

CARABAO GROUP PLC

No. 45/2021

21 June 2021

CORPORATES

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

Last Review Date: 06/10/20

Company Rating History:

Date	Rating	Outlook/Alert
06/10/20	A	Stable
20/11/17	A-	Stable

Contacts:

Tulyawat Chatkam

tulyawatc@trisrating.com

Sarinthorn Sosukpaibul

sarinthorn@trisrating.com

Wajee Pitakpaibulkij

wajee@trisrating.com

Pramuansap Phonprasert

pramuansap@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating on Carabao Group PLC (CBG) and the rating on CBG's outstanding senior unsecured debentures at "A" with a "stable" rating outlook. At the same time, TRIS Rating assigns the rating of "A" to CBG's proposed issue of up to THB1.5 billion senior unsecured debentures. The proceeds from the debenture issuance will be used to repay outstanding debts and fund working capital.

The ratings reflect CBG's strong market position in the energy drinks market and its growth opportunities abroad. The ratings are also supported by the company's low debt level and continued improvement in operating performance. However, these strengths are partially offset by CBG's reliance on a narrow range of products and limited growth prospects in the Thai energy drinks market.

For the first quarter of 2021, CBG's revenues reached THB4.1 billion, a 0.7% decrease from the corresponding period last year. The slight drop was the result of lower energy drinks exports to the Republic of the Union of Myanmar (Myanmar) and Cambodia, offsetting an improvement in domestic sales. The company's earnings before interest, taxes, depreciation, and amortization (EBITDA) margin declined to 25.7% in the first quarter of 2021, compared with 29.7% in the same period of the previous year. Profitability softened due to declining overseas sales and an increase in the price of raw materials, such as sugar and aluminum coil. However, CBG's performance remains on track with our projections.

CBG's financial leverage remains low. The ratio of debt to EBITDA stood at 0.8 times in 2020 and in the first quarter of 2021. The ratio of funds from operations (FFO) to debt remained solid at 112% in the first quarter of 2021, compared with 90% in 2019 and 108% in 2020.

As of March 31, 2021, CBG had THB3.97 billion in debt, including THB1.29 billion of priority debt. This priority debt was unsecured debt at the subsidiaries' level. This translates to a ratio of priority debt to total debt of 33%. As its priority debt ratio is lower than 50%, the rating of senior unsecured debentures of CBG is equal to the issuer rating of the company.

RATING OUTLOOK

The "stable" outlook reflects our expectation that CBG will be able to maintain its strong market position in the domestic energy drinks market while maintaining reasonable growth in the export market. We expect CBG to continue delivering strong profitability and solid operating performance while maintaining sound capital structure.

RATING SENSITIVITIES

A rating downgrade could occur if CBG's operating performance deteriorates substantially for a sustained period or a more aggressive financial policy is adopted. A rating upgrade is unlikely in the near term. However, an upward revision could materialize if CBG is able to enlarge its cash-flow significantly and develop more meaningful and diversified sources of income while maintaining sound capital structure.

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.

RELATED CRITERIA

- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

Carabao Group PLC (CBG)

Company Rating:	A
Issue Rating:	
Up to THB1,500 million senior unsecured debentures due within 2 years	A
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 0-2098-3000

© Copyright 2021, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at www.trisrating.com/rating-information/rating-criteria