

MAY 2019

TRINIDAD PETROLEUM HOLDINGS LIMITED

PLEASE SEE IMPORTANT DISCLOSURES & COPYRIGHT INFRINGEMENT IN THE APPENDIX

EXECUTIVE SUMMARY

On April 15, 2019, Trinidad Petroleum Holding Limited announced an offer to exchange a portion of Petrotrin's 2019 and 2022 global bonds (notes) for new notes maturing in 2026 and pay coupon of 9.75%. The untendered portion of the notes will be settled in cash. At that point given the terms of the offer and having weighed the macro-fiscal situation in Trinidad and Tobago and TPHL financial challenges, it was our opinion that clients should not take up the offer.

On May 6 2019, Trinidad Petroleum Holding Limited (TPHL) amended the terms for offer and exchange of the Petrotrin's 2019 and 2022 global bonds (notes) for new notes maturing in 2026 which pay coupon of 9.75%. The untendered portion of the notes will be settled in cash.

In late 2018 we recommended the Petrotrin 2019 and 2022 global bonds as underweight. As a standalone entity, Petrotrin's financials was weak and the corporate was haemorrhaging cash. Notwithstanding the structural changes made to the corporate's operation, we are not confident that the management will fully rehabilitate the entity in the short-term to medium-term owing to a combination of factors, including the expected evolution in the global oil markets and legacy issues that are not likely to be resolved anytime soon.

Having weighed the macro-fiscal situation in Trinidad and Tobago and TPHL financial challenges, it is our opinion that clients should not take up the offer. Petrotrin will therefore have to make good on interest and principal payments on the 2019 notes in August, and continue to service its other debt obligations.

The following is an update to our publication in relation to the solicitation of tender and exchange for the Petrotrin global bonds (notes) by Trinidad Petroleum Holdings Limited published on April 15, 2019. This document contains amendments to the offer. Much of the material contain herein is duplicated and our recommendation remains unchanged.

COMPANY OVERVIEW

Trinidad Petroleum Holdings Limited (TPHL) is a limited liability company incorporated under the laws of the Republic of Trinidad and Tobago. The corporate is wholly owned by the Government of Trinidad and Tobago and has the implicit backing of the sovereign. TPHL is an integrated oil and gas company established as part of the reorganization of the Petroleum Company of Trinidad and Tobago (Petrotrin). In December 2018, Petrotrin underwent a reorganization that resulted in a new corporate structure and different business. TPHL is deemed to be a more streamlined entity. The newly incorporated entity has four wholly owned subsidiaries whose core operations are organized into exploration and

production (E&P) undertaken by Heritage Petroleum Company Limited (Heritage); Paria Fuel Trading Company Limited; The Guaracara Refining Company Limited and Petrotrin.

AMENDMENTS TO EARLIER OFFER

Subsequent to the announcement on April 15, 2019 to exchange the Petrotrin 2019 and 2022 global bonds (notes) TPHL amended the offer on May 6. The tender deadline has been extended to May 10 while the withdrawal offer is extended to May 8. The expiration date of the offer is pushed back to May 24, 2019, unless extended. As with the previous offer, holders of the old notes who tender their existing notes after the early deadline but prior to expiration will receive the exchange consideration, but not the total consideration or early tender sweetener. All other terms of exchange offer remain the same.

Holders of the old notes who partake in the exchange will receive for every US\$1,000 tendered principal amount in the new notes, if the new notes cap is not exceeded, or a combination of the new notes and cash. This provision is the same as for the previous offer.

TPHL is offering as a deal breaker US\$10 cash to note-holders for every US\$1,000 of the old notes tendered at or prior to the deadline without subsequent withdrawal. This however is condition on US\$350 million in principal on the 2019 old notes being exchanged for the new notes.

CONSUMMATION

In the original offer document dated, April 15, 2019 the Issuer advised that the tender offer will be consummated if US\$200 million in aggregated principal is tendered. In the amended document the threshold has been lowered to US\$150 million on existing notes, which has been extended to both the Petrotrin 2019 and 2022 notes.

The issuer noted that as at May 3, 2019, holders of US\$150.7 million and US\$24.3 million in aggregated principal amounts on the 2019 and 2022 notes submitted offer for tender in the new notes, respectively.

