

CP ALL PLC

No. 27/2022
15 March 2022

CORPORATES

Company Rating:	A+
Issue Ratings:	
Secured	A+
Senior unsecured	A+
Hybrid	A-
Outlook:	Stable

Last Review Date: 15/03/22

Company Rating History:

Date	Rating	Outlook/Alert
08/12/20	A+	Stable
13/03/20	AA-	Alert Negative
10/07/19	AA-	Stable
09/10/17	A+	Stable

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RATIONALE

TRIS Rating assigns the rating of “A+” to CPALL’s existing senior secured debentures (CPALL230A, CPALL230B, CPALL243A, CPALL243B, and CPALL248B) totaling THB40,874.7 million.

TRIS Rating also assigns the rating of “A+” to CPALL’s existing senior unsecured debentures (CPALL226A, CPALL233A, CPALL238A, CPALL256A, CPALL263A, CPALL268A, CPALL278A, CPALL283A, CPALL288A, and CPALL293A) totaling THB28,217 million.

At the same time, TRIS Rating assigns the rating of “A-” to CPALL’s existing subordinated capital debentures (CPALL17PA) totaling THB10,000 million.

The rating on CPALL’s subordinated capital debentures is two notches below the company rating. This rating differential reflects the subordinated nature of the hybrid debentures and the option of the issuer to defer coupons on a cumulative basis.

However, the subordinated capital debentures (CPALL17PA) does not qualify for 50% equity credit according to TRIS Rating’s “Issue Rating Criteria” in relation to hybrid securities. This is because the remaining effective tenor of this issue will be less than 20 years. According to the criteria, the effective maturity date of the issue is defined as the date when there is a material step up of the coupon rate (equal to or more than 100 basis points or bps). In this case, the interest rate of the hybrid debentures will step up by 100 bps at the end of the 10th year from the issuing date.

CPALL’s full-year 2021 results have been impacted materially from the financial consolidation of C.P. Retail Development Co., Ltd. (CPRD) and the operation of “Lotus’s” retail stores in Thailand and Malaysia. CPALL’s financial leverage increased substantially as a result of the consolidation. The adjusted net debt increased to around THB393 billion at the end of 2021 from THB279 billion in 2020, while the adjusted debt to EBITDA increased to 8.1 times in 2021 from 5.7 times in 2020.

We have revised our projection to incorporate the consolidation of CPRD and planned capital expenditures of the “Lotus’s” stores. CPALL’s operating revenue is projected to increase by 36.1% y-o-y to THB797 billion in 2022 and THB843-THB892 billion in 2023-2024. EBITDA is forecast to increase by 18.2% year-on-year (y-o-y) to THB57.3 billion in 2022, before climbing to THB61-THB64 billion in 2023-2024. Debt to EBITDA ratio is projected to hover around 6.7 times in 2022 before gradually improve to 6.0 times in 2024.

We assess CPALL’s liquidity to be manageable over the next 12 months. At the end of December 2021, CPALL had cash on hand of THB92.3 billion. We forecast the company’s funds from operations (FFO) to be around THB36 billion in 2022. Cash on hand plus FFO should be sufficient to cover both debt repayments of approximately THB47 billion and capital spending of around THB29 billion.

The financial covenant on CPALL’s debentures obligations requires the company’s net interest-bearing debt to equity ratio (excluding lease liability) to remain below 2 times. As of December 2021, CPALL’s net interest-bearing debt to equity ratio was 0.9 times. We expect the company will remain in compliance with this covenant over the forecast period.

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 TRIS Rating’s expectation that CPALL will sustain its leading position and competitive edge and continue to deliver sound financial results. We expect its high level of cash balance and stable cash flow will continue to provide sufficient financial strength to support its future expansion plans.

RATING SENSITIVITIES

CPALL’s ratings and/or outlook could be revised upward should the company materially improve its capital structure and cash flow protection. However, the ratings and/or outlook would be revised downward if the operating performance is materially weaker than expected or there are sizable debt-funded investments, that are expected to result in material weakening of capital structure and debt serviceability such that the ratio of adjusted debt to EBITDA exceeds 8 times for a sustained period.

RELATED CRITERIA

- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019

CP AII PLC (CPALL)

Company Rating:	A+
Issue Ratings:	
CPALL226A: THB3,000 million senior unsecured debentures due 2022	A+
CPALL22NA: THB9,000 million senior unsecured debentures due 2022	A+
CPALL233A: THB937 million senior unsecured debentures due 2023	A+
CPALL233B: THB6,000 million senior unsecured debentures due 2023	A+
CPALL236A: THB3,000 million senior unsecured debentures due 2023	A+
CPALL238A: THB500 million senior unsecured debentures due 2023	A+
CPALL230A: THB4,132 million senior secured debentures due 2023	A+
CPALL230B: THB10,990 million senior secured debentures due 2023	A+
CPALL243A: THB5,379.2 million senior secured debentures due 2024	A+
CPALL243B: THB9,934.5 million senior secured debentures due 2024	A+
CPALL246A: THB3,000 million senior unsecured debentures due 2024	A+
CPALL248B: THB10,439 million senior secured debentures due 2024	A+
CPALL256A: THB6,000 million senior unsecured debentures due 2025	A+
CPALL256B: THB13,200 million senior unsecured debentures due 2025	A+
CPALL256C: THB6,500 million senior unsecured debentures due 2025	A+
CPALL263A: THB2,074 million senior unsecured debentures due 2026	A+
CPALL263B: THB10,000 million senior unsecured debentures due 2026	A+
CPALL266A: THB17,773 million senior unsecured debentures due 2026	A+
CPALL268A: THB748 million senior unsecured debentures due 2026	A+
CPALL271A: THB2,466 million senior unsecured debentures due 2027	A+
CPALL275A: THB1,698.7 million senior unsecured debentures due 2027	A+
CPALL278A: THB3,000 million senior unsecured debentures due 2027	A+
CPALL27NA: THB9,000 million senior unsecured debentures due 2027	A+
CPALL283A: THB2,607 million senior unsecured debentures due 2028	A+
CPALL283B: THB6,800 million senior unsecured debentures due 2028	A+
CPALL286A: THB7,376 million senior unsecured debentures due 2028	A+
CPALL288A: THB4,851 million senior unsecured debentures due 2028	A+
CPALL291A: THB1,920 million senior unsecured debentures due 2029	A+
CPALL293A: THB4,500 million senior unsecured debentures due 2029	A+
CPALL305A: THB2,169.3 million senior unsecured debentures due 2030	A+
CPALL305B: THB2,350 million senior unsecured debentures due 2030	A+
CPALL311A: THB5,614 million senior unsecured debentures due 2031	A+
CPALL313A: THB3,600 million senior unsecured debentures due 2031	A+
CPALL316A: THB21,351 million senior unsecured debentures due 2031	A+
CPALL325A: THB3,632 million senior unsecured debentures due 2032	A+
CPALL336A: THB7,000 million senior unsecured debentures due 2033	A+
CPALL359A: THB3,450 million senior unsecured debentures due 2035	A+
CPALL363A: THB1,500 million senior unsecured debentures due 2036	A+
CPALL17PA: THB10,000 million subordinated capital debentures	A-
CPALL21PA: THB10,000 million subordinated capital debentures	A-
Up to THB8,000 million senior unsecured debentures due within 5 years	A+
Rating Outlook:	Stable

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