50	10,903.30	16,628.40	23,513.30
EBITDA	3,413.80	3,414.20	2,288.40	4,528.60	8,551.00
Funds from operations (FFO)	1,817.10	2,223.10	1,358.90	2,938.50	5,261.20
Interest expense	205.6	215.8	218.8	302.2	398.8
Cash interest paid	194.3	199.2	201.6	258.1	232.1
Cash flow from operations	2,213.70	2,168.30	2,034.70	1,941.40	5,605.30
Capital expenditure	586	399.3	568.9	918.1	1,330.70
Free operating cash flow (FOCF)	1,627.70	1,769.00	1,465.80	1,023.30	4,274.60
Discretionary cash flow (DCF)	336	121.9	-344.9	-6,094.00	150.6
Cash and short-term investments	8,264.50	6,871.50	5,794.60	6,834.50	10,806.40
Gross available cash	8,264.50	6,871.50	5,794.60	6,834.50	10,806.40
Debt	0	0	0	0	0
Equity	29,149.10	27,013.70	26,834.10	24,442.70	29,818.30
Adjusted ratios					
EBITDA margin (%)	21.3	24.6	21	27.2	36.4
Return on capital (%)	14.7	8.6	5.7	6.1	26.6
EBITDA interest coverage (x)	16.6	15.8	10.5	15	21.4
FFO cash interest coverage (x)	10.4	12.2	7.7	12.4	23.7

Source: S&P Global Ratings.

General Disclosures

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