

# HOME PRODUCT CENTER PLC

No. 136/2023  
7 December 2023

## CORPORATES

<b>Company Rating:</b>	AA-
<b>Issue Ratings:</b>	
Senior unsecured	AA-
<b>Outlook:</b>	Stable

**Last Review Date:** 20/10/23

### 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 the 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 market presence in the home improvement retail business in Thailand, satisfactory profit margin, and efficient working capital management. The ratings take into consideration our expectation of the company’s ability to sustain low financial leverage and adequate liquidity. The ratings also incorporate our concerns over an 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 nine months of 2023 (9M23) were in line with our expectations. The company’s operating performance was underpinned by a 2% year-on-year (y-o-y) same-store-sales growth and its ongoing store expansion. The company reported total operating revenue of THB54.6 billion, representing a 7% y-o-y growth. Its earnings before interest, taxes, depreciation, and amortization (EBITDA) in 9M23 stood at THB8.9 billion, with an EBITDA margin of 16%. We project HMPRO’s total operating revenue to reach the THB70-THB80 billion per annum level in 2023-2025 with an EBITDA margin sustaining above 15%.

We expect HMPRO’s financial profile to remain strong over the forecast period. Our base-case scenario assumes capital expenditures of THB5.0-THB8.5 billion per annum in 2023-2025, mainly for store expansion. Despite its rapid business expansion, we view that HMPRO’s prudent financial discipline to maintain low financial leverage plus efficient working capital management should alleviate pressure on its financial profile. We expect the company’s debt to EBITDA ratio to range between 1.6-1.8 times and the ratio of its funds from operations (FFO) to debt to stay in the 47%-50% range throughout the forecast period. As of September 2023, the two ratios were 1.8 times and 47%, respectively.

We assess HMPRO’s liquidity as adequate over the next 12 months. As of September 2023, HMPRO’s anticipated uses of funds in the next 12 months comprised debts coming due of THB4.1 billion, planned capital expenditures of around THB5 billion in 2024, and a dividend payout ratio of around 80%. The company’s sources of funds consisted of THB1.5 billion in cash and cash equivalents plus THB5.7 billion in undrawn credit facilities from banks. We forecast FFO of THB9.8 billion over the next 12 months.

As of September 2023, HMPRO had total consolidated debts of THB14.8 billion. Priority debt, including secured debt at the company and total debts at its subsidiaries, was THB200 million. This 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 September 2023, the ratio was 0.9 times. We expect HMPRO to remain in compliance with the financial covenants over the next 12 to 18 months.

**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.

## RATING OUTLOOK

The “stable” outlook reflects our expectation that HMPRO will be able to retain its strong competitive position 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 of the ratings could occur if the company’s operating results and/or financial position turn out to be considerably weaker-than-expected. A net debt to EBITDA ratio exceeding 2 times for a prolonged period could also trigger a downward revision of the rating and/or outlook.

## 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)

<b>Company Rating:</b>	AA-
<b>Issue Ratings:</b>	
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-
HMPRO269A: THB1,000 million senior unsecured debentures due 2026	AA-
HMPRO269B: THB700 million senior unsecured debentures due 2026	AA-
Up to THB3,000 million senior unsecured debentures due within 3 years	AA-
<b>Rating Outlook:</b>	Stable

## TRIS Rating Co., Ltd.

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