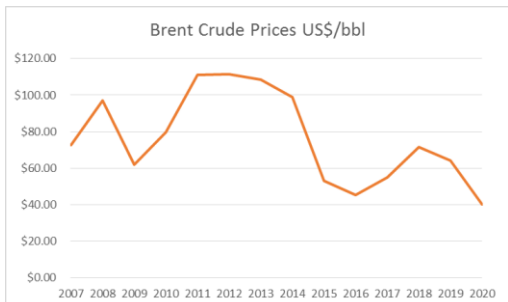


Company (Ticker) (S&P / Moody's / Fitch)	Major Issues / Risks	Major Developments	Credit Outlook
<p>Trinidad Petroleum Holdings Limited (TPHL) (BB/Ba3/--)</p> <p>Trinidad Petroleum Holdings Limited (TPHL) is an integrated national oil and gas company, established as part of the reorganization of Petroleum Company of Trinidad and Tobago Limited ("Petrotrin") with the mandate to manage the Government of the Republic of Trinidad & Tobago's (GORTT) oil, gas and related assets. The state-owned Group has four subsidiaries: Heritage Petroleum Company Limited is TPHL's main operating subsidiary, with primary focus on the exploration, development, production and marketing of crude oil.</p> <p>Paria Fuel Trading Company emerged from the reorganization with the mandate for the importation and distribution of Trinidad & Tobago's fuel.</p> <p>The Guaracara Refining Company Limited – is the custodian of the GORTT's refinery assets at Pointe-a-Pierre which has been mothballed since the reorganization. A process has been initiated to engage an operator with the requisite skills and experience to operate the facility.</p> <p>Petroleum Company of Trinidad and Tobago Limited holds the legacy items which remained after the transfer of Petrotrin's businesses to the other three subsidiaries, including land and property, as well as financial liabilities, including outstanding payables and legal costs and the pension plan.</p>	<p>Strengths/ Opportunities</p> <ul style="list-style-type: none"> • TPHL is strategically important to the energy sector in Trinidad as it accounted for 9% of GORTT budget in 2019 and 60% market share of the country's crude oil production. • Heritage has an experienced management team and adequate liquidity. • Valuable refining assets that could generate interest from investors • Partnerships with leading Exploration and production companies <p>Weaknesses /Threats</p> <ul style="list-style-type: none"> • Susceptible to the volatility of oil prices. • Heritage's reserve life is low at about 7 years, which increases execution risk. • Limited track record in the Exploration and Production (E&P) space. • Small oil and gas production and asset base; • Foreign exchange scarcity • If tax reform is implemented, the preferred status of Heritage could be eliminated. • Prolonged economic contraction as a result of COVID-19 will weigh on demand. 	<p>Ratings actions – On June 25, 2020, S&P affirmed TPHL's "BB" ratings and removed the CreditWatch negative placed on the issuer in March on concerns that the sharp decline in oil prices arising from the COVID pandemic would weigh on the company's cash flow position. The removal from CreditWatch reflects recent increases in Brent crude prices on the back of early signs of recovery in the global economy as countries begin to ease restrictions imposed to stem the spread of the virus.</p> <p>Profitability – In the first year of operation, Heritage Petroleum generated a net profit of \$200 million, compared to plan of \$64 million. EBITDA was \$334 million compared to plan of \$274 million. The above-plan performance was reportedly due to favourable production and market conditions as well as the Supplemental Petroleum Tax (SPT) arrangement with GORTT. The financial performance was achieved in the context of an average Brent crude oil price of \$57.05/bbl for 2019. Following the collapse in early 2020 to a low of \$9/bbl, the price of Brent crude, rallied to over \$40/bbl as at end June with expectations for further recovery in the latter half of 2020. The GORTT has therefore reduced its oil price assumption to \$45/bbl relative to the previous assumption of \$60/bbl. At \$45/bbl, Heritage's financial performance could come under pressure for the remainder of 2020, especially if demand recovers slowly.</p> <p>Liquidity – As the main operating subsidiary, it is Heritage's cash flow that is being relied upon to pay TPHL's debt. As at September 2019, Heritage generated cash from operations of \$185 million and had a cash and cash equivalents balance of \$173 million. The company's major obligations in 2020 include annual interest payments of about \$140 million, debt amortization of \$37 million and capital spending of around \$55 million. With annual interest payments of about \$140 million, Heritage has an EBITDA/interest coverage ratio of 2.4 times.</p> <p>Debt maturity profile – major maturities start in 2022, with a long term bank loan of US\$387 million, as well as US\$62million in a legacy Petrotrin notes. From 2024 onwards, the entity has \$570 million in international bonds and \$103million in bank loans.</p>	<p>Negative</p> <p>S&P assigned a negative outlook to TPHL, due to the company's susceptibility to oil price volatility and the associated risks to the company's cash flow.</p> <p>Outlook</p> <p>Heritage has seen higher revenues from the recent improvement in Brent prices, having resumed shipments in June following a two-month period of postponing shipments and storing fuel to mitigate the impact of depressed prices. However, in the event of a second wave of the pandemic there will be renewed volatility in oil prices and reduced output, which could adversely impact TPHL's ability to generate cash flows to fund its obligations.</p> <p>Despite the challenging business environment, it is anticipated that TPHL will be able to leverage the GORTT's commitment to invest in exploration and production as well as partnerships with E&P companies to execute strategies to achieve production and reserve replacement rate targets. However, the extent to which these initiatives will generate sufficient cash flows to meet its obligations will rest on the recovery of oil prices as well as the demand for the company's output.</p> <p>TPHL will likely maintain its strategic position in Trinidad's energy sector for the foreseeable future, which could be leveraged to refinance its debt on reasonable terms should the need arise. The company's strategic position also increases the likelihood of extraordinary support from GORTT in the event of distress.</p> <p>Recommendation – Maintain the holdings of TPHL bonds as long as the credit remains aligned to the client's overall objective.</p>



