

MINOR INTERNATIONAL PLC

No. 13/2019
1 February 2019

CORPORATES

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

Last Review Date: 09/08/18

Company Rating History:

Date	Rating	Outlook/Alert
24/07/18	A	Stable
11/06/18	A+	Alert Negative
28/04/14	A+	Stable
21/02/07	A	Stable
12/07/04	A-	Stable
05/06/03	A-	Alert Negative
30/07/02	A-	Stable

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RATIONALE

TRIS Rating affirms the company rating on Minor International PLC (MINT) and the ratings on MINT's existing senior unsecured debentures at "A", and also affirms the rating on MINT's unsecured subordinated perpetual debentures (hybrid debentures) at "BBB+". At the same time, TRIS Rating assigns a rating on MINT's proposed issue of up to Bt40,000 million in senior unsecured debentures at "A". The proceeds from the new debentures will be used to refinance the outstanding bridge loan for the NH Hotel Group SA (NHH) acquisition.

The ratings reflect MINT's solid business profile, underpinned by its strong market positions in the hotel and restaurant segments, plus its diversified sources of income, the result of a strong portfolio of brands and wide geographic coverage. The acquisition and subsequent integration of NHH, if successful as planned, will strengthen MINT's business profile and bring new long-term growth prospects. However, the acquisition will push leverage notably higher and put pressure on MINT's financial risk profile in the short to medium term. TRIS Rating expects MINT to manage its financial profile prudently and deleverage in order to maintain its credit quality.

MINT bought 94.1% of NHH in October 2018 for EUR2.3 billion or Bt88 billion. As the NHH acquisition is primarily debt-funded, MINT's leverage surges and puts pressure on its financial profile. MINT has recently raised US\$300 million in perpetual non-call three-year senior guaranteed capital securities to refinance the bridge loan for the NHH acquisition. The perpetual bond will be treated as equity on MINT's balance sheet under Thai financial reporting standards. As a result, MINT believes that it will comply with a key financial covenant: the interest-bearing debt to equity ratio must not exceed 1.75 times. However, TRIS Rating has the view that the perpetual bonds have minimal equity content. According to our rating criteria for hybrid securities, we treat the perpetual bonds as debt.

In order to strengthen its balance sheet further, MINT is working on divesting some of its assets to third parties and also finding strategic partners to buy some shares of NHH. TRIS Rating expects MINT's ratio of adjusted debt to earnings before interest, tax, depreciation and amortization (EBITDA) to stay at 6-7 times over the next 1-2 years. Afterward, we expect MINT to follow its deleveraging plan and the ratio of adjusted debt to EBITDA will fall below 6 times in order to maintain its current credit quality.

RATING OUTLOOK

The "stable" outlook reflects MINT's strong business profile and diversified portfolio of businesses. The outlook also reflects our expectation that MINT will integrate NHH successfully and continue to deliver sound operating performance. We also expect MINT to continue deleveraging in order to cushion against the volatility inherent in the hotel industry.

RATING SENSITIVITIES

MINT's rating upside is limited over the next 12-18 months, considering its current financial risk profile and the funding plan for the NHH acquisition. The rating downside case would be triggered if MINT's financial profile deteriorates

materially from our expectation, either due to a drop in operating performance or other sizable debt-funded investments.

RELATED CRITERIA

- Hybrid Securities Rating Criteria, 12 September 2018
- Key Financial Ratios and Adjustments, 5 September 2018
- Rating Methodology – Corporate, 31 October 2007

Minor International PLC (MINT)

Company Rating:	A
Issue Ratings:	
MINT193A: Bt4,500 million senior unsecured debentures due 2019	A
MINT205A: Bt4,000 million senior unsecured debentures due 2020	A
MINT213A: Bt2,800 million senior unsecured debentures due 2021	A
MINT210A: Bt300 million senior unsecured debentures due 2021	A
MINT228A: Bt2,700 million senior unsecured debentures due 2022	A
MINT249A: Bt1,000 million senior unsecured debentures due 2024	A
MINT255A: Bt4,000 million senior unsecured debentures due 2025	A
MINT283A: Bt1,000 million senior unsecured debentures due 2028	A
MINT313A: Bt1,200 million senior unsecured debentures due 2031	A
MINT329A: Bt1,000 million senior unsecured debentures due 2032	A
MINT18PA: Bt15,000 million subordinated capital debentures	BBB+
Up to Bt40,000 million senior unsecured debentures due within 15 years	A
Rating Outlook:	Stable

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