

# BETAGRO PLC

No. 55/2020  
30 July 2020

## CORPORATES

|                        |        |
|------------------------|--------|
| <b>Company Rating:</b> | A-     |
| <b>Issue Ratings:</b>  |        |
| Senior unsecured       | A-     |
| <b>Outlook:</b>        | Stable |

**Last Review Date:** 13/12/19

### Company Rating History:

| Date     | Rating | Outlook/Alert |
|----------|--------|---------------|
| 03/01/19 | A-     | Stable        |
| 08/09/11 | A      | Stable        |

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## RATIONALE

TRIS Rating affirms the company rating on Betagro PLC (BTG) and the ratings on its outstanding senior unsecured debentures at "A-". At the same time, TRIS Rating assigns the rating of "A-" to BTG's proposed issue of up to THB4 billion in senior unsecured debentures. BTG intends to use the proceeds from the new debentures to refinance its outstanding debt, to support planned capital expenditures, or for working capital needs.

The ratings continue to reflect BTG's proven record in the Thai agribusiness and food industries. The ratings also take into consideration several industry risk factors, such as cyclical nature of the commodity-type products BTG sells; volatile raw material prices, the risk of disease outbreaks, and trade barriers. These risks are mitigated to some extent by BTG's vertical integration across its diverse product lines to enhance competitiveness, and its strategy to focus on value-added and branded products that provide better margins.

BTG's operating results in 2019 rebounded from an oversupply situation during 2017-2018. The outbreak of African swine fever (ASF) in several countries caused a shortage of swine and soaring prices of swine and poultry. Falling feed costs also lifted the company's earnings. BTG's earnings before interest, tax, depreciation, and amortization (EBITDA) rose to THB4.4 billion in 2019, compared with THB0.2 billion in 2018 and THB1.2 billion in 2017. EBITDA margin went up to 5.9% in 2019, from -0.3% in 2018 and 1.5% in 2017. The ratio of debt to EBITDA also improved, slipping to 6.0 times in 2019 from negative result in 2018 and 16.3 times in 2017.

During the first half of 2020, BTG continues to benefit from higher livestock prices together with falling feed costs. Sale increased by 5.7% year-on-year (y-o-y) to THB38.1 billion. Gross margin improved to 16.7% in the first half of 2020, compared with 13.0% during the same period of 2019.

TRIS Rating views the economic fallout from the Coronavirus Disease 2019 (COVID-19) has had only a mild impact on BTG's businesses as its products are essential for everyday life. We hold the view that BTG's operating results in 2020 will benefit from both low feed costs and rising demand of frozen food.

At the end of June 2020, the company's interest bearing debt amounted to THB20.9 billion, debentures and long-term loans made up 53% of total debts. We assess BTG to have adequate liquidity for the next 12 months. Funding needs in the next 12 months will include THB3.0 billion maturing debentures and capital expenditures of THB2.3 billion. The sources of funds are expected to come from funds from operations (FFO) of THB3.6 billion and undrawn credit facilities of about THB11.5 billion. TRIS Rating views that the company has reasonable access to external sources of funds to meet its funding needs.

## RATING OUTLOOK

The "stable" outlook reflects TRIS Rating's view that BTG will be able to maintain its leading positions in the Thai agribusiness and food industries. The sizable capital expenditures BTG made during the past few years are expected to improve the company's competitive position and cash flow generation in the coming years.

## RATING SENSITIVITIES

BTG's credit ratings could be upgraded if the company attains sustained improvements in operating performance, cash flow, and debt serviceability. Downward rating pressure would emerge if the company undertakes any sizeable debt-financed investments which would materially weaken its balance sheet and cash flow protection.

## RELATED CRITERIA

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

## Betagro PLC (BTG)

|   |        |
|---|--------|
| <b>Company Rating:</b>  | A-     |
| <b>Issue Ratings:</b>   |        |
| BTG215A: THB3,000 million senior unsecured debentures due 2021        | A-     |
| BTG227A: THB3,000 million senior unsecured debentures due 2022        | A-     |
| BTG233A: THB2,000 million senior unsecured debentures due 2023        | A-     |
| BTG247A: THB1,000 million senior unsecured debentures due 2024        | A-     |
| Up to THB4,000 million senior unsecured debentures due within 5 years | A-     |
| <b>Rating Outlook:</b>  | Stable |

## TRIS Rating Co., Ltd.

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