

BERLI JUCKER PLC

No. 16/2023
26 January 2023

CORPORATES

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

Last Review Date: 22/08/22

Company Rating History:

Date	Rating	Outlook/Alert
16/08/21	A	Stable
09/08/19	A+	Negative
08/08/16	A+	Stable
17/02/16	A+	Alert Developing
25/11/14	A+	Stable
13/08/14	A+	Alert Developing
15/06/07	A+	Stable

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RATIONALE

TRIS Rating affirms the company rating on Berli Jucker PLC (BJC) and the ratings on BJC's outstanding senior unsecured debentures at "A", with a "stable" rating outlook. At the same time, TRIS Rating assigns the rating of "A" to BJC's proposed issue of up to THB2 billion in senior unsecured debentures, with a tenor of up to four years. The company intends to use proceeds from the new debenture issuance for debt refinancing, funding investments, and/or for working capital needs.

The ratings reflect BJC's strong market positions in its core businesses, diverse sources of income, and broad market coverage. The ratings also take into consideration the expected rebound of its operating performance following post-pandemic economic recovery. The ratings are constrained by the company's highly leveraged balance sheet, intense competition in the retail and consumer product industries, as well as challenges from rising commodity prices and higher inflation.

BJC's operating results were in line with our expectations. For the first nine months of 2023, total operating revenue came in at THB121 billion, an 11% increase year-on-year (y-o-y). The growth was driven mainly by the packaging business and the recovery of sales and rental income in the modern trade business.

Revenue in the packaging business increased by 30% y-o-y to THB18.1 billion. Its modern trade business through Big C Supercenter PLC (BIGC) reported sales of THB71.3 billion, up 6.1% y-o-y. BIGC remains the major revenue generator, contributing 64% of BJC's total sales.

BJC's earnings before interest, taxes, depreciation, and amortization (EBITDA) rose by 7% y-o-y to THB15 billion. Funds from operations (FFO) were around THB11 billion. However, its profit margins came under pressure as prices of key raw materials increased, coupled with rising utility and personnel expenses. BJC's EBITDA margin slightly decreased to 12.44% in the first nine months of 2022.

BJC's leverage remains high, with adjusted debt of THB162.6 billion as of September 2022. Its debt to EBITDA ratio was about 8 times (annualized with the trailing 12 months). While we expect the debt to EBITDA ratio of BJC to gradually decline to about 6 times in 2024.

We assess BJC to have adequate liquidity over the next 12 months. Its primary sources of funds are cash on hand of THB4.1 billion at the end of September 2022, and undrawn bank facilities of THB59.8 billion. FFO are forecast at about THB14.5 billion in 2022. The primary uses of funds are the long-term debt repayment of THB10 billion paid in the last quarter of 2022 as well as debentures and bank loans of about THB25.2 billion coming due in 2023. We estimated the company's capital spending of about THB10-TH13 billion per year during 2022-2023.

As of September 2022, BJC's priority debt level was less than the threshold of 50% according to TRIS Rating's "Issue Rating Criteria". We view the company's unsecured creditors as not being significantly disadvantaged with respect to claims against its assets.

RATING OUTLOOK

The "stable" outlook embeds our expectation that BJC will maintain its strong market position in its key businesses. We also expect BJC to deliver improved operating results. Its financial leverage ratio should gradually decline over the medium term, with its debt to EBITDA ratio in the forecast levels.

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 SENSITIVITIES

The ratings and/or outlook could be revised downward if BJC's operating performance is significantly worse than forecast, or if the company undertakes sizable debt-funded investments and/or acquisitions that result in the debt to EBITDA ratio staying over 8 times for an extended period. A rating upgrade scenario could develop if there is significant improvement in cashflow protection and a substantial reduction in