

# THAI BEVERAGE PLC

No. 2/2019  
10 January 2019

## CORPORATES

|                        |        |
|------------------------|--------|
| <b>Company Rating:</b> | AA     |
| <b>Issue Ratings:</b>  |        |
| Senior unsecured       | AA     |
| <b>Outlook:</b>        | Stable |

**Last Review Date:** 16/11/18

### Company Rating History:

| Date     | Rating | Outlook/Alert  |
|----------|--------|----------------|
| 02/02/18 | AA     | Stable         |
| 20/12/17 | AA+    | Alert Negative |
| 04/10/16 | AA+    | Stable         |
| 05/10/15 | AA     | Stable         |
| 28/05/13 | AA-    | Stable         |
| 20/07/12 | AA     | Alert Negative |
| 04/03/10 | AA     | Stable         |
| 09/01/07 | AA-    | Stable         |
| 17/01/06 | A+     | Stable         |

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## RATIONALE

TRIS Rating affirms the company rating on Thai Beverage PLC (ThaiBev) and the rating on ThaiBev's outstanding senior unsecured debentures at "AA". At the same time, TRIS Rating assigns the rating of "AA" to ThaiBev's proposed issue of up to Bt50,000 million in senior unsecured debentures. The proceeds from the new debentures will be used to repay outstanding debts.

The ratings reflect ThaiBev's robust competitive position in the alcoholic beverage market, extensive distribution network, stable operating cash flow, and diversified sources of income. These strengths are partially constrained by intense competition, ThaiBev's high financial leverage, as well as strict regulations, and frequent excise tax hikes in the Thai alcoholic beverages industry.

In fiscal year (FY) 2018, total revenue increased by 21% to Bt231 billion due to the consolidation of its acquisitions in late 2017. Operating profit margin declined to 14.3% in FY2018, compared with 17.4% in FY2017. The drop came from a decrease in operating profit margin for domestic sales.

ThaiBev's financial leverage has risen significantly as a result of a number of strategic acquisitions. The ratio of debt to earnings before interest, tax, depreciation, and amortization (EBITDA) increased to 5.6 times in FY2018, from 1.0 times in FY2017. TRIS Rating forecasts debt to EBITDA ratio will decline to around 3.5 times by FY2021. The forecast is built on the strengths of ThaiBev's business and the management team's commitment to deleverage.

## RATING OUTLOOK

The "stable" outlook reflects TRIS Rating's expectation that ThaiBev will maintain its dominant position in both the domestic and international alcoholic beverage markets and continue to deliver strong cash generation, which will be applied to bring down its financial leverage over the next three to four years.

Our base case scenario assumes ThaiBev's revenues will grow gradually to around Bt280 billion in FY2021. The operating profit margin will be around 17% during the next three years. Funds from operations (FFO) will gradually increase to Bt40 billion in FY2021 from Bt32 billion in FY2018. The company set normal annual capital expenditures ranging between Bt5-Bt8 billion during FY2019-FY2021. We forecast the FFO to debt ratio will improve to 20% and the EBITDA interest coverage ratio will be around 7 times by the end of FY2021.

## RATING SENSITIVITIES

ThaiBev's ratings and/or outlook could be revised upward should the adjusted debt to EBITDA ratio fall below 2.0 times on a sustained basis. On the contrary, the ratings and/or outlook could be revised downward if ThaiBev's financial profile weakens further, caused by either a significant deterioration in profitability or a significant further rise in financial leverage.

**RELATED CRITERIA**

- Key Financial Ratios and Adjustments, 5 September 2018
- Rating Methodology – Corporate, 31 October 2007

**Thai Beverage PLC (ThaiBev)**

|                                                                        |        |
|------------------------------------------------------------------------|--------|
| <b>Company Rating:</b>                                                 | AA     |
| <b>Issue Ratings:</b>                                                  |        |
| TBEV203A: Bt5,000 million senior unsecured debentures due 2020         | AA     |
| TBEV213A: Bt11,200 million senior unsecured debentures due 2021        | AA     |
| TBEV233A: Bt10,000 million senior unsecured debentures due 2023        | AA     |
| TBEV253A: Bt9,300 million senior unsecured debentures due 2025         | AA     |
| TBEV283A: Bt14,500 million senior unsecured debentures due 2028        | AA     |
| Up to Bt50,000 million senior unsecured debentures due within 10 years | AA     |
| <b>Rating Outlook:</b>                                                 | Stable |

**TRIS Rating Co., Ltd.**

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