

DOUBLE A (1991) PLC

No. 27/2020
30 April 2020

CORPORATES

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|------------------------|--------|
| Company Rating: | BBB- |
| Issue Ratings: | |
| Senior unsecured | BBB- |
| Outlook: | Stable |

Last Review Date: 23/01/20

Company Rating History:

| Date | Rating | Outlook/Alert |
|----------|--------|------------------|
| 05/08/19 | BBB- | Stable |
| 25/11/16 | BBB- | Negative |
| 26/10/15 | BBB- | Stable |
| 12/09/13 | BBB | Stable |
| 21/08/12 | BBB | Negative |
| 16/05/08 | BBB | Stable |
| 09/11/07 | BBB | Alert Developing |
| 28/02/06 | BBB | Stable |
| 16/11/05 | BBB | Alert Developing |
| 20/10/04 | BBB | Stable |

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RATIONALE

TRIS Rating affirms the company rating on Double A (1991) PLC (DA) and the ratings on DA's outstanding senior unsecured debentures at "BBB-". At the same time, TRIS Rating assigns the rating of "BBB-" on DA's proposed issue of up to Bt3.65 billion in senior unsecured debentures. The proceeds from the new debentures are intended for use as working capital and for business expansion.

The "BBB-" ratings reflect DA's position as one of the leading printing & writing (P&W) paper producers in Thailand and the solid brand name of "Double A" products. These strengths are partially offset by the cyclical nature of the pulp and paper industry, stagnant global and domestic demand for P&W paper, as well as the company's ongoing group restructuring.

DA's operating performance has improved recently. Its EBITDA (earnings before interest, taxes, depreciation, and amortization) reached a record high of about Bt5.4 billion in 2019. The EBITDA margin rose steadily from a low of 8.2% in 2016, peaking at 27.9% in 2019.

The spread of the COVID-19 virus is dampening global demand for paper. Working from home may also accelerate a shift in consumer behavior towards more digital media. TRIS Rating preliminarily estimates that DA's revenue will drop by almost 30% to about Bt14 billion in 2020, before recovering in 2021. The EBITDA margin should hover around 20% during 2020-2022.

We hold the view that DA will be able to manage liquidity sufficiently, despite the expected drops in earnings and cash flow in 2020. As of 31 March 2020, DA had undrawn credit facilities, plus cash and marketable securities of about Bt6.9 billion. These sources of cash should be sufficient to cover the debentures, worth Bt1.6 billion in total, coming due in the remainder of 2020.

A key financial covenant in DA's debentures requires the net interest-bearing debt to equity ratio to stay below 2 times. The ratio as of 31 December 2019 was 1.2 times. TRIS Rating believes that DA will stay in compliance with its financial covenants for the next 12 to 18 months.

RATING OUTLOOK

The "stable" outlook reflects our expectation that DA will maintain its competitiveness in the P&W paper business and the ongoing group restructuring will not affect DA's financial profile materially.

RATING SENSITIVITIES

A rating upside could arise if the improvements in earnings performance continue and if the ongoing group restructuring does not cause a deterioration in DA's cash flow and financial position. In contrast, the ratings and/or outlook could be revised downward if the operating performance, as well as cash flow, fall significantly below expectations or if the capital structure deteriorates more than expected. According to TRIS Rating's Group Rating Methodology, the credit profile of the DA Group and its members will have an impact on the company rating and the issue ratings of DA.

RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018
- Group Rating Methodology, 10 July 2015

Double A (1991) PLC (DA)

| | |
|-----------------------------------------------------------------------|--------|
| Company Rating: | BBB- |
| Issue Ratings: | |
| DA241A: Bt2,350 million senior unsecured debentures due 2024 | BBB- |
| DA235A: Bt2,000 million senior unsecured debentures due 2023 | BBB- |
| DA252A: Bt3,500 million senior unsecured debentures due 2025 | BBB- |
| Up to Bt3,650 million senior unsecured debentures due within 10 years | BBB- |
| Rating Outlook: | Stable |

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