

HOME PRODUCT CENTER PLC

No. 7/2023
19 January 2023

CORPORATES

Company Rating:	AA-
Issue Ratings:	
Senior unsecured	AA-
Outlook:	Stable

Last Review Date: 25/10/22

Company Rating History:

Date	Rating	Outlook/Alert
06/12/18	AA-	Stable
29/11/17	A+	Positive
18/11/11	A+	Stable
17/11/10	A	Positive
22/10/08	A	Stable
23/01/07	A-	Stable
15/10/04	BBB+	Stable
12/07/04	BBB	Positive
05/11/03	BBB	-

Contacts:

Jutatip Chitphromphan

jutatip@trisrating.com

Sarinthorn Sosukpaibul

sarinthorn@trisrating.com

Wajee Pitakpaibulkij

wajee@trisrating.com

Jutamas Bunyanichkul

jutamas_b@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating on Home Product Center PLC (HMPRO) and the ratings on its existing senior unsecured debentures at “AA-”, with a “stable” rating outlook. At the same time, we assign the rating of “AA-” to HMPRO’s proposed issue of up to THB3 billion in senior unsecured debentures. The proceeds from the new debentures are intended to be used for debt repayment, working capital, and planned capital expenditures.

The ratings reflect HMPRO’s leading competitive position in the home improvement retail business in Thailand, its strong financial profile, and manageable working capital. The ratings also incorporate our concerns over the cyclicity in the housing market, intense competition, and unfavorable economic sentiment caused by rising inflation and high household debt.

HMPRO’s operating results during the first nine months of 2022 are in line with our expectations. The company reported total operating revenue of THB50.9 billion, a 9% year-on-year (y-o-y) growth, achieving around 75% of our full-year forecast of THB67 billion. We project HMPRO’s earnings before interest, taxes, depreciation, and amortization (EBITDA) to reach around THB10 billion annually during the forecast period with EBITDA as a percentage of revenue (EBITDA margin) ranging from 15%-17%. For the first nine months of 2022, HMPRO’s EBITDA was THB8.8 billion, and its EBITDA margin was around 17%.

We expect HMPRO’s financial profile to remain strong during 2022-2024. Our base-case scenario forecasts five to seven new store launches per annum with an estimated annual budget of THB6 billion. Despite higher capital spending than in the past several years, we expect the company to be able to generate more EBITDA and funds from operations (FFO) in the next three years. As a result, we project HMPRO’s adjusted net debt to EBITDA ratio to hover around 1.4-1.6 times and its FFO to total debt ratio to remain in the 50%-60% range.

We assess HMPRO’s liquidity as adequate over the next 12 months. As of September 2022, HMPRO’s anticipated uses of funds over the next 12 months comprised debts due totaling THB7.6 billion, planned capital expenditures of THB6 billion, and a dividend payout ratio of around 80%. HMPRO’s sources of funds consisted of THB5.8 billion in cash and cash equivalents. FFO is forecast to be around THB9 billion in 2023.

RATING OUTLOOK

The “stable” outlook reflects our expectation that HMPRO will be able to retain its strong competitive edge as a leading home improvement retailer. Despite its ongoing business expansion, we expect the company to keep its financial leverage at a low level.

RATING SENSITIVITIES

A credit upside would materialize if HMPRO significantly enlarges cash flow generation while maintaining a strong financial profile. On the contrary, a downward revision could occur if HMPRO delivers considerably weaker-than-expected operating results and/or financial position.

CreditUpdate, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company’s current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been “upgraded,” “downgraded,” “affirmed” or “cancelled.” The update includes information to supplement the previously published ratings.

Credit Updates are part of TRIS Rating’s monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

RELATED CRITERIA

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

Home Product Center PLC (HMPRO)

Company Rating:	AA-
Issue Ratings:	
HMPRO257A: THB3,000 million senior unsecured debentures due 2025	AA-
HMPRO25NA: THB2,000 million senior unsecured debentures due 2025	AA-
Up to THB3,000 million senior unsecured debentures due within 3 years	AA-
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

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