

# CP ALL PLC

No. 80/2018  
12 December 2018

## CORPORATES

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

Last Review Date: 16/07/18

### Company Rating History:

Date	Rating	Outlook/Alert
09/10/17	A+	Stable

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## RATIONALE

TRIS Rating affirms the “A+” company rating on CP All PLC (CPALL) and also affirms the ratings on the outstanding senior unsecured debentures at “A”. The different ratings on the debt issues reflect the company’s high level of secured debt and the fact that the unsecured debentures are in an inferior position to the secured debt. At the same time, TRIS Rating assigns an “A” rating to CPALL’s proposed issues of up to Bt10,000 million in senior unsecured debentures and the additional greenshoe portion of up to Bt5,000 million. The company will use the proceeds from the proposed issues to refinance its existing debts.

The ratings continue to reflect the company’s market position and proven record as the largest operator of convenience stores in Thailand. Additional factors, such as the cash-based nature of its business, nationwide store network, and well-established support facilities are also notable strengths. However, these strengths are partially offset by its high financial leverage and intense competition in the industry. The rating also takes into consideration the slow pace of the economic recovery in Thailand, which affects consumer spending.

CPALL’s operating results for the first nine months of 2018 were in line with our expectations. The company reported sales of Bt374 billion, up by 7.6% year-on-year (y-o-y). Earnings before interest, tax, depreciation, and amortization (EBITDA) edged up by 6.7% y-o-y to Bt36.7 billion, while funds from operations (FFO) rose by 7.9% y-o-y to Bt26.1 billion.

Although remains at a considerably high level, CPALL’s leverage has improved gradually. The total debt to capitalization ratio (including outstanding perpetual debentures and adjusted operating leases) declined to 70.3% at the end of September 2018 from 74.9% in 2017 and 78.8% in 2016.

Cash flow protection has improved, mainly due to improved operating performance. The FFO to total debt ratio improved to 18.5% in 2017 and 19.9% (annualized, from the trailing 12 months) during the first nine months of 2018 from 13.5% in 2016. The EBITDA interest coverage ratio was 4.7 times in 2017 and 4.9 times in the first nine months of 2018, improving from 4.2 times in 2016.

## RATING OUTLOOK

The “stable” outlook reflects our expectation that CPALL will sustain its leading position and competitive edge and will continue to deliver sound financial results. Its high cash balance and the stable cash flow will provide financial flexibility to support its business expansion.

Under TRIS Rating’s base case scenario, CPALL’s revenue is forecast to range between Bt520-Bt580 billion annually in 2018-2020. EBITDA is expected to hover around Bt49-Bt52 billion per annum. Over the next three years, we forecast the EBITDA interest coverage ratio will rise, climbing to 5-8 times. The FFO to total debt ratio will increase to around 20%. The total debt to capitalization ratio will decline to around 60% in 2020, assuming CPALL does not divest its additional equity holding in Siam Makro PLC (MAKRO).

*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 SENSITIVITIES

CPALL's ratings and/or outlook could be revised upward should the capital structure and cash flow protection improve substantially. On the contrary, the ratings and/or outlook could be revised downward if the operating performance of CPALL is weaker than expected or if there are huge investments, which will result in the deteriorations of capital structure and debt serviceability.

## RELATED CRITERIA

- Key Financial Ratios and Adjustments, 5 September 2018
- Rating Methodology – Corporate, 31 October 2007

## CP All PLC (CPALL)

<b>Company Rating:</b>	A+
<b>Issue Ratings:</b>	
CPALL22NA: Bt9,000 million senior unsecured debentures due 2022	A
CPALL27NA: Bt9,000 million senior unsecured debentures due 2027	A
Up to Bt10,000 million senior unsecured debentures and additional greenshoe portion of up to Bt5,000 million due within 12 years	A
<b>Rating Outlook:</b>	Stable

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