

BERLI JUCKER PLC

No. 12/2019

30 January 2019

CORPORATES

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

Last Review Date: 23/08/18

Company Rating History:

Date	Rating	Outlook/Alert
08/08/16	A+	Stable
17/02/16	A+	Alert Developing
25/11/14	A+	Stable
13/08/14	A+	Alert Developing
15/06/07	A+	Stable

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RATIONALE

TRIS Rating affirms the company rating on Berli Jucker PLC (BJC) and the ratings on BJC's outstanding senior unsecured debentures at "A+". At the same time, we assign the rating of "A+" to BJC's proposed issuance of up to Bt16,000 million in senior unsecured debentures. The company will use the proceeds from the debenture issuance to refinance existing debts, investments, and/or reserve for working capital.

The ratings reflect BJC's strong competitive positions in its core lines of business, diverse range of businesses and sources of income, and broad market coverage. The ratings also take into consideration the company's resilient operating results, growth opportunities in markets abroad, and the synergies from integrating BJC's major lines of business with the retail outlets of Big C Supercenter PLC (BIGC). These factors are partly offset by high financial leverage, the result of the debt-financed acquisition of BIGC, and intense competition in the consumer products and retailing industries.

In the third quarter of 2018, the retailing industry in Thailand showed signs of a slowdown. Almost listed retailers showed same-store sales dropped. However, BIGC delivered improved performance, same-store sales grew by 2.5% year-on-year (y-o-y).

BJC reported satisfactory operating results for the first nine months of 2018, in line with our expectations. Sales reached Bt114,916 million, up 4.6% y-o-y. The rise was driven by all business segments. Other operating income, including BIGC's rental and service income, came in at Bt11,836 million, up 9.0% from the same period previous year. The earnings before interest, tax, depreciation, and amortization (EBITDA) rose by 7% y-o-y to around Bt16,700 million.

Leverage remained high as the company used partial funds from operations (FFO) to open new retailing outlets. The total debt to capitalization ratio was 59.3% at the end of September 2018, same as the end of 2017. However, we forecast financial leverage will gradually decline over the next two years, assuming no large debt-funded acquisition or investment. The debt to capitalization ratio is forecast to around 50.0% and the net debt to EBITDA ratio is expected to reach around 4 times by 2020. The forecast is built on assumptions that operating results will stay strong and the management team remains committed to deleveraging plan.

BJC will need to refinance a significant portion of its existing debts over the next 12-18 months. Sources of fund comprise cash and cash equivalents of about Bt4,100 million at the end of September 2018, plus FFO of Bt15,000-Bt18,000 million per annum. Uses of funds are planned capital expenditures, estimated at Bt14,000-Bt15,000 million in aggregate during 2019-2020. Long-term loans and debentures coming due in 2019 will be about Bt46,000 million, and Bt36,000 million due in 2020.

RATING OUTLOOK

The "stable" outlook reflects the expectation that BJC will maintain competitive positions in its major business segments. TRIS Rating also assumes the company will make sustainable improvements in its financial profile.

TRIS Rating's base-case forecast assumes BJC's revenue to grow at a single-digit rate annually during 2019 and 2020. The growth drivers are the increasing number of retailing outlets, and growth in the packaging and consumer products segments. We expect BIGC's same-store sales growth at a low single-digit rate. In the packaging segment, we expect sales to Thai Beverage PLC (ThaiBev) will rise because ThaiBev recently became the major brewer in Vietnam.

RATING SENSITIVITIES

The potential for a rating upgrade is limited, given BJC's sizable debt burden. The ratings and/or outlook could be revised downward if the deleveraging efforts proceed more slowly than expected or if the operating results are significantly worse than our forecast over an extended period. Any huge investments or acquisitions that would cause the capital structure and the debt serviceability to deteriorate would also trigger a downgrade.

RELATED CRITERIA

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

Berli Jucker PLC (BJC)

Company Rating:	A+
Issue Ratings:	
BJC193A: Bt16,200 million senior unsecured debentures due 2019	A+
BJC199A: Bt22,000 million senior unsecured debentures due 2019	A+
BJC203A: Bt12,000 million senior unsecured debentures due 2020	A+
BJC206A: Bt17,920 million senior unsecured debentures due 2020	A+
BJC213A: Bt300 million senior unsecured debentures due 2021	A+
BJC219A: Bt9,000 million senior unsecured debentures due 2021	A+
BJC21DA: Bt3,050 million senior unsecured debentures due 2021	A+
BJC223A: Bt2,500 million senior unsecured debentures due 2022	A+
BJC239A: Bt3,000 million senior unsecured debentures due 2023	A+
BJC23DA: Bt2,100 million senior unsecured debentures due 2023	A+
BJC243A: Bt4,000 million senior unsecured debentures due 2024	A+
BJC25DA: Bt1,200 million senior unsecured debentures due 2025	A+
BJC269A: Bt20,000 million senior unsecured debentures due 2026	A+
BJC26DA: Bt3,730 million senior unsecured debentures due 2026	A+
BJC273A: Bt5,000 million senior unsecured debentures due 2027	A+
Up to Bt16,000 million senior unsecured debentures due within 10 years	A+
Rating Outlook:	Stable

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