- In addition to total exchange set out in Table 1 (see page 3). Accrued and unpaid interest on the notes exchanged up to but not on the settlement date will be paid in cash and in full to participating holders on the settlement date.
- The Issuer is prepared to pay out US\$425 million in outstanding principal on the existing 2019 notes and has set a cap on the new issue in the amount of US\$425 million, which may be extended to US\$600 million.
- Principal outstanding on 2019 notes is US\$850 million.
- Original principal issued on the 2022 notes, US\$750 million (amortizing notes); outstanding balance, US\$218.75 million; and expected balance on settlement date after payment of next tranche, US\$187.5 million.

THE CONSENT AND SOLICITATION

For the Proposed Amendments to be made to the indenture note holders with the majority of the aggregated principal amount for each series must accept the offer. If the required consent is given TPHL will execute and make the necessary changes to the indenture; provided that certain conditions are met.

FINANCIALS

TPHL has not provided audited financial statements for 2018. Therefore, we cannot really substantiate the accuracy and robustness of unaudited managerial accounts and/or projections to inform our opinion on a corporate. In the absence of audited financials for the subsidiaries and/or the parent, TPHL, we used audited financial statements as at end 2017 for Petrotrin. We are in the dark as to whether or not there have been substantial material changes in TPHL's financial operation.

In 2017 Petrotrin generated net loss of TT \$2.1 billion which was TT \$2.8 billion lower than the outturn in 2016. The improvement reflects a combination of higher gross profit (TT \$694 million, 168%) and lower income tax expenses (TT \$2.6 billion, 85%). The corporate reported generated revenue of TT \$20 billion, which was TT \$3.5

billion (20.8%) higher than the previous year. Sales cost for the period increased by TT \$2.7 billion (17.1%) to TT\$18.9 billion while the gross profit margin improved to 5.5%, up from 2.5%.

LIQUIDITY AND SOLVENCY

Table 1: Notes up for offer and terms of the exchange

Title of Existing Notes	CUSIP/ISIN	Principal Outstanding	Total Consideration of Tender prior to Early Tender Deadline	Exchange Consideration of Tender after the Early Tender Deadline
2019 Notes	71657Y ADA (144A); P78954 ACI (Regulation S)/US71657AD40 (144A); USP78954AC19 (regulation S)	US \$850.0 million	US\$1,000 of Notes Consideration	US \$950 of 2019 Notes
2022Notes	71657Y AA0 (144A); P78954 AB3 (Regulation S T&T)/US71657YAA01 (144A); USP78954AB36 (Regulation S T&T); USP78954 AA52 (Regulation S non-T&T)	US \$218.8 million	US\$1,000 of 2022 Notes Consideration (to extend to holders who concurrently tender a corresponding equal amount of 2019 notes) Or US \$980 of 2022 Notes consideration (to extend to holders who do not concurrently tender equal principal of the 2019 Notes)	US\$950 of 2022 Notes Consideration (to extend to holders who concurrently tender a corresponding equal amount of 2019 notes) Or US \$930 of 2022 Notes consideration (to extend to holders who do not concurrently tender equal principal of the 2019 Notes)

Sources: TPHL and JMMBIR

Total Assets fell during the period by TT\$3.2 billion (7.3%) to TT \$40.6 billion. Cash and cash equivalent increased marginally to \$852.2 million. Cash from operation remains positive, but fell 7% to TT \$1.6 billion. This combined with net changes in investments and financing activities resulted in an increase in cash and cash equivalent of TT \$24 million. Interest coverage as measured by EBITDA/interest expense increased to 1.7X, up from 0.9X. Total liability declined by \$783.2 million (2.1%) due to reduction in long-term liability by \$1.3 billion (4.9%) to \$24.5 billion. This was offset in part by a rise in current liabilities of \$472.2 million (4.0%). There was a noticeable reduction in short-term borrowings from \$4.8 billion to \$4.3 billion, a decline of \$517.4 million (10.7%). Consequent on mounting losses, the leverage ratio (liabilities/equity) increased from 2.3 in 2011 to 9.3 in 2017.

RATINGS

On April 17, 2019 Moody's Investor Service (Moody's) assigned a Ba3/Stable credit ratings for TPHL and its proposed notes and loans based on a B3 Baseline Credit Assessment (BCA). The assessment reflects the corporate credit

risk inclusive of implicit government support. Moody's advised that the BCA is based on the credit profile of Heritage, the main operating subsidiary of TPHL. The credit profile of Heritage takes into consideration its small oil and gas production and asset base; lack of detailed financial information; expected solid cash generation; rapid turnaround in production; and management expertise.

