

THAI BEVERAGE PLC

No. 26/2021
1 April 2021

CORPORATES

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

Last Review Date: 23/11/20

Company Rating History:

Date	Rating	Outlook/Alert
02/02/18	AA	Stable
20/12/17	AA+	Alert Negative
04/10/16	AA+	Stable
05/10/15	AA	Stable
28/05/13	AA-	Stable
20/07/12	AA	Alert Negative
04/03/10	AA	Stable
09/01/07	AA-	Stable
17/01/06	A+	Stable

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RATIONALE

TRIS Rating affirms the company rating on Thai Beverage PLC (ThaiBev) and the rating on ThaiBev's outstanding senior unsecured debentures at "AA", with a "stable" rating outlook. At the same time, TRIS Rating assigns the rating of "AA" to ThaiBev's proposed issue of up to THB8 billion in senior unsecured debentures. The proceeds from the new debentures will be used to repay outstanding debts.

The ratings reflect ThaiBev's dominant position in the regional beverage markets, supported by its strong brands and extensive distribution network. The ratings also take into consideration the company's strong commitment to deleveraging. However, the ratings are constrained by the company's high financial leverage, intense competition, regulatory constraints, and frequent excise tax hikes in the Thai alcoholic beverage industry.

In the first quarter of fiscal year (FY) 2021, total revenue declined by 5.2% to THB72.0 billion due mainly to the slowdown in sales volume of beer business while spirit business remained resilient. The company's earnings before interest, taxes, depreciation, and amortization (EBITDA) margin improved to 20.0% in the first quarter of FY2021, compared to 17.4% in same period of previous year, thanks to ThaiBev's tightened cost control, especially selling and administrative expenses. As a result, ThaiBev's EBITDA increased by 8.7% year-on-year to THB14.4 billion in the first quarter of FY2021.

ThaiBev's financial leverage gradually improved. The ratio of debt to EBITDA declined to 3.8 times in the first quarter of FY2021, compared to 4.2 times in the same period of previous year.

RATING OUTLOOK

The "stable" outlook reflects our expectation that ThaiBev will maintain its dominant position in both the domestic and international alcoholic beverage markets and continue to deliver strong cash generation, which will be used partly to bring down financial leverage over the next few years.

RATING SENSITIVITIES

ThaiBev's ratings and/or outlook could be revised upward, should the adjusted debt to EBITDA ratio fall below 2 times on a sustained basis. On the contrary, the ratings and/or outlook could be revised downward if we believe that ThaiBev is unable to attain its deleveraging target and its net debt to EBITDA ratio stays above 3.5 times for a prolonged period.

RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

Thai Beverage PLC (ThaiBev)

Company Rating:	AA
Issue Ratings:	
TBEV233A: THB10,000 million senior unsecured debentures due 2023	AA
TBEV253A: THB9,300 million senior unsecured debentures due 2025	AA
TBEV283A: THB14,500 million senior unsecured debentures due 2028	AA
TBEV243A: THB11,300 million senior unsecured debentures due 2024	AA
TBEV293A: THB10,100 million senior unsecured debentures due 2029	AA
Up to THB8,000 million senior unsecured debentures due within 3 years	AA
Rating Outlook:	Stable

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