Source: Macro trends



Government of the Republic of Trinidad and Tobago



Trinidad Petroleum Holdings Limited (TPHL)

- Holding Company
- Wholly owned by Corporation Sole



- Will hold all legacy items, including properties, lands, a/s payables and legal liabilities, and continue to support the pension plan going forward

Petroleum Company Of Trinidad And Tobago Limited



Heritage Petroleum Company Limited

- Located in Santa Flora and Trinmar with approx. 800 employees
- All E&P Assets and Contracts
- Revenue generated through crude sales



Paria Fuel Trading Company Limited

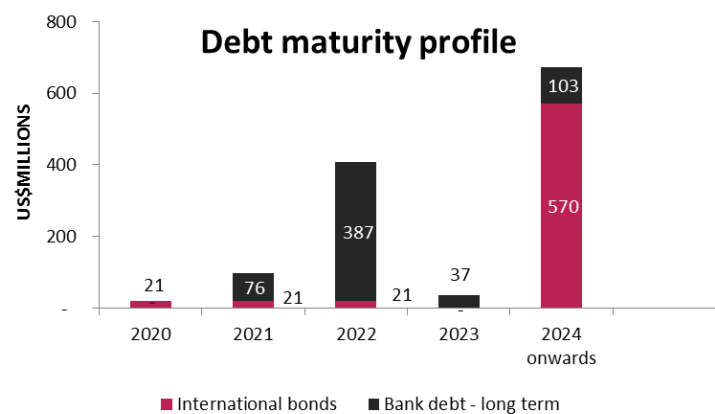
- Located in Pointe-à-Pierre
- Trading and Product
- Supply Company with approx. 200 employees



Guaracara Refining Company Limited

- Located in Pointe-à-Pierre
- Refinery assets in preservation and supported by third party contractor of 15-20 employees max

Source: Trinidad Petroleum Holdings Limited.



Loan description

US\$'millions	31-Dec-19	30-Sep-19
2022 International Bond	52	62
2026 International Bond	570	570
Term loan - Tranche A	388	388
Term loan - Tranche B	215	215
International Bonds/loans Sub-total	1,225	1,235
Government Guaranteed (Petrotrin)	402	402
Other bank debt (Petrotrin)	16	16
Short term debt (Petrotrin) Sub-total	418	418
Shareholder loan (Trintomar's 20% minority shareholder) ²	10	10
Total Debt	1,653	1,663

General Disclosures

This report has been prepared by Scotia Investments Jamaica Limited (“SIJL”), a subsidiary of Scotia Group Jamaica Limited. It is provided to you, our clients, for information purposes only. The information herein is believed to be reliable and includes information from public sources also believed to be reliable. While the objective is to provide information in a fair, clear and non-misleading manner, SIJL does not represent or warrant that any information in the report is free from errors or omissions. Opinions and projections in this report are the views of the author(s) as at the date of this report.

The views expressed are subject to change and SIJL has no obligation to update, modify or amend this report or to otherwise notify a recipient thereof in the event that any opinion forecast or estimate herein changes or subsequently becomes inaccurate. Nothing contained in this report is or should be relied upon as a promise or representation as to the future. Neither SIJL nor any of its officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from the use of this report or any of its contents. The securities discussed in this publication may not be suitable for all investors.

This report is provided to you for informational purposes only. It is not an offer or a solicitation of an offer to buy or sell any securities or to participate in any trading strategy. This report is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation or particular needs of any specific person. Investors should seek advice regarding the appropriateness of investing in securities and implementing investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. Nothing contained in this report is or should be relied upon as a promise or representation as to the future. The information in this publication is not intended to predict actual results, which may differ substantially from those mentioned in this report. Scotia Investments Jamaica Limited, its directors, or other officers may have a position in, or engage in transactions in any of the securities mentioned herein.