

THAI AIRWAYS INTERNATIONAL PLC

No. 14/2018

16 February 2018

CORPORATES

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

Company Rating History:

Date	Rating	Outlook/Alert
12/01/16	A	Stable
27/12/13	A+	Negative
17/12/10	A+	Stable
23/01/09	A	Stable
25/07/08	A+	Stable
12/07/04	AA-	Stable
11/09/03	AA-	

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RATIONALE

TRIS Rating affirms the company rating of Thai Airways International PLC (THAI) and the ratings of THAI's outstanding senior unsecured debentures at "A". At the same time, TRIS Rating assigns the rating of "A" to THAI's proposed issue of up to Bt6,000 million in senior unsecured debentures. The proceeds from the new debenture will be used to refinance maturing debts and reserve for investments.

The ratings reflect THAI's position as the leading international passenger airline in Thailand, plus the benefits of being a member of Star Alliance, the world's largest airline alliance. The ratings are enhanced from THAI's stand-alone credit profile to reflect its status as a state enterprise and the flag carrier of Thailand. TRIS Rating believes that the government will continue to provide strong support for THAI on a timely basis, especially if any financial difficulties arise at the airline. The ratings, however, are constrained by THAI's high financial leverage, high operating costs, and vulnerability to unforeseen event risks, and fuel price fluctuations.

In the first nine months of 2017, revenue was Bt140,034 million, a 4.7% increase from the same period last year. The operating profit margin declined to 16.9% from 19.8%, due to an 11% year-on-year (y-o-y) increase in the cost of jet fuel.

THAI's capital structure remains weak. The debt to capitalization ratio, at 88.8%, was high due to large debt-funded capital expenditures. In addition, net worth has eroded sharply due to severe losses during the past couple of years. THAI has plans to renew the existing fleet of aircraft, which entails large capital expenditures. As a result, the capital structure is expected to stay at this level.

RATING OUTLOOK

The "stable" outlook reflects the expectation that THAI's operating performance will improve as planned.

RATING SENSITIVITIES

The ratings and/or outlook are unlikely to be upgraded in the near term. However, if THAI's operating performance improves significantly or if the debt to EBITDA (earnings before interest, tax, depreciation, and amortization) ratio stays below five times on a sustained basis, the ratings and/or outlook could be revised upward.

The ratings could be lowered if the operating profit margin deteriorates significantly or if TRIS Rating believes that the level of government support will be reduced.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Bt million

	Jan-Sep 2017	----- Year Ended 31 December -----			
		2016	2015	2014	2013
Revenue	140,034	178,312	182,727	188,368	206,336
Gross interest expense	3,594	5,339	5,898	6,073	6,057
Net income from operations	1,163	2,958	(4,499)	(21,919)	(3,835)
Funds from operations (FFO)	14,934	20,365	15,631	2,948	19,960
Capital expenditures	9,383	6,910	16,619	15,717	38,088
Total assets	287,889	283,124	302,471	307,267	307,085
Total debts	167,109	167,383	192,403	191,852	176,350
Total debt (operating lease adjusted)	236,183	221,348	232,029	228,207	197,692
Shareholders' equity	29,928	33,588	32,926	41,296	56,919
Operating income before depreciation and amortization as % of sales	16.9	18.3	11.7	3.3	9.6
Pretax return on permanent capital (%)	3.3 **	4.8	2.1	(5.0)	1.4
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	3.1	3.1	2.5	0.9	3.0
FFO/total debt (%)	9.5 **	11.0	8.0	2.1	10.7
Total debt/capitalization (%)	88.8	86.8	87.6	84.7	77.6

Note: All ratios are operating lease adjusted

* Consolidated financial statements

** Annualized from the trailing 12 months

Thai Airways International PLC (THAI)

Company Rating:	A
Issue Ratings:	
THAI185A: Bt1,555 million senior unsecured debentures due 2018	A
THAI185B: Bt1,445 million senior unsecured debentures due 2018	A
THAI185C: Bt5,000 million senior unsecured debentures due 2018	A
THAI188A: Bt1,250 million senior unsecured debentures due 2018	A
THAI189A: Bt1,000 million senior unsecured debentures due 2018	A
THAI192A: Bt1,000 million senior unsecured debentures due 2019	A
THAI192B: Bt1,200 million senior unsecured debentures due 2019	A
THAI190A: Bt1,500 million senior unsecured debentures due 2019	A
THAI19DA: Bt1,230 million senior unsecured debentures due 2019	A
THAI19DB: Bt500 million senior unsecured debentures due 2019	A
THAI204A: Bt1,500 million senior unsecured debentures due 2020	A
THAI206A: Bt1,000 million senior unsecured debentures due 2020	A
THAI208A: Bt1,250 million senior unsecured debentures due 2020	A
THAI209A: Bt1,500 million senior unsecured debentures due 2020	A
THAI212A: Bt1,000 million senior unsecured debentures due 2021	A
THAI215A: Bt833 million senior unsecured debentures due 2021	A
THAI215B: Bt2,167 million senior unsecured debentures due 2021	A
THAI21DA: Bt1,340 million senior unsecured debentures due 2021	A
THAI21DB: Bt500 million senior unsecured debentures due 2021	A
THAI222A: Bt2,000 million senior unsecured debentures due 2022	A
THAI224A: Bt2,000 million senior unsecured debentures due 2022	A
THAI226A: Bt1,000 million senior unsecured debentures due 2022	A
THAI229A: Bt2,500 million senior unsecured debentures due 2022	A
THAI220A: Bt1,500 million senior unsecured debentures due 2022	A
THAI238A: Bt1,500 million senior unsecured debentures due 2023	A
THAI23DA: Bt1,000 million senior unsecured debentures due 2023	A
THAI242A: Bt1,000 million senior unsecured debentures due 2024	A
THAI243A: Bt1,500 million senior unsecured debentures due 2024	A
THAI246A: Bt1,000 million senior unsecured debentures due 2024	A
THAI24DA: Bt1,430 million senior unsecured debentures due 2024	A
THAI254A: Bt2,300 million senior unsecured debentures due 2025	A
THAI259A: Bt3,000 million senior unsecured debentures due 2025	A
THAI26DA: Bt3,000 million senior unsecured debentures due 2026	A
THAI276A: Bt3,000 million senior unsecured debentures due 2027	A
THAI28DA: Bt2,000 million senior unsecured debentures due 2028	A
THAI326A: Bt2,000 million senior unsecured debentures due 2032	A
Up to Bt6,000 million senior unsecured debentures due within 15 years	A
Rating Outlook:	Stable

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