

THAI AIRWAYS INTERNATIONAL PLC

No. 55/2018

26 July 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 on Thai Airways International PLC (THAI) and the ratings on 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 Bt7,000 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.

THAI's operating performance improved in the first quarter of 2018. The company's revenue was Bt52,908 million, a 7.3% increase from the same period last year. Meanwhile, the operating profit margin improved to 22.9% from 20.5% as its non-fuel cash cost increased by 4.7% from the same period of the previous year.

THAI's capital structure remains weak. The debt to capitalization ratio remained high at 87% as of March 2018. 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 during 2018-2020

RATING OUTLOOK

The "stable" outlook reflects the expectation that THAI's operating performance will improve as planned and the government will continue to provide financial support on a timely basis.

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 5 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-Mar 2018	----- Year Ended 31 December -----			
		2017	2016	2015	2014
Revenue	52,908	189,857	178,312	182,727	188,368
Gross interest expense	1,194	4,717	5,339	5,898	6,073
Net income from operations	4,606	3,094	2,958	(4,499)	(21,919)
Funds from operations (FFO)	8,326	20,623	20,365	15,631	2,948
Capital expenditures	4,419	9,990	6,910	16,619	15,717
Total assets	286,169	280,775	283,124	302,471	307,267
Total debts	161,489	159,367	167,383	192,403	191,852
Total debt (operating lease adjusted)	231,801	230,107	221,348	232,029	228,207
Shareholders' equity	34,756	32,013	33,588	32,926	41,296
Operating income before depreciation and amortization as % of sales	22.9	17.6	18.3	11.7	3.3
Pretax return on permanent capital (%)	5.7 **	5.1	4.8	2.1	(5.0)
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	4.0	3.2	3.1	2.5	0.9
FFO/total debt (%)	12.0 **	11.2	11.0	8.0	2.1
Total debt/capitalization (%)	87.0	87.8	86.8	87.6	84.7

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:	
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
THAI232A: Bt1,200 million senior unsecured debentures due 2023	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
THAI252A: Bt1,000 million senior unsecured debentures due 2025	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
THAI282A: Bt2,400 million senior unsecured debentures due 2028	A
THAI28DA: Bt2,000 million senior unsecured debentures due 2028	A
THAI326A: Bt2,000 million senior unsecured debentures due 2032	A
THAI332A: Bt1,400 million senior unsecured debentures due 2033	A
Up to Bt7,000 million senior unsecured debentures due within 15 years	A
Rating Outlook:	Stable

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