Moody's advised that the ratings outlook reflects the expectation that Heritage will execute its business plan successfully and maintain sound financial metrics. The outlook also reflects expected stability in the prices for oil and gas over the next 12 to 18 months.

Heritage carries all of Petrotrin's E&P assets and is the main source of cash generation for TPHL. The corporate produces oil and natural gas and supplied 60% of the Trinidad and Tobago's total oil production in 2018. Heritage operates 34 fields, 2,991 productive wells and owns seven tank farms and close to 1,400 km of pipelines.

Moody's advised that the corporate's credit could be upgraded if it manages to increase production and reserve life efficiency, with minimal erosion in its financial metrics; total debt to prove and developed reserves stays below \$6/barrel; and if the corporate's EBIT/interest expense is well above 5X.

The ratings agency advised that a credit downgrade could result from retained cash flow to total debt falling below 15%; interest coverage as reflected in EBITDA to interest falling below 2.5X; deterioration in the liquidity profile; slow execution of growth plan; and a credit downgrade of the sovereign.

CONCLUSION

Having weighed the macro-fiscal situation in Trinidad and Tobago and TPHL financial challenges, it is our opinion that clients should not take up the offer. Petrotrin will therefore have to make good on interest and principal

payments on the 2019 notes in August, and continue to service its other debt obligations.

As noted overleaf, if the participation threshold for the 2019 notes is reached, and changes to the bond indenture are made by the Issuer, the bond may be called. In that case TPHL is likely to make good on payments of principal and accrued interest on the untendered portion of the 2019 notes, as well as the 2022 notes. It is however possible that note holders may reject the offer. The offer will expire, and the corporate will be forced to continue to service its debt obligations as scheduled.

In late 2018, we recommended the Petrotrin 2019 and 2022 global bonds as underweight. As a standalone entity, Petrotrin's financials was weak and the corporate was haemorrhaging cash. Notwithstanding the structural changes made to the corporate's operation, we are not confident that the new management will fully rehabilitate the entity in the short- to medium-term owing to a combination of factors, including the expected evolution in the global oil markets and legacy issues that will not be resolved any time soon. Thus, we are of the opinion that the operational changes that were made, while necessary, are not sufficient to improve the profitability of the corporate and/or improve the cash flow substantially over the medium-term.

Trinidad and Tobago is facing macroeconomic challenges which have negatively affected the fiscal accounts and the external balances. Government debt is climbing towards unsustainable levels and the external reserves is bleeding fast. It is our opinion that the government will continue to provide near term support to TPHL given its importance to the domestic economy and the impact that a credit event by the corporate could have on the sovereign's ratings. However, the ability of the government to continue providing financial support to TPHL over the long run is severely challenged.

OFFER DEADLINE

If you would like to take the offer, please communicate same with your JMMB representative by the latest Thursday May 9th at 1pm.

APPENDIX

IMPORTANT DISCLOSURES

ABSTRACT—

As a part of our new Portfolio Strategy we are recommending strict adherence to the following Portfolio Allocation DEFINITIONS/RECOMMENDATIONS.

PLEASE NOTE THAT NO INDIVIDUAL ASSET IN YOUR PORTFOLIO SHOULD HAVE A WEIGHTING GREATER THAN 5% UNLESS OTHERWISE RECOMMENDED BY YOUR PORTFOLIO MANAGER OR A SPECIFIC JMMB RESEARCH REPORT. CONSEQUENTLY THE FOLLOWING **DEFINITIONS** ARE PROVIDED FOR CLARITY.

UNDERWEIGHT—

REDUCE EXPOSURE IN YOUR PORTFOLIO TO LESS THAN 5% FOR THIS PARTICULAR ASSET

SELL—

REDUCE EXPOSURE IN YOUR PORTFOLIO TO ZERO.

HOLD/MARKETWEIGHT—

EXPOSURE TO THE ASSET SHOULD BE EQUAL TO 5% OF YOUR TOTAL PORTFOLIO HELD AT JMMB.

OVERWEIGHT/BUY—

EXPOSURE TO THIS ASSET SHOULD BE BETWEEN 5% AND 10% OF YOUR TOTAL PORTFOLIO HELD AT JMMB

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