

THAI BEVERAGE PLC

No. 17/2019
21 February 2019

CORPORATES

Company Rating:	AA
Issue Ratings:	
Senior unsecured	AA
Outlook:	Stable

Last Review Date: 10/01/19

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 ratings on ThaiBev's outstanding senior unsecured debentures at "AA". At the same time, TRIS Rating assigns the "AA" rating to ThaiBev's proposed issue of up to Bt53,000 million in senior unsecured debentures. The new issue rating replaces the issue rating previously assigned on 10 January 2019, following ThaiBev's request to increase the issue size to up to Bt53,000 million, from Bt50,000 million. 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 the first quarter of fiscal year (FY) 2019, total revenue increased by 59% to Bt72,893 million due to the consolidation of its acquisitions. Operating profit margin declined to 14.3% in the first three months of FY2019 (3M/FY2019), compared with 15.8% in 3M/FY2018. The ratio of debt to earnings before interest, tax, depreciation, and amortization (EBITDA) was 5.1 times (annualized with the trailing 12 months) in 3M/FY2018. 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. 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)

Company Rating:	AA
Issue Ratings:	
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 Bt53,000 million senior unsecured debentures due within 10 years	AA
Rating Outlook:	Stable

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