

# CP ALL PLC

No. 53/2020  
21 July 2020

## CORPORATES

<b>Company Rating:</b>	AA-
<b>Issue Ratings:</b>	
Senior unsecured	AA-
<b>CreditAlert:</b>	Negative

**Last Review Date:** 17/06/20

### Company Rating History:

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

### Contacts:

Nauwarut Temwattanangkul

nauwarut@trisrating.com

Jutatip Chitphromphan

jutatip@trisrating.com

Wajee Pitakpaibulkij

wajee@trisrating.com

Sasiporn Vajarodaya

sasiporn@trisrating.com



WWW.TRISRATING.COM

## 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 proposed issue of up to THB25 billion in senior unsecured debentures. CPALL intends to use the proceeds from the new debentures to refinance its outstanding debt, and for its working capital needs.

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 its nationwide store network, and well-established support facilities. Nevertheless, the ratings take into consideration concerns over the weakening purchasing power of domestic consumers, as well as impacts on retail sectors, following the economic fallout from the Coronavirus Disease 2019 (COVID-19) pandemic.

CPALL’s operating results have shown steady improvements over the past few years. Earnings before interest, tax, depreciation, and amortization (EBITDA) increased to THB52.3 billion in 2019 and THB13.7 billion in the first quarter of 2020, from THB42.1 billion in 2016.

However, TRIS Rating expects the COVID-19 economic fallout to have significant impact on CPALL’s operating performance in 2020. In our base case scenario, we project CPALL’s operating revenue to drop by 1% in 2020 before bouncing back with a growth of 6% per year in 2021-2022. We expect sales growth to be driven by new store openings, while same-store sales to decline substantially in 2020 before ramping up in 2021-2022.

The company’s leverage has steadily improved during the past few years. Thanks to its strong operating cash flows, the ratio of adjusted debt to EBITDA has declined to 3.6 times (annualized, from the trailing 12 months) during the first quarter of 2020, from 5.5 times in 2014.

Despite the improvements, CPALL has looming sizable debt funded investments. If the Tesco acquisition is successfully completed, we expect it will materially impact CPALL’s financial risk profile. We estimate the transaction could raise the company’s total debt to capitalization ratio to around 76%, from 67.5% in 2019, while the ratio of adjusted debt to EBITDA could jump to 5.8 times, from 3.5 times in 2019.

## CREDIT ALERT

TRIS Rating has placed CreditAlert with a “negative” implication on the company rating and all issue ratings on CPALL since 13 March 2020. The CreditAlert followed CPALL’s announcement of the company’s entering into an agreement to acquire up to 40% of total issued shares in Tesco Stores (Thailand) Limited and Tesco Stores (Malaysia) Sdn. Bhd., collectively referred to as “Tesco Asia Group”. The acquisition cost for the 40% interest is approximately USD3 billion (or equivalent to THB96 billion), which CPALL intends to fund with 100% debt financing.

The transaction is subjected to conditions precedent which include the approvals 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 the ratings on CPALL could be downgraded or remain unchanged from the current level. TRIS Rating expects to resolve the “negative” CreditAlert once the impact of the acquisition of Tesco Asia Group on CPALL’s creditworthiness has been thoroughly analyzed.

TRIS Rating views that the acquisition will solidify CPALL’s leading position in the retail business with the strategic alignment with the acquired leading hypermarket stores in Thailand and Malaysia. However, we expect the debt funded acquisition, if successfully 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)

<b>Company Rating:</b>	AA-
<b>Issue Ratings:</b>	
CPALL221A: THB5,000 million senior unsecured debentures due 2022	AA-
CPALL22NA: THB9,000 million senior unsecured debentures due 2022	AA-
CPALL271A: THB2,466 million senior unsecured debentures due 2027	AA-
CPALL275A: THB1,698.7 million senior unsecured debentures due 2027	AA-
CPALL27NA: THB9,000 million senior unsecured debentures due 2027	AA-
CPALL291A: THB1,920 million senior unsecured debentures due 2029	AA-
CPALL305A: THB2,169.3 million senior unsecured debentures due 2030	AA-
CPALL311A: THB5,614 million senior unsecured debentures due 2031	AA-
CPALL325A: THB3,632 million senior unsecured debentures due 2032	AA-
Up to THB25,000 million senior unsecured debentures due within 15 years	AA-
<b>CREDIT ALERT:</b>	Negative

#### TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 0-2098-3000

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