

# MUD & HOUND PLC

No. 37/2024  
25 March 2024

## CORPORATES

**Company Rating:** BBB-  
**Outlook:** Stable

**Last Review Date:** 21/03/23

### Company Rating History:

Date	Rating	Outlook/Alert
21/04/20	BBB-	Negative
11/05/17	BBB-	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Mud & Hound PLC (MUD) at “BBB-” and revises the rating outlook to “stable” from “negative”. The change in outlook follows the rating outlook revision of Sub Sri Thai PLC (SST), its parent company, to “stable” from “negative”. The company rating on MUD is equal to the company rating on SST at “BBB-” as we maintain our assessment of MUD’s group status as a “core subsidiary” of SST. We expect MUD will continue to contribute significant earnings before interest, tax, depreciation, and amortization (EBITDA) to the group.

## KEY RATING CONSIDERATIONS

### A core subsidiary of SST Group

We expect MUD to remain a core subsidiary of SST group as we view the company as integral to SST as a restaurant business operator of the group. As of March 2024, SST held a controlling stake of 67% in MUD. SST actively guides MUD’s business direction and financial targets through its board of directors and management, while MUD contributes a significant portion of EBITDA to SST group. In 2023, MUD contributed around 70% of SST group’s overall EBITDA and we expect the contribution to remain around 70% throughout the forecast period.

### Modest growth and focus on efficiency expected

TRIS Rating forecasts modest revenue growth of 1%-3% per annum for MUD in 2024-2026. This translates to expected revenues of THB3.5-THB3.7 billion per annum. We expect minimal growth in Dunkin’s revenue as the company plans to prioritize efficiency in existing Dunkin’ stores after a period of aggressive expansion over the past three years. Meanwhile, revenues from Au Bon Pain and Greyhound Café are anticipated to rebound moderately alongside Thailand’s tourism recovery. Revenues from restaurants abroad are expected to decline due to potential closures of some underperforming locations. MUD’s EBITDA margin should remain at around 16% in 2024 due to ongoing cost pressures, before gradually improving to 17%-18% as some loss-making overseas restaurants are phased out.

In 2023, MUD’s revenue increased by 13% to THB3.5 billion, extending the recovery trend from 2022. Dunkin’ led the gains with a 17% rise, driven by store expansions and the revival of department store locations due to increased foot traffic. However, hastily opened kiosks experienced declining average sales per outlet, prompting the company to prioritize existing store efficiency and relocate underperforming kiosks to areas with higher potential. Revenue growth was also observed at Au Bon Pain (18% growth) and Greyhound Café (10% growth), fueled by a combination of new openings and same-store increases at Au Bon Pain, while growth at Greyhound Café stemmed from improved same-store sales despite closures of some underperforming branches.

### Performance of international restaurants below expectations

The company’s international restaurant ventures have yet to achieve the success that the company expected. Launched with the opening of a London Greyhound Café and the acquisition of Paris-based French restaurant Le Grand Vefour in 2017, the expansion included a further four restaurants in Paris during 2019-2022. However, 2023 saw a slight decline in overall overseas

restaurant revenue and negative EBITDA. Consequently, the company plans the closure or sale of some underperforming restaurants in 2024-2025. The success of these divestiture plans remains to be seen. Furthermore, a restaurant recently acquired in Nancy, France, has been renovated and rebranded as a Thai street food concept restaurant under the name Thai Hey by Greyhound Café. The performance of this new restaurant, which opened in February 2024, is still under evaluation, with future branch openings contingent on satisfactory performance.

TRIS Rating holds the view that the company's overseas expansion adds uncertainty to its business risk profile. The operating environments of the restaurant industry vary widely from country to country while the company seems to lack the managerial capacity to ensure efficient and smooth operations in unfamiliar locations outside its home market.

### **Tight liquidity**

We assess MUD's liquidity to be tight over the next 12 months. The company's sources of funds comprised cash and cash equivalents of around THB115 million as of December 2023, projected cash flow from operations of around THB460 million in 2024, and available credit lines of around THB20 million. The company's uses of funds include debt repayments of around THB320 million, expected lease payments of around THB360 million, and expected capital expenditures of THB130 million. MUD may need to refinance a major portion of its debts coming due and secure additional funding to meet its investment plan.

### **BASE-CASE ASSUMPTIONS**

- Revenue to range upward from THB3.6-THB3.8 billion annually during 2024-2026.
- EBITDA of THB590-THB670 million per annum during 2024-2026.
- Capital spending to be THB130 million in 2024 and THB110 million per annum in 2025-2026.

