

MBK PLC

No. 53/2024
24 June 2024

CORPORATES

Company Rating:	A-
Issue Ratings:	
Senior unsecured	A-
Outlook:	Stable

Last Review Date: 09/11/23

Company Rating History:

Date	Rating	Outlook/Alert
03/09/21	A-	Stable
01/02/11	A	Stable
08/10/07	A-	Stable

Contacts:

Preeyaporn Kosakarn
preeyaporn@trisrating.com

Sarinthorn Sosukpaibul
sarinthorn@trisrating.com

Wajee Pitakpaibulkij
wajee@trisrating.com

Pramuansap Phonprasert
pramuansap@trisrating.com



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RATIONALE

TRIS Rating assigns a rating of “A-” to MBK PLC (MBK) (the company)’s proposed issue of up to THB1.0 billion senior unsecured debentures due within 10 years. The proceeds from the new debentures are intended to be used for debenture refinancing. At the same time, we affirm the company rating on MBK and the ratings on MBK’s existing senior unsecured debentures at “A-”, with a “stable” outlook.

The ratings reflect the company’s diversified revenue and earnings base, improving operating performance, adequate liquidity, and enhanced financial flexibility from its large investment portfolio. The ratings also take into consideration unfavorable economic conditions and interest rate hikes, which could negatively affect domestic consumption and purchasing power in the short to medium term.

For the first three months of 2024, the company reported a 20% year-on-year (y-o-y) increase in total operating revenue, reaching THB2.9 billion. This growth is driven by the performance recovery of its main business units, including shopping centers, hotels, and food business. The company’s annual EBITDA also improved to THB1.1 billion, a 25% increase from the same period last year.

We expect MBK’s total operating revenue from all businesses to improve to THB10.5-THB11.5 billion per annum in 2024-2025 from THB10.1 billion in 2023. We project MBK’s annual EBITDA to revert to the THB4-THB5 billion level, with an EBITDA margin of around 43%-44% over the forecast period. Our expectation is based on the continued recovery in shopping center performance and hotel operation, coupled with portfolio expansion of the financial service businesses.

We expect the company’s debt to EBITDA ratio to decline to around 6-7 times in 2024-2025 as we anticipate a revival of overall operations. MBK’s adjusted EBITDA interest coverage ratio should stay at around 3-4 times over the forecast period. At the end of March 2024, the ratio was 7.9 times and 3.1 times, respectively.

We assess MBK’s liquidity as adequate for the next 12 months. As of March 2024, the company’s sources of liquidity included THB0.8 billion in cash on hand and deposits at bank and THB6.6 billion in undrawn credit facilities available from commercial banks. We project funds from operations (FFO) to be around THB3 billion in 2024. Debts coming due over the next 12 months will amount to THB4.0 billion, comprising THB1.5 billion in short-term borrowings from financial institutions, THB1.2 billion in lease liabilities, THB1.2 billion in debentures, and THB0.2 billion in long-term loans.

MBK also has a large investment portfolio, which can support its liquidity, if needed. As of March 2024, the fair market value of the company’s investment in a listed associated company (Thanachart Capital PLC -- TCAP) was THB12.2 billion. The portfolio also included investments in other listed company equities worth THB0.5 billion, Siam Piwat Co., Ltd. worth THB5.7 billion, corporate debentures of around THB0.8 billion, and Siam Piwat Co., Ltd.’s perpetual debenture of THB0.3 billion.

The financial covenants on MBK’s debentures require the company to maintain its EBITDA interest coverage ratio (excluding interest from lease liabilities) equal

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to or above 4 times and its debt to equity ratio (excluding lease liabilities) below or equal to 2 times. As of March 2024, the ratios were 10.3 times and 0.9 times, respectively. We expect the company to remain in compliance with the financial covenants over the next 12 to 18 months.

As of March 2024, MBK's total interest-bearing debt (excluding lease liability) was THB20.3 billion. The company's priority debt, made up of unsecured debts at the subsidiaries, was THB1.3 billion. This translated to a priority debt to total debt ratio of 7%.

RATING OUTLOOK

The "stable" outlook reflects our expectation that MBK's rental properties will continue generating reliable cash flow while its tourism-related and other businesses will achieve satisfactory operating results as targeted. We also expect MBK's diversified revenue and earnings base to continue underpinning the ratings.

RATING SENSITIVITIES

The credit upside would materialize if MBK achieves substantially larger cash generation to a level comparable with higher-rated peers, while maintaining prudent financial discipline. On the contrary, the ratings and/or outlook could be revised downward if MBK's operating performance significantly deviates from our expectations and/or the company makes any aggressive debt-funded investments that materially weaken its financial profile.

RELATED CRITERIA

- Financial Institution Rating Methodology, 24 November 2023
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Rating Methodology for Real Estate for Rent Companies, 15 July 2021
- Issue Rating Criteria, 15 June 2021

MBK PLC (MBK)

Company Rating:	A-
Issue Ratings:	
MBK255A: THB1,600 million senior unsecured debentures due 2025	A-
MBK25NA: THB2,100 million senior unsecured debentures due 2025	A-
MBK265A: THB600 million senior unsecured debentures due 2026	A-
MBK27NA: THB1,500 million senior unsecured debentures due 2027	A-
Up to THB1,000 million senior unsecured debentures due within 10 years	A-
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

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