

CP ALL PLC

No. 11/2024
14 February 2024

CORPORATES

Company Rating:	A+
Issue Ratings:	
Senior secured	A+
Senior unsecured	A+
Hybrid	A-
Outlook:	Positive

Last Review Date: 04/09/23

Company Rating History:

Date	Rating	Outlook/Alert
05/07/23	A+	Positive
08/12/20	A+	Stable
13/03/20	AA-	Alert Negative
10/07/19	AA-	Stable
09/10/17	A+	Stable

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RATIONALE

TRIS Rating affirms the company rating on CP All PLC (CPALL), as well as the ratings on CPALL's senior secured debentures and senior unsecured debentures at "A+", and the ratings on CPALL's subordinated capital debentures (hybrid debentures) at "A-", with a "positive" rating outlook.

At the same time, TRIS Rating assigns the rating of "A+" to CPALL's proposed issue of up to THB15 billion senior unsecured debentures due within 12 years. The proceeds from the new debentures will be used to refinance its outstanding debts.

The ratings continue to reflect CPALL's strong business profile, underpinned by its nationwide store network and well-established support facilities. CPALL's competitive edges are also strengthened by its subsidiaries with leading positions in the food wholesale and grocery retail markets. However, the ratings are weighed by intense competition in the retail industry as well as the threat of secular changes in consumer behavior toward online shopping.

CPALL's operating results were in line with our expectations. For the first nine months of 2023, the company's operating revenue grew by 8.4% year-on-year (y-o-y) to THB680 billion. Earnings before interest, taxes, depreciation, and amortization (EBITDA) stood at THB57.9 billion, a 7.4% increase y-o-y. The adjusted net debt to EBITDA ratio was 5.1 times in the first nine months of 2023, a gradual improvement from 5.3 times in 2022.

We expect CPALL's operating performance to improve steadily supported by better product mix, as well as its strategies focusing on omni-channels distribution, taking advantage of the full market coverage and synergies from the integration of its subsidiaries. However, the company's profitability is expected to come under pressure from threats of stagflation, intensifying competition, and the sizable expenses relating to the investments in the omni-channels market coverage to leverage the strengths of its subsidiaries.

We project CPALL's EBITDA to stay in the THB78-THB93 billion range in 2023-2025. The debt to EBITDA ratio is likely to hover around 5 times in 2023 and stay in the 4.3-4.6 times range during 2024-2025, with the debt to capitalization ratio to fall below 57%.

We assess CPALL's liquidity as adequate over the next 12 months. As of September 2023, CPALL had cash on hand of THB47.2 billion. We forecast the company's funds from operations (FFO) to be around THB63 billion over the next 12 months. The company's cash on hand plus FFO should be sufficient to cover its anticipated uses of funds in the next 12 months, comprising debts coming due of THB73 billion and planned capital expenditures of around THB27 billion in 2024.

The financial covenant on CPALL's debenture obligations requires the company's net interest-bearing debt to equity ratio to stay below 2.0 times. As of September 2023, the ratio was 0.9 times. We expect CPALL to remain in compliance with the financial covenant over the next 12 to 18 months.

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 “positive” outlook reflects the significant improvement in CPALL’s financial profile, supported by its improving operating performance and a less leveraged capital structure. We view CPALL as being able to sustain its leading position and competitive edges, as well as continuing to deliver sound financial results. We expect its high level of cash generation to continue providing sufficient financial strength to support its future expansion plans.

RATING SENSITIVITIES

The ratings could be revised upward should the company further improve its capital structure and cash flow protection such that the adjusted debt to EBITDA ratio falls below 5 times over a sustained period. Conversely, we could lower the ratings if we believe the company has the tendency to increase and sustain its financial leverage to the extent the adjusted debt to EBITDA ratio exceeds 8 times for a prolonged period.

RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021
- Group Rating Methodology, 13 January 2021

CP AII PLC (CPALL)

Company Rating:	A+
Issue Ratings:	
CPALL243A: THB5,379.2 million senior secured debentures due 2024	A+
CPALL243B: THB9,934.5 million senior secured debentures due 2024	A+
CPALL248B: THB10,439 million senior secured debentures due 2024	A+
CPALL246A: THB3,000 million senior unsecured debentures due 2024	A+
CPALL256B: THB13,200 million senior unsecured debentures due 2025	A+
CPALL256C: THB6,500 million senior unsecured debentures due 2025	A+
CPALL263A: THB2,074 million senior unsecured debentures due 2026	A+
CPALL263B: THB10,000 million senior unsecured debentures due 2026	A+
CPALL266A: THB17,773 million senior unsecured debentures due 2026	A+
CPALL268A: THB748 million senior unsecured debentures due 2026	A+
CPALL271A: THB2,466 million senior unsecured debentures due 2027	A+
CPALL272A: THB3,500 million senior unsecured debentures due 2027	A+
CPALL275A: THB1,698.7 million senior unsecured debentures due 2027	A+
CPALL275B: THB8,000 million senior unsecured debentures due 2027	A+
CPALL278A: THB3,000 million senior unsecured debentures due 2027	A+
CPALL278B: THB2,548.2 million senior unsecured debentures due 2027	A+
CPALL27NA: THB9,000 million senior unsecured debentures due 2027	A+
CPALL283A: THB2,607 million senior unsecured debentures due 2028	A+
CPALL283B: THB6,800 million senior unsecured debentures due 2028	A+
CPALL286A: THB7,376 million senior unsecured debentures due 2028	A+
CPALL288A: THB4,851 million senior unsecured debentures due 2028	A+
CPALL280A: THB6,119.2 million senior unsecured debentures due 2028	A+
CPALL291A: THB1,920 million senior unsecured debentures due 2029	A+
CPALL293A: THB4,500 million senior unsecured debentures due 2029	A+
CPALL298A: THB9,738.6 million senior unsecured debentures due 2029	A+
CPALL302A: THB3,930 million senior unsecured debentures due 2030	A+
CPALL305A: THB2,169.3 million senior unsecured debentures due 2030	A+
CPALL305B: THB2,350 million senior unsecured debentures due 2030	A+
CPALL300A: THB1493.5 million senior unsecured debentures due 2030	A+
CPALL311A: THB5,614 million senior unsecured debentures due 2031	A+
CPALL313A: THB3,600 million senior unsecured debentures due 2031	A+
CPALL316A: THB21,351 million senior unsecured debentures due 2031	A+
CPALL325A: THB3,632 million senior unsecured debentures due 2032	A+
CPALL328A: THB899.8 million senior unsecured debentures due 2032	A+
CPALL336A: THB7,000 million senior unsecured debentures due 2033	A+
CPALL330A: THB5,387.3 million senior unsecured debentures due 2033	A+
CPALL352A: THB4,570 million senior unsecured debentures due 2035	A+
CPALL359A: THB3,450 million senior unsecured debentures due 2035	A+
CPALL363A: THB1,500 million senior unsecured debentures due 2036	A+
CPALL378A: THB1,386.5 million senior unsecured debentures due 2037	A+
CPALL21PA: THB10,000 million subordinated capital debentures	A-
Up to THB15,000 million senior unsecured debentures due within 12 years	A+
Rating Outlook:	Positive

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