

HOME PRODUCT CENTER PLC

No. 106/2023
14 September 2023

CORPORATES

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

Last Review Date: 19/01/23

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	-

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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 a rating of “AA-” to HMPRO’s proposed issue of up to THB3 billion 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 position in the home improvement retail business in Thailand, strong financial profile, and efficient working capital management. The ratings also incorporate our concerns over the unfavorable economic environment caused by interest rate hikes and high household debt as well as intense competition in the home improvement retail business.

HMPRO’s operating results for the first six months of 2023 (6M2023) were in line with our expectations. HMPRO’s operating performance in 6M2023 was underpinned by a 5.4% year-on-year (y-o-y) same-store-sale growth and new store expansion. The company reported total operating revenue of THB37.2 billion, a 9% y-o-y growth, achieving around half of our full-year target. Its earnings before interest, taxes, depreciation, and amortization (EBITDA) in 6M2023 reached THB5.9 billion, with an EBITDA margin of 16%. We project HMPRO’s total operating revenue to increase to THB70-THB73 billion per annum in 2023-2024 and its EBITDA margin to sustain at around 15%-16%.

We expect HMPRO’s financial profile to remain strong over the forecast period. Our base-case scenario assumes HMPRO to require capital expenditures of THB6 billion per annum. 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 2023-2024. As a result, we project HMPRO’s adjusted net debt to EBITDA ratio to hover around 1.6 times and its FFO to debt ratio to remain in the 50%-60% range. HMPRO’s adjusted net debt to EBITDA was 1.5 times and its FFO to debt was 56% in 6M2023.

We assess HMPRO’s liquidity as adequate over the next 12 months. As of June 2023, HMPRO’s anticipated uses of funds in the next 12 months comprised debts coming due of THB4.1 billion, planned capital expenditures of THB6 billion, and a dividend payout ratio of around 80%. HMPRO’s sources of funds consisted of THB2 billion in cash and cash equivalents and THB5.7 billion in undrawn credit facilities from banks. FFO is forecast to be around THB9 billion in 2023.

As of June 2023, HMPRO had total consolidated debts of THB13.2 billion. Its priority debt, including secured debt at the company and total debts at its subsidiaries, was THB0.2 billion, which translates to a priority debt to total consolidated debt ratio of 2%.

The financial covenants on HMPRO’s debentures require the company’s interest-bearing debt to equity ratio to remain below 2.5 times. As of June 2023, the ratio was 0.8 times. We believe HMPRO should remain in compliance with the financial covenants over the next 12 to 18 months.

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 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.

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-
HMPRO261A: THB2,000 million senior unsecured debentures due 2026	AA-
Up to THB3,000 million senior unsecured debentures due within 3 years	AA-
Rating Outlook:	Stable

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