

## Press Release

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### **TRIS Rating Affirms Company & Senior Unsecured Debt Ratings and Outlook of "MINT" at "A+/Stable"**

TRIS Rating has affirmed the company rating and the ratings of senior unsecured debentures of Minor International PLC (MINT) at "A+" with "stable" outlook. The ratings reflect MINT's solid business profile, underpinned by its strong market position and its portfolio which is diversified with respect to business lines and geographical coverage. However, these strengths are partially offset by the cyclical and volatile nature of the hotel industry and the high level of competition in the restaurant and retail trading segments.

The "stable" outlook reflects MINT's strong business profile supported by its diversification in terms of business and geography. TRIS Rating expects MINT will achieve its plan to reduce leverage. MINT's credit upside is limited in the next 12 months, taking into account its current financial risk profile. The downside case could occur if MINT has additional sizable debt-funded investments as it has limited headroom for leverage at the current rating level.

MINT was founded in 1978 by Mr. William Ellwood Heinecke. Mr. Heinecke and affiliates are the major shareholders, holding 33% of MINT's total shares at the end of 2016. The company has three main lines of business: 1) hospitality and mixed use real estate, 2) restaurant, and 3) retail trading, which includes contract manufacturing. In 2016, the restaurant and hospitality segments were the key revenue contributors, comprising 44% and 42% of total sales, respectively. The retail trading and real estate segments generated 7% and 6% of total sales, respectively.

MINT's business profile is solid, underpinned by its strong market position and well-diversified portfolio which help MINT withstand the challenges in a particular country or region and keep earnings growing. The combination of a resilient restaurant operation with a profitable, yet volatile hotel and mixed use real estate business helps smooth out the company's overall operating results.

At the end of December 2016, MINT's hotel portfolio comprised 155 properties, with 19,805 keys, in 24 countries spanning the Asia Pacific region, Africa, the Middle East, Europe, and South America. The hotels are managed and operated under well-recognized international brands, such as Four Seasons, JW Marriott, St. Regis, Radisson, and its own brands, including Anantara, Oaks, AVANI, Elewana, Per AQUUM, and Tivoli.

The Minor Food Group PLC (MFG) is MINT's wholly-owned subsidiary, operating the restaurant business. MFG, established in 1980, is the largest restaurant operator in Thailand. MFG operates four international franchise restaurant brands: Swensen's, Sizzler, Dairy Queen, and Burger King. MFG has its own brands, including The Pizza Company, The Coffee Club, Ribs and Rumps, Thai Express, Beijing Riverside and Courtyard (Riverside) in China, and BreadTalk in Thailand. The company is able to leverage its own brands and some of the franchised brands to franchise business in Thailand and international markets. At the end of 2016, MINT had a total of 1,996 restaurant outlets located in 19 countries, of which 1,018 were equity-owned outlets and 978 were franchised and sub-franchised outlets. MINT also invested in S&P Syndicate PLC and BreadTalk Group Ltd. in Singapore.

Minor Corporation PLC (MINOR) is responsible for the retail trading segment and contract manufacturing under the MINT umbrella. Within MINOR, the key brands are Esprit, Gap, Bossini, Charles & Keith, Banana Republic, and Anello.

In 2016, MINT's revenue increased by 21% year-on-year (y-o-y) to Bt51,152 million. The company posted a strong growth in the hotel or hospitality segment. Revenue rose by 29% to Bt22,474 million, including hotel management fees. The rise was mainly driven by the acquisition of seven hotels in Portugal and two hotels in Zambia. The restaurant segment reported a 24% y-o-y rise in revenue, including the franchise fees, to Bt21,588 million. The growth was supported by three main factors: the full year consolidation of Minor DKL Food Group Pty. Ltd. (Minor DKL), the impressive performance of The Pizza Company, and more outlets. In the first quarter of 2017, MINT's revenue continued to grow by 11% y-o-y to Bt14,644 million due mainly to the strong growth of the hotel performance and the recognition of property sales. During 2017-2019, MINT expects its total revenue will grow at a solid rate supported by

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organic growth of its existing operations and its expansion plan. MINT's operating cash flow base is expected to grow in line with its revenue.

MINT's operating profit before depreciation and amortization as a percentage of sales stayed around 15% during 2015 and 2016. In the first quarter of 2017, the operating profit margin was 22.2% in tandem with the peak season of the hospitality business. TRIS Rating estimates that the operating margin will gradually improve to 17% in 2019 in tandem with MINT's plan to renovate some of its owned-hotel properties, the transformation of time share business, and the restructuring of Thai Express's food outlets.

MINT's capital structure weakened during the past two years mainly because it made several large investments in hotels and mixed-use property projects and also acquired the Tivoli Group, an hotelier. MINT's total debt increased from Bt45,492 million in 2015 to Bt49,832 million in 2016 and stood at Bt51,007 million in the first quarter of 2017. The adjusted debt to capitalization ratio was 57.2% at the end of March 2017. The adjusted debt to earnings before interest, tax, depreciation and amortization (EBITDA) ratio was 5.1 times in 2016. TRIS Rating forecasts MINT's leverage will fall, as cash flow rises and debts are repaid on schedule. In addition, the company expects to have a capital injection from the exercise of warrants worth approximately Bt7,500 million in late 2017.

MINT's liquidity will be adequate during the next 12 months. The liquidity sources are the EBITDA of at least Bt10,000 million in 2017, plus cash on hand of Bt4,399 million at the end of 2016, and unused bank credit facilities of approximately Bt15,000 million. The uses of funds will be the financial obligations of approximately Bt7,812 million in 2017. In addition, the capital expenditures are forecast at Bt6,000 million to Bt8,000 million yearly during 2017-2019. At this moment, MINT does not indicate any sizable acquisition plan over the next few years. TRIS Rating expects MINT's ratio of funds from operations (FFO) to total debt will improve from the current mid-teens percentage to around 20%.

### **Minor International PLC (MINT)**

**Company Rating:**

A+

**Issue Ratings:**

MINT178A: Bt1,800 million senior unsecured debentures due 2017	A+
MINT17DA: Bt1,000 million senior unsecured debentures due 2017	A+
MINT17DB: Bt1,500 million senior unsecured debentures due 2017	A+
MINT183A: Bt1,500 million senior unsecured debentures due 2018	A+
MINT18OA: Bt500 million senior unsecured debentures due 2018	A+
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+
MINT21OA: Bt300 million senior unsecured debentures due 2021	A+
MINT228A: Bt2,700 million senior unsecured debentures due 2022	A+
MINT255A: Bt4,000 million senior unsecured debentures due 2025	A+
MINT313A: Bt1,200 million senior unsecured debentures due 2031	A+

**Rating Outlook:**

Stable

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