

MINOR INTERNATIONAL PLC

No. 59/2018

9 August 2018

CORPORATES

Company Rating:	A
Issue Ratings:	
Senior unsecured	A
Hybrid	BBB+
Outlook:	Stable

Company Rating History:

Date	Rating	Outlook/Alert
24/07/18	A	Stable
11/06/18	A+	Alert Negative
28/03/14	A+	Stable
21/02/07	A	Stable
12/07/04	A-	Stable
05/06/03	A-	Alert Negative
30/07/02	A-	Stable

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RATIONALE

TRIS Rating affirms the company rating on Minor International PLC (MINT) and the ratings on MINT's senior unsecured debentures at "A". At the same time, TRIS Rating assigns the rating of "BBB+" to MINT's proposed issue of up to Bt15,000 million in unsecured subordinated perpetual debentures (hybrid debentures). The rating on MINT's hybrid debentures is two notches below the company rating. This rating differential reflects the subordinated nature of the hybrid debentures and the option of the issuer to defer coupons on a cumulative basis.

The proposed hybrid debentures' characteristics, including subordination, the interest deferral at the discretion of the company, the five-year non-call period, and sufficient permanence, were qualified for receiving "intermediate" equity content under TRIS Rating's criteria. Thus, TRIS Rating treats 50% of the principal amount of the debentures as equity and the other 50% as debt when calculating MINT's financial ratios. The "intermediate" equity content will fall to "minimal" (or 0% of equity treatment for this issue) at the end of the fifth year from the issuance date. This is because, five years after issuance, the remaining effective tenor of the issue will be less than 20 years. According to TRIS Rating's criteria, the effective maturity date of the issue will be defined as the date when there is a material step up (equal to or more than 100 basis points (bps)) of the coupon rate. In this case, the interest spread of the hybrid debentures will step up by 100 bps at the end of the 25th year after issuing date.

Except for certain events as specified in the terms and conditions (e.g. changes in the tax and accounting treatments of hybrid securities or a change in the rating agency's criteria used to assess the equity content of the issue), MINT intends (but is not obliged) to replace, redeem, or repurchase the hybrid debentures with an instrument that has similar or higher equity content. TRIS Rating could lower the equity content of the proposed hybrid debentures, as well as MINT's outstanding hybrid debentures, to "minimal" from "intermediate" if we believe that the company has an intention to deviate from the replacement capital covenant (RCC).

The ratings reflect MINT's strong market positions in the hotel and restaurant segments plus its diversified sources of income, both from a strong portfolio of brands and wide geographic coverage. MINT is in the execution stage of acquiring NH Hotel Group SA (NHH). If the acquisition succeeds as planned, MINT will further strengthen its business position by expanding its reach in Europe, adding more hotels in more locations, and broadening its customer base. The NHH acquisition will substantially increase MINT's scale of operations and earnings. MINT's revenue will double after NHH is fully consolidated in 2019. Revenue is forecast to reach Bt126-Bt132 billion during 2019-2020. We also project MINT's earnings before interest, tax, depreciation, and amortization (EBITDA) on a consolidated basis to be Bt24-Bt26 billion in 2019-2020. However, these strengths are partially offset by rising leverage. As the NHH acquisition is primarily debt-funded, TRIS Rating expects MINT's adjusted debt, excluding extra items, to EBITDA ratio to jump from around 4 times to 5-6 times for the next few years.

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.

RATING OUTLOOK

The “stable” outlook reflects MINT's strong business profile and diversified portfolio of businesses. The outlook also reflects our expectation that MINT will successfully integrate NHH and continue to deliver sound operating performance.

RATING SENSITIVITIES

MINT's credit upside case could emerge if the company delivers operating performance that is better than expectations, so that the ratio of adjusted debt to EBITDA falls and sustains at the level prior to the NHH acquisition. A downside case is limited over the next 12-18 months but could occur if operating performance deteriorates significantly or if MINT makes other sizable debt-funded investments.

Minor International PLC (MINT)

Company Rating:	A
Issue Ratings:	
MINT180A: Bt500 million senior unsecured debentures due 2018	A
MINT193A: Bt4,500 million senior unsecured debentures due 2019	A
MINT205A: Bt4,000 million senior unsecured debentures due 2020	A
MINT213A: Bt2,800 million senior unsecured debentures due 2021	A
MINT210A: Bt300 million senior unsecured debentures due 2021	A
MINT228A: Bt2,700 million senior unsecured debentures due 2022	A
MINT249A: Bt1,000 million senior unsecured debentures due 2024	A
MINT255A: Bt4,000 million senior unsecured debentures due 2025	A
MINT283A: Bt1,000 million senior unsecured debentures due 2028	A
MINT313A: Bt1,200 million senior unsecured debentures due 2031	A
MINT329A: Bt1,000 million senior unsecured debentures due 2032	A
Up to Bt15,000 million subordinated capital debentures	BBB+
Rating Outlook:	Stable

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