

THAI BEVERAGE PLC

No. 13/2018

15 February 2018

CORPORATES

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

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 of Thai Beverage PLC (ThaiBev) at "AA". At the same time, TRIS Rating assigns the rating of "AA" to ThaiBev's proposed issue of up to Bt50,000 million in senior unsecured debentures. The proceeds from the new debentures will be used to repay outstanding debts and reserve for working capital.

The ratings reflect ThaiBev's robust competitive position in the domestic beverage market, extensive distribution network, stable operating cash flow, and ongoing efforts to diversify its sources of income. These strengths are partially constrained by intense competition, as well as strict regulations and frequent hikes of excise taxes in the alcoholic beverages industry.

In fiscal year (FY) 2017, total revenue was Bt190 billion, slightly declined by 0.02% from the previous year. The operating profit margin improved to 16.8% in FY2017, compared with 16.3% in FY2016. The rise came because of the company's ongoing cost control efforts plus the improvement of its operating efficiency.

ThaiBev's financial leverage has risen significantly as a result of a number of strategic acquisitions late last year. The ratio of total debt to earnings before interest, tax, depreciation, and amortization (EBITDA) is expected to increase to 4.5 times in FY2018, from 1.1 times in FY2017. ThaiBev aims to use its operating cash flow to gradually reduce the level of leverage over the next few years. TRIS Rating forecasts the total debt to EBITDA ratio will decline to around 3 times by FY2020. The forecast is built on the strengths of ThaiBev's business and the management team's commitment to deleverage.

RATING OUTLOOK

The "stable" outlook reflects TRIS Rating's expectation that ThaiBev will maintain its dominant position in the Thai alcoholic beverages market and continue to deliver strong cash generation, which will be used to reduce financial leverage over the next few years.

RATING SENSITIVITIES

ThaiBev's ratings and/or outlook could be revised upward, should the total debt to EBITDA ratio fall below 2.5 times on a sustained basis. To the contrary, the ratings and/or outlook could be revised downward if ThaiBev's financial profile weakens further, caused by either a significant deterioration in profitability or a significant further rise in financial leverage.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Bt million

	---- Year Ended 31 December ----				
	Oct-Sep 2017	Jan-Sep 2016	2015	2014	2013
Sales	189,997	139,153	172,049	162,040	155,771
Gross interest expense	981	813	1,363	1,553	2,319
Net income from operations	25,978	18,870	21,980	21,460	18,720
Funds from operations (FFO)	30,998	20,680	24,637	24,558	20,462
Total capital expenditures	5,507	2,954	4,065	4,763	4,824
Total assets	194,240	187,653	182,017	171,987	183,329
Total debt	40,654	46,085	44,257	49,502	67,700
Shareholders' equity	132,513	123,712	119,266	104,676	97,993
Operating income before depreciation and amortization as % of sales	16.8	16.3	16.0	16.9	16.0
Pretax return on permanent capital (%)	18.8	16.2 **	17.5	17.1	14.2
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	37.3	32.9	23.7	20.1	12.5
FFO/total debt (%)	76.2	61.0 **	55.7	49.6	30.2
Total debt/capitalization (%)	23.5	27.1	27.1	32.1	40.9

* Consolidated financial statements

** Annualized with trailing 12 months

Thai Beverage PLC (ThaiBev)

Company Rating: AA**Issue Rating:**

Up to Bt50,000 million senior unsecured debentures due within 10 years AA

Rating Outlook: Stable

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