

CP ALL PLC

No. 33/2021
28 April 2021

CORPORATES

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

Last Review Date: 08/03/21

Company Rating History:

Date	Rating	Outlook/Alert
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) and the ratings on its outstanding senior unsecured debentures at "A+" with a "stable" outlook. At the same time, TRIS Rating assigns the rating of "A+" to CPALL's proposed issue of up to THB66 billion in senior unsecured debentures. The proceeds from the new debentures will be used to refinance its outstanding debts and for working capital needs.

The ratings continue to reflect CPALL's strong business profile, underpinned by its market position as the dominant operator of convenience stores in Thailand, the cash-base nature of its business, the strength of its nationwide store network, and its well-established support facilities.

CPALL's operating results have been impacted by the COVID-19 fallout with a drop in revenue and weaker profit margin from its 7-Eleven stores. CPALL's operating revenue declined by 4.3% year-on-year (y-o-y) to THB546.2 billion, compared with the growth rates of around 8% over the past few years. Earnings before interest, taxes, depreciation, and amortization (EBITDA) decreased by 7.1% y-o-y to THB48.6 billion. The EBITDA margin was 8.9% in 2020, down from 9.2%-9.5% during the past few years.

Looking forward, we expect CPALL's operation will continue facing challenges from the lingering impact of COVID-19 and a slow pace of economic recovery. Nonetheless, we expect CPALL's operating performance to improve gradually. Its strategies to focus on omni-channels, coupled with new service offerings and the synergy from the recent acquisition, should help the company achieve strong operating performance over the next few years.

CPALL's financial leverage has risen significantly, following the debt-funded acquisition of Tesco Stores (Thailand) Limited and Tesco Stores (Malaysia) Sdn. Bhd. Adjusted debt surged to THB279.0 billion in 2020, from THB183.6 billion in 2019. Total debt to capitalization ratio rose to 75.3% in 2020 from 67.5% in 2019, while the adjusted debt to EBITDA increased to 5.7 times from 3.5 times in 2019.

As of December 2020, CPALL's interest bearing debt was THB262 billion, comprising debentures of THB173 billion, long-term loans totaling THB3 billion, and a bridge loan of THB85 billion. The company intends to use the proceeds from the new debentures to refinance the bridge loan.

A key financial covenant on the debentures and bank loans is a net interest-bearing debt to equity ratio below 2 times. CPALL's debt to equity ratio at the end of 2020 was about 1.6 times. We expect the company will remain in compliance with this covenant over the forecast period.

RATING OUTLOOK

The "stable" outlook reflects our expectation that CPALL will be able to maintain its market position and competitive edge and continue to deliver sound financial results in the foreseeable future.

RATING SENSITIVITIES

The ratings and/or outlook on CPALL could be revised upward should the company significantly improve its capital structure and cash flow protection, such that the ratio of adjusted debt to EBITDA falls below 5 times for a sustained period. On the contrary, the ratings and/or outlook could be revised downward if the operating performance is weaker than expected or there are sizable debt-funded investments that result in further weakening of capital structure and debt serviceability.

RELATED CRITERIA

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

CP ALL PLC (CPALL)

Company Rating:	A+
Issue Ratings:	
CPALL221A: THB5,000 million senior unsecured debentures due 2022	A+
CPALL22NA: THB9,000 million senior unsecured debentures due 2022	A+
CPALL233B: THB6,000 million senior unsecured debentures due 2023	A+
CPALL256B: THB13,200 million senior unsecured debentures due 2025	A+
CPALL263B: THB10,000 million senior unsecured debentures due 2026	A+
CPALL271A: THB2,466 million senior unsecured debentures due 2027	A+
CPALL275A: THB1,698.7 million senior unsecured debentures due 2027	A+
CPALL27NA: THB9,000 million senior unsecured debentures due 2027	A+
CPALL283B: THB6,800 million senior unsecured debentures due 2028	A+
CPALL291A: THB1,920 million senior unsecured debentures due 2029	A+
CPALL305A: THB2,169.3 million senior unsecured debentures due 2030	A+
CPALL305B: THB2,350 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+
CPALL325A: THB3,632 million senior unsecured debentures due 2032	A+
CPALL359A: THB3,450 million senior unsecured debentures due 2035	A+
CPALL363A: THB1,500 million senior unsecured debentures due 2036	A+
Up to THB66,000 million senior unsecured debentures due within 15 years	A+
Rating Outlook:	Stable

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