### **RATING OUTLOOK**

The "stable" outlook is based on the rating outlook assigned to SST. We expect MUD to remain a core subsidiary of SST group.

### **RATING SENSITIVITIES**

Any change in SST's credit profile or in our assessment of MUD's core status within the SST group could affect the company rating on MUD.

### **COMPANY OVERVIEW**

MUD was established in 2006 and listed on the Market for Alternative Investment (MAI) on 11 April 2017. As of March 2024, SST, a warehouse and document storage service provider, was the major shareholder, owning 67% of MUD's paid-up shares. The company has two lines of business: food and beverage and fashion apparel. The company is the master franchisee of the Dunkin' Donuts and Au Bon Pain brands in Thailand. In 2014, the company expanded to the full-service restaurant segment by acquiring the Greyhound Group, which owns and operates the GHC chain and also produces and distributes fashion and lifestyle products under the Greyhound brand. MUD also operates a hospital food court under the M-Kitchen brand and provides in-patient food services in a private hospital. Additionally, MUD has six restaurants in France including Le Grand Vefour, Pasco, Augustin, A-Noste, La Mere Lachaise, and Thai Hey by Greyhound Cafe.

KEY OPERATING PERFORMANCE

Table 1: Sales Contribution

Business Line	2019		2020		2021		2022		2023	
	Million THB	%								
Dunkin' Donuts	957	33	873	40	1,013	47	1,320	43	1,543	45
Au Bon Pain	621	21	401	19	333	15	435	14	515	15
Baskin Robbins	101	3	63	3	51	2	24	1	0	0
Greyhound Cafe	944*	32	579*	27	405*	19	663	22	725	21
Greyhound Fashion and Lifestyle	147	5	149	7	165	8	252	8	284	8
Le Grand Vefour	131	5	43	2	103	5	129	4	122	4
Simon Says Shabu							33	1	48	1
Funky Fries							51	2	61	2
Others	20	1	59	2	98	4	157	5	155	4
Eliminations	-8	0	-1	0	-2	0	-2	0	-4	0
<b>Total sales</b>	<b>2,913</b>	<b>100</b>	<b>2,166</b>	<b>100</b>	<b>2,166</b>	<b>100</b>	<b>3,062</b>	<b>100</b>	<b>3,449</b>	<b>100</b>

\* Including GHC London  
Source: MUD

Table 2: Number of Outlets

Food Outlets	Outlet Number	Type of Restaurant
Dunkin' Donuts	677	QSR
Au Bon Pain	74	QSR
Greyhound Café	37*	Full service restaurant
Simon Says Shabu	3	Buffet Shabu
Funky Fries	37	QSR
Le Grand Vefour	1	French restaurant
Pasco	1	French restaurant
Augustin	1	French restaurant
A-Noste	1	Tapas restaurant
La Mere Lachaise	1	French restaurant
Thai Hey by Greyhound Cafe	1	Thai street food restaurant
<b>Total outlets</b>	<b>834</b>	

\* Including GHC London and Beanhound  
Source: MUD

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS**

Unit: Mil. THB

	-----Year Ended 31 December -----				
	2023	2022	2021	2020	2019
Total operating revenues	3,552	3,168	2,316	2,316	3,060
Earnings before interest and taxes (EBIT)	112	90	(17)	(147)	64
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	594	503	425	354	552
Funds from operations (FFO)	450	382	321	266	449
Adjusted interest expense	126	113	99	85	89
Capital expenditures	214	314	233	245	154
Total assets	5,183	5,252	4,897	4,792	4,210
Adjusted debt	2,328	2,282	1,925	1,796	1,470
Adjusted equity	2,078	2,128	2,110	2,236	2,696
<b>Adjusted Ratios</b>					
EBITDA margin (%)	16.7	15.9	18.3	15.3	18.0
Pretax return on permanent capital (%)	2.4	2.0	(0.4)	(3.5)	1.5
EBITDA interest coverage (times)	4.7	4.4	4.3	4.1	6.2
Debt to EBITDA (times)	3.9	4.5	4.5	5.1	2.7
FFO to debt (%)	19.3	16.7	16.7	14.8	30.5
Debt to capitalization (%)	52.8	51.7	47.7	44.5	35.3

**RELATED CRITERIA**

- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

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**Mud & Hound PLC (MUD)**

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<b>Company Rating:</b>	BBB-
<b>Rating Outlook:</b>	Stable

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**TRIS Rating Co., Ltd.**

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