

THAI UNION GROUP PLC

 No. 92/2021
 4 November 2021

CORPORATES

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

Last Review Date: 08/10/21

Company Rating History:

Date	Rating	Outlook/Alert
28/09/21	A+	Positive
28/08/18	A+	Stable
24/06/15	AA-	Stable
23/12/14	AA-	Alert Developing
08/01/13	AA-	Stable
14/01/11	A+	Stable
29/07/10	A+	Alert Developing
30/08/06	A+	Stable

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RATIONALE

TRIS Rating affirms the company rating on Thai Union Group PLC (TU) and the ratings on TU's senior unsecured debentures at "A+", and subordinated capital debentures (hybrid debentures) at "A-". At the same time, TRIS Rating assigns the rating of "A+" to TU's proposed issue of up to THB6 billion in senior unsecured debentures. The new issue rating replaces the issue rating previously assigned on 8 October 2021, following TU's request to increase the issue size from the previously announced size of THB5 billion. The rating outlook remains "positive". TU intends to use the proceeds from the new debentures to refinance the company's outstanding debts and support working capital needs.

The ratings continue to reflect TU's strong market position as one of the world's leading seafood processors, diversity of its products and markets, well-known brands of its supplies in Europe and the United States (US), barriers to market entry including fishing quotas, and high capital investment. The ratings also take into consideration concerns over the impacts of container shortages and the uncertainty surrounding the development of the Coronavirus Disease 2019 (COVID-19) pandemic.

TU's operating performance improved in the first half of 2021, driven by the recovery of its frozen and chilled seafood business, combined with strong operating results from the PetCare and value-added product segments. Earnings before interest, taxes, depreciation, and amortization (EBITDA) surged by 16.1% year-on-year (y-o-y) to THB7.8 billion in the first half of 2021. The EBITDA margin stood at 11.5% in the first half of 2021, up from 7%-10% during the past few years.

TU's capital structure and financial leverage improved materially following strong operating results from its core business, together with the company's strategy to scale down capital spending during the pandemic. TU's total debt to capitalization ratio was 52.3% in 2020 and 53.1% at the end of June 2021, down from 55%-60% in 2017-2019. The ratio of net debt to EBITDA improved to 4.2 times in 2020 through the first half of 2021, from 6-7 times at year-end 2017-2019.

We expect TU to continue delivering good operating results, despite the prospects of several challenges in the coming years. With its strategy to focus on high-margin, value-added and innovative products, TU has several new products launches in the pipeline. We expect the rising revenue contribution from innovative products, as well as TU's strategy to focus on efficiency improvements and cost reductions combined with the prospect of a post-COVID economic recovery, should help the company achieve satisfactory operating performance over the next few years.

As of June 2021, TU's interest-bearing debt was THB68 billion, comprising debentures and perpetual bond of about THB34 billion, long-term loans totaling THB27 billion, and a short-term loan of THB7 billion.

Key financial covenants on the debentures are a net interest-bearing debt to equity ratio below 2 times, and an interest coverage ratio above 3 times. TU's

net debt to equity ratio at the end of June 2021 was 1.0 times, while its interest coverage ratio was 9.1 times. We expect the company to remain in compliance with these covenants over the forecast period.

RATING OUTLOOK

The “positive” outlook reflects an improvement of TU’s financial profile, supported by the company’s strategy to focus on innovative products, as well as the efficiency improvement.

RATING SENSITIVITIES

The ratings on TU could be revised upward if TU’s capital structure and cash flow protection continue to improve, such that the ratio of adjusted debt to EBITDA fall below 4 times for a sustained period. On the contrary, a downgrade could occur if the operating performance is materially weaker than expected or if TU makes any sizable debt-funded investment that materially weakens its balance sheet and cash flow protection.

RELATED CRITERIA

- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019
- Hybrid Securities Rating Criteria, 12 September 2018
- Key Financial Ratios and Adjustments, 5 September 2018

Thai Union Group PLC (TU)

Company Rating:	A+
Issue Ratings:	
TU221A: THB2,000 million senior unsecured debentures due 2022	A+
TU237A: THB2,000 million senior unsecured debentures due 2023	A+
TU241A: THB2,500 million senior unsecured debentures due 2024	A+
TU242A: THB1,050 million senior unsecured debentures due 2024	A+
TU26NA: THB2,000 million senior unsecured debentures due 2026	A+
TU271A: THB4,000 million senior unsecured debentures due 2027	A+
TU287A: THB5,000 million senior unsecured debentures due 2028	A+
TU29NA: THB4,000 million senior unsecured debentures due 2029	A+
TU19PA: THB6,000 million subordinated capital debentures	A-
Up to THB6,000 million senior unsecured debentures due within 10 years	A+
Rating Outlook:	Positive

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