Press Release

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TRIS Rating Assigns "A+/Stable" Rating to Senior Unsecured Debt Worth Up to Bt35,000 Million and Additional Greenshoe Portion Worth Up to Bt5,000 Million of "BJC"

TRIS Rating has assigned the rating of "A+" to the proposed issue of up to Bt35,000 million in senior unsecured debentures and the additional greenshoe portion of up to Bt5,000 million of Berli Jucker PLC (BJC). At the same time, TRIS Rating has affirms the company and outstanding senior unsecured debenture ratings of BJC at "A+". The outlook remains "stable". The proceeds from the new debentures will be used to repay outstanding debts, and/or fund new investments, and/or meet working capital needs. The ratings reflect BJC's strong competitive positions in its major business lines, diverse range of businesses and sources of income, wide market coverage, and portfolio of strong brand names. The ratings also take into consideration BJC's latest move to acquire 97.9% of the equity of Big C Supercenter PLC (BIGC) and the synergies that may arise from integration of BJC's existing businesses with the newly-acquired retail outlets of BIGC. These factors are partly offset by intense competition, the current economic slowdown which has crimped consumer spending, and the rise in leverage needed to support BJC's growth strategy.

The "stable" outlook reflects the expectation that BJC will maintain the competitive positions in its key business segments. TRIS Rating believes the integration of operations with BIGC will proceed smoothly, without pushing costs or capital expenditures higher than the expected levels. TRIS Rating also assumes BJC will quickly make sustained improvements in its financial profile.

Downside pressure on the ratings would arise if BJC's deleveraging efforts proceed more slowly than expected or if operating performance is significantly weaker than expected, which can result in a weakened capital structure and deterioration of cash flow protection for a long period of time. The potential for a rating upgrade will likely be limited during the medium term, given BJC's sizable debt burden. However, the ratings could be upgraded should the post-merger integration provide meaningful synergies to the BJC Group.

BJC's range of business covers the production and distribution of packaging products, consumer products, medical products and equipment, and technical products. In 2016, BJC expanded into hypermarket business through the acquisition of BIGC, a leading hypermarket operator in Thailand. BJC has consolidated BIGC's performance as the modern retail segment on its financial statements since late-March 2016. As of August 2016, TCC Corporation Limited (TCCC), a large Thai conglomerate, owned about a 74.4% stake in BJC.

For the first nine months of 2016, BJC generated Bt94,064 million in revenue from sales and rental income. The major revenue contribution was the modern retail supply chain segment, combining both retail sales and rental income, which generated roughly 66% of total revenue. The packaging supply chain segment was the second-largest contributor (15%), followed by the consumer supply chain segment (13%).

BJC's strong business profile reflects its diverse portfolio of businesses, sources of income, and geographic coverage. BJC's market coverage is wide, extending most of Southeast Asia. BJC's products in its major lines of business have solid competitive positions, which are important sources of strength. BJC is one of the leading producers and distributors in the Thai packaging industry (glass bottles and aluminum cans) and the consumer product industry (tissue, snacks, and personal care products). The strength of BJC's consumer product portfolio is attributed to its flagship brands, such as Cellox, Zilk, Tasto, Dozo, and Parrot.

In 2016, BJC acquired a 97.9% interest in BIGC. This move was in line with BJC's strategy to become a leading regional wholesaler and retailer. The investment cost was nearly Bt210,000 million, funded initially by bridge loans. BJC has recapitalized through two rights offerings, increasing its equity base by about Bt83,600 million. The rights offerings reduced the outstanding balance of the bridge loans and also reduced the interest burden. At the same time, BJC replaced the bridge loans with newly-issued debentures and new long-term bank loans, amounting to about Bt121,000 million in total.

As of January 2017, BIGC operates 131 hypermarkets and a number of small-format stores. BIGC's competitive position is strong as it is one of the two major hypermarket operators in Thailand. In 2015, BIGC's revenue was about Bt129,000 million and nearly Bt90,000 million for the first nine months of 2016. Retail business contributed about 92% of BIGC's revenue. The remainder (8%) came from the rental and

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related services. BIGC generated nearly Bt13,000 million in EBITDA (earnings before interest, tax, depreciation, and amortization) in 2015 and about Bt9,700 million in the first nine months of 2016. The integration of BIGC is expected to strengthen BJC's business profile and competitive position. The synergies will yield cost saving and efficiencies to BJC.

BJC's operating margin (operating income before depreciation and amortization as a percentage of sales) was 11.2% in 2015 and 9.8% for the first nine months of 2016. BIGC, by nature of retailer, has a lower profit margin than BJC's existing lines of business. Funds from operations (FFO) were Bt5,334 million in 2015 and Bt7,770 million for the first nine months of 2016. Total debt soared to nearly Bt240,000 million in mid-2016 as BJC acquired a 97.9% stake in BIGC. However, BJC prepaid debts of about Bt83,600 million after it received cash from the rights offerings. Capital structure has been improved, as measured by the debt to capitalization ratio of 58.5% at the end of September 2016, compared with 90% as of June 2016.

During 2017-2019, BJC's consolidated revenue is expected to grow moderately, driven by growth in the packaging supply chain segment and group-wide synergies. The operating margin is expected to gradually improve, benefitting from cost savings─derived from the synergies and improved asset utilization. TRIS Rating expects BJC to make about Bt30,000 million in capital expenditures during 2017-2019. The capital expenditures are mainly for a capacity expansion and retail outlet expansion. During the medium term, TRIS Rating does not expect BJC to make any other huge investments or large acquisitions. The net debt to EBITDA ratio is expected to decline below 4 times over the medium term.

Given the current balance sheet structure of BJC and its subsidiaries, BJC's liabilities are structurally subordinated to those of BIGC. However, BJC’s board of directors resolved in July 2016 that BJC will be sourcing part of the external financing needs of its subsidiaries. Under this plan, BIGC’s external borrowings will be partially refinanced with loans taken out by BJC. This move will mitigate the impact of the structural subordination on the ratings of BJC’s debentures. Accordingly, BJC’s debentures are rated at the same level of the issuer’s credit rating, based on this expectation.

Berli Jucker PLC (BJC)	
Company Rating:	A+
Issue Ratings:	
BJC199A: Bt22,000 million senior unsecured debentures due 2019	A+
BJC219A: Bt9,000 million senior unsecured debentures due 2021	A+
BJC239A: Bt3,000 million senior unsecured debentures due 2023	A+
BJC269A: Bt20,000 million senior unsecured debentures due 2026	A+
BJC206A: Bt17,920 million senior unsecured debentures due 2020	A+
BJC21DA: Bt3,050 million senior unsecured debentures due 2021	A+
BJC23DA: Bt2,100 million senior unsecured debentures due 2023	A+
BJC25DA: Bt1,200 million senior unsecured debentures due 2025	A+
BJC26DA: Bt3,730 million senior unsecured debentures due 2026	A+
Up to Bt35,000 million in senior unsecured debentures and additional greenshoe portion of up to Bt5,000 million	A+
Rating Outlook:	Stable

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