

# OISHI GROUP PLC

No. 176/2024  
1 October 2024

## CORPORATES

**Company Rating:** AA-  
**Outlook:** Stable

**Last Review Date:** 28/09/23

### Company Rating History:

Date	Rating	Outlook/Alert
28/09/23	AA-	Stable
04/10/16	A+	Stable
29/09/11	A-	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Oishi Group PLC (OISHI) at “AA-” with a “stable” rating outlook. The rating reflects our assessment of OISHI’s group status within the Thai Beverage PLC (ThaiBev, rated “AA/Stable”) business group as “strategically important”. The rating on OISHI incorporates a rating enhancement from its stand-alone credit profile (SACP), assessed at “a” level.

OISHI’s SACP reflects its strong market position in Thailand’s ready-to-drink (RTD) tea segment and its strong balance sheet. However, the company’s limited product diversity, primarily focused on RTD tea, restricts the overall assessment. We consider the company’s plan to sell its entire food business as part of the restructuring plan for the food and non-alcoholic beverage businesses within ThaiBev Group to have limited impact on the SACP.

## KEY RATING CONSIDERATIONS

### A strategically important subsidiary of the ThaiBev Group

In 2023, ThaiBev successfully acquired almost all of OISHI’s shares and OISHI was delisted from the Stock Exchange of Thailand (SET) on 6 September 2023. The transaction is part of ThaiBev’s ongoing plan to enhance synergies and improve the overall efficiency and capabilities of the group-wide non-alcoholic beverage and food companies. As of July 2024, ThaiBev held a 98.5% shareholding in OISHI.

Despite the sale of its food business, OISHI remains the flagship subsidiary of ThaiBev in the non-alcoholic beverage segment. OISHI is highly integrated with ThaiBev in terms of business operations and financial strategy. The company leverages ThaiBev’s distribution network to reach over 450,000 retail outlets nationwide. Additionally, OISHI serves as a contract manufacturer for ThaiBev’s affiliate companies, optimizing its production capacity.

### Market leader despite declining market share

OISHI has maintained its leadership in Thailand’s RTD green tea market on the total market value as of June 2024. However, price competition in certain regions has led to a decline in its market share. While the company’s strong brand, innovative new product developments, and extensive distribution through ThaiBev provide a competitive edge, the market remains highly competitive. Its continued leadership will depend on its ability to differentiate its products and respond to changing consumer trends.

The Thai RTD tea market experienced strong growth of 17% during the period July 2023 to June 2024, reaching a total value of THB17.7 billion. This growth was fueled by several factors, including resumption of economic activity, rising temperatures due to climate change, and the introduction of more affordable pack sizes by a competitor. The rate outpaced overall growth of 8% in the non-alcoholic beverage market over the same period.

### Moderate beverage sales growth expected

OISHI’s beverage sales are projected to decline by 1% in fiscal year (FY) 2024, in line with the trend observed in the first nine months of the fiscal year. However, we expect sales to rebound and grow by approximately 3% per year from FY2025 to FY2027, primarily driven by export market growth and modest domestic expansion. Revenue from beverage sales is projected to range from THB8.0-THB8.7 billion annually during this period.

OISHI's beverage sales increased by 10% year-on-year in FY2023, reaching THB8.1 billion. However, during the first nine months of FY2024, beverage sales declined slightly due to a decrease in domestic green tea sales amid intense competition and the expiration of some contract manufacturing agreements. Export sales, on the other hand, continued to grow during the same period. To address the decline in domestic green tea sales, OISHI plans to intensify its communication efforts to highlight the health benefits and superior quality of its products. Additionally, the company aims to penetrate lower-price segments in certain regions. For the export market, OISHI will continue to expand its presence through marketing campaigns.

### **Sale of the food business**

On 24 July 2024, OISHI's shareholders approved the sale of the company's entire food business to Oishi Holding Co., Ltd., a ThaiBev subsidiary, for an estimated price of THB1.89 billion. This strategic move aims to streamline operations and enhance efficiency within both the food and non-alcoholic beverage segments of the group. The transaction is expected to be completed by the end of September 2024.

In FY2023, the food business contributed 43% of OISHI's total revenue but only 23% of its EBITDA. While the food segment staged a recovery from COVID-19 in FY2022-FY2023, it experienced a decline in revenue during the first nine months of FY2024. This decrease was largely due to heightened competition within the restaurant industry, especially in the shabu hotpot segment, and a weakening consumer market.

Revenue from OISHI's food business is projected to be THB5.7 billion in FY2024. The company will no longer generate revenue from this segment starting in FY2025.

### **Smaller but more stable EBITDA expected**

OISHI's EBITDA margin dipped slightly from 16.5% in FY2023 to a lower level in the first nine months of FY2024. The decrease was primarily due to weaker margins in the food business caused by cost pressures and intense competition in the restaurant segment. In contrast, the beverage business maintained a relatively stable margin. The EBITDA margin of the beverage business was around 22% in FY2023 while the food business EBITDA margin was around 9%.

Following the sale of the food business, we anticipate a decline in OISHI's overall EBITDA. However, the absence of the lower-margin, more volatile food business is expected to improve and stabilize the company's overall EBITDA margin. We anticipate OISHI will be able to maintain its beverage business margins as key raw material costs decline.

In our base-case forecast, we project an overall EBITDA margin of approximately 16% in FY2024, and around 22% during FY2025-FY2027. EBITDA is expected to reach around THB2.2 billion in FY2024, before decreasing to approximately THB1.9 billion per year during FY2025-FY2027.

