

CP ALL PLC

No. 30/2020
8 May 2020

CORPORATES

Company Rating:	AA-
Issue Ratings:	
Senior unsecured	AA-
CreditAlert:	Negative

Last Review Date: 14/04/20

Company Rating History:

Date	Rating	Outlook/Alert
13/03/20	AA-	Alert Negative
10/07/19	AA-	Stable
09/10/17	A+	Stable

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RATIONALE

TRIS Rating affirms the company rating on CP All PLC (CPALL) and the ratings on its outstanding senior unsecured debentures at “AA-”. At the same time, TRIS Rating assigns the rating of “AA-” to CPALL’s newly proposed issue of up to Bt10 billion in senior unsecured debentures due within 12 years. The assigned issue rating replaces the rating on the previously proposed issue of up to Bt10 billion due within 10 years announced on 14 April 2020 as the company decides to increase the tenor of debentures. The proceeds from the new debentures will be used to refinance part of its outstanding debt.

The ratings continue to reflect CPALL’s strong business profile, supported by its proven record as the dominant operator of convenience stores in Thailand, the cash-based nature of its business, the strength of nationwide store network, and well-established support facilities. However, the ratings also take into consideration the intense competition and the slow pace of the economic recovery in Thailand that affects consumer spending.

CPALL’s operating results in 2019 were in line with our expectations. Earnings before interest, tax, depreciation, and amortization (EBITDA) edged up by 5.5% year-on-year (y-o-y) to Bt52.3 billion. Funds from operations (FFO) rose by 9.3% y-o-y to Bt38.6 billion. CPALL’s leverage and cash flow protection also improved. The adjusted net debt to capitalization ratio (adjusted debt includes perpetual debentures outstanding and adjustments for operating leases) declined from 69.5% in 2018 to 67.5% in 2019, while the adjusted net debt to EBITDA improved from 3.7 times in 2018 to 3.5 times in 2019.

Despite the satisfactory operating performance, CPALL has sizable debt funded investment laid out ahead. If the Tesco acquisition is successfully completed, we expect it will materially impact CPALL’s financial risk profile. TRIS Rating estimates the transaction could raise the company’s total debt to capitalization ratio to around 75% from 67.5% in 2019.

CREDIT ALERT

TRIS Rating has placed CreditAlert with a “negative” implication on the company rating and all issue ratings on CPALL’s debt issues since 13 March 2020. The CreditAlert follows CPALL’s announcement of its entering into an agreement to acquire up to 40% of total issued shares in Tesco Stores (Thailand) Limited and Tesco Stores (Malaysia) Sdn. Bhd. The acquisition cost for the 40% interest is approximately US\$3 billion (or equivalent to Bt96.0 billion), which CPALL intends to fund with 100% debt financing.

The transaction is subjected to conditions precedent which include the approval from the relevant regulators, the Office of Trade Competition Commission of Thailand, Ministry of Domestic Trade and Consumers Affairs of Malaysia, as well as the shareholders of Tesco PLC. CPALL expects to complete the transaction by end of 2020.

The “negative” CreditAlert reflects TRIS Rating’s view that CPALL’s ratings could be downgraded or remain unchanged from the current level. TRIS Rating views that the acquisition will strengthen CPALL’s position in the retail business through the acquired hypermarket stores in Thailand and Malaysia. However, we expect the debt funded acquisition, if successfully

CreditUpdate, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company’s current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been “upgraded,” “downgraded,” “affirmed” or “cancelled.” The update includes information to supplement the previously published ratings.

Credit Updates are part of TRIS Rating’s monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

completed, will elevate CPALL's leverage significantly and materially impact its financial risk profile.

RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

CP All PLC (CPALL)

Company Rating:	AA-
Issue Ratings:	
CPALL221A: Bt5,000 million senior unsecured debentures due 2022	AA-
CPALL22NA: Bt9,000 million senior unsecured debentures due 2022	AA-
CPALL271A: Bt2,466 million senior unsecured debentures due 2027	AA-
CPALL27NA: Bt9,000 million senior unsecured debentures due 2027	AA-
CPALL291A: Bt1,920 million senior unsecured debentures due 2029	AA-
CPALL311A: Bt5,614 million senior unsecured debentures due 2031	AA-
Up to Bt10,000 million senior unsecured debentures due within 12 years	AA-
CREDIT ALERT:	Negative

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