

BTS GROUP HOLDINGS PLC

No. 61/2018

24 August 2018

CORPORATES

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

Company Rating History:

Date	Rating	Outlook/Alert
17/05/16	A	Stable

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RATIONALE

TRIS Rating affirms the company rating on BTS Group Holdings PLC (BTS) and the ratings on BTS's outstanding senior unsecured debentures at "A". At the same time, TRIS Rating assigns the "A" rating to BTS's proposed issue of up to Bt6,000 million in senior unsecured debentures. The proceeds from the new debentures will be used to repay existing debt or finance its investments or reserve for working capital.

The ratings reflect the company's strong business profile based on the high predictability of the service income from the mass transit train operation, stable dividend income received from its 33.33% investment in the BTS Rail Mass Transit Growth Infrastructure Fund (BTSGIF), and its entrenched position in the media business. However, BTS's financial profile will be weighed down by a surge in debt over the next four years as BTS must fund several large investments in a number of large mass transit projects.

In the first quarter of fiscal year (FY) 2019, BTS's revenue (exclude revenues from installation and construction services and train procurement service) increased by 14% year-on-year (y-o-y) to Bt1,636 million due mainly to the strong growth advertising business. BTS's operating margin (operating income before depreciation and amortization as a percentage of revenue) substantially dropped from 31.8% in FY2018 to 19.7% in the first quarter of FY2019 due to the increase in non-recurring selling and administrative expenses. Meanwhile, BTS's debt to capitalization ratio stood at 50% during FY2018 to the first quarter of FY2019.

RATING OUTLOOK

The "stable" outlook reflects the expectation that the company will achieve steady growth in revenues and cash flow from operations. Total debt is expected to rise substantially because of the new mass transit projects under taken through its subsidiaries. However, net cash flow from the existing businesses is also expected to rise substantially. As a result, the debt to earnings before interest, tax, depreciation, and amortization (EBITDA) ratio will remain acceptable.

Under TRIS Rating's base case scenario, we assume that BTS's revenues will gradually increase to around Bt11,000 million in FY2021. In addition, during FY2019-FY2021, TRIS Rating forecasts the company will recognize revenue of around Bt80,000 million from electrical and mechanical (E&M) services, train procurement services, and revenue from the development of the Pink Line and Yellow Line. The operating margin is expected to stay around 30%. The debt to capitalization ratio is expected to decline to around 40% in FY2021, while the EBITDA interest coverage ratio should stay above 2.5 times.

RATING SENSITIVITIES

The prospect for a rating upgrade is unlikely over the next couple of years because leverage is rising. The ratings and/or outlook could be revised downward if the adjusted debt to EBITDA ratio rises above 5 times.

BTS Group Holdings PLC (BTS)

Company Rating:	A
Issue Ratings:	
BTSG20DA: Bt1,500 million senior unsecured debentures due 2020	A
BTSG22DA: Bt1,500 million senior unsecured debentures due 2022	A
BTSG27DA: Bt2,000 million senior unsecured debentures due 2027	A
BTSG29DA: Bt2,000 million senior unsecured debentures due 2029	A
Up to Bt6,000 million senior unsecured debentures due within 10 years	A
Rating Outlook:	Stable

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