### **Strong balance sheet with ample liquidity**

We expect OISHI to maintain a strong capital structure with ample liquidity. Despite providing a loan to its parent company of approximately THB4.3 billion in FY2023 to manage excess liquidity, the company's debt to EBITDA ratio remained very low at around 0.3 times.

Looking ahead, we anticipate OISHI's capital expenditures to be around THB900 million in FY2024, THB1.2 billion in FY2025, and THB300 million per annum in FY2026-2027. This investment will include a new production facility in Cambodia. The company's funds from operations (FFO) should be sufficient to finance these investments. As a result, OISHI is expected to be in a net cash position from FY2024 to FY2027.

OISHI's sources of funds comprised cash and cash equivalents of around THB94 million at the end of September 2023. The company also had an undrawn bank facility of around THB2.1 billion. We expect the company to generate FFO of THB2.0 billion in FY2024 and THB1.6 billion in FY2025. The primary uses of funds will be for capital expenditures. Without any large debt-funded acquisitions and/or investments, we expect OISHI's capital structure to remain strong, with little need to borrow during the next three years.

### **Debt structure**

OISHI has no priority debt as of September 2023.

### **BASE-CASE ASSUMPTIONS**

- Total revenue of around THB13.9 billion in FY2024, before decreasing to THB8.4-THB8.8 billion per annum in FY2025-FY2027 following the sale of the food business.
- EBITDA margin of around 16% in FY2024, increasing to around 22% in FY2025-FY2027.
- Total capital spending of THB300 million-THB1.2 billion per year during the forecast period.

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**RATING OUTLOOK**

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The “stable” outlook reflects our expectation that OISHI will remain the market leader in the Thai RTD tea market while maintaining its strong financial position.

**RATING SENSITIVITIES**

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The rating and/or outlook could be revised downward if OISHI’s operating performance significantly declines or if debt-financed investments or acquisitions substantially weaken the company’s financial position. Additionally, a deterioration in ThaiBev’s credit profile could also lead to a downgrade. Conversely, a rating upgrade could occur if ThaiBev’s credit rating is upgraded. Furthermore, any changes to OISHI’s group status within ThaiBev group could impact the rating.

**COMPANY OVERVIEW**

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Founded in 1999 as a Japanese restaurant, OISHI has evolved into one of the leading providers of non-alcoholic beverages and food services in Thailand. The company began producing and distributing Oishi Japanese green tea in 2003 and was listed on the SET in 2004.

ThaiBev first acquired a significant stake in OISHI in 2006 and subsequently increased its ownership through a tender offer in 2008. OISHI’s products, offered under the “Oishi” brand, are inspired by Japanese flavors. Its flagship product, Oishi green tea, is a market leader in the Thai RTD tea segment. In addition to green tea, OISHI produces herbal drinks under the brand name “Jubjai” and acts as a contract manufacturer for ThaiBev’s affiliates.

ThaiBev’s ownership of OISHI increased further in 2023 through a tender offer aimed at acquiring the remaining shares. Following the transaction, ThaiBev held 98.5% of OISHI’s paid-up shares. OISHI was subsequently delisted from the SET on 6 September 2023.

On 24 July 2024, OISHI’s shareholders approved the sale of the company’s entire food business to Oishi Holding Co., Ltd., a ThaiBev subsidiary. The transaction is expected to be completed by the end of September 2024.

**KEY OPERATING PERFORMANCE**
**Table 1: Revenue Contribution by Product Line\***

Product Line	FY2020		FY2021		FY2022		FY2023	
	Mil. THB	%	Mil. THB	%	Mil. THB	Mil. THB	Mil. THB	%
Beverages	6,004	55	6,273	64	7,403	58	8,110	57
Food	5,003	45	3,568	36	5,404	42	6,043	43
<b>Total</b>	<b>11,007</b>	<b>100</b>	<b>9,841</b>	<b>100</b>	<b>12,807</b>	<b>100</b>	<b>14,153</b>	<b>100</b>

Source: OISHI

\* Fiscal year (FY -- year ended 30 September)

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\***

Unit: Mil. THB

	-----Year Ended 30 September -----				
	2023	2022	2021	2020	2019
Total operating revenues	14,212	12,796	9,888	11,067	13,699
Earnings before interest and taxes (EBIT)	1,410	1,380	534	753	1,323
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	2,341	2,322	1,545	1,812	2,419
Funds from operations (FFO)	2,135	2,165	1,434	1,723	2,304
Adjusted interest expense	33	25	17	32	52
Capital expenditures	307	185	100	294	934
Total assets	10,963	10,529	9,109	8,562	8,407
Adjusted debt	649	0	0	0	0
Adjusted equity	8,550	7,967	7,132	6,906	6,640
<b>Adjusted Ratios</b>					
EBITDA margin (%)	16.5	18.1	15.6	16.4	17.7
Pretax return on permanent capital (%)	15.7	16.8	7.0	10.2	17.2
EBITDA interest coverage (times)	71.6	93.6	92.2	57.2	46.6
Debt to EBITDA (times)	0.3	0.0	0.0	0.0	0.0
FFO to debt (%)	329.2	n.m.	n.m.	n.m.	n.m.
Debt to capitalization (%)	7.1	0.0	0.0	0.0	0.0

\* Consolidated financial statements

n.m. Not meaningful

**RELATED CRITERIA**

- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

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**Oishi Group PLC (OISHI)**

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**Company Rating:**

AA-

**Rating Outlook:**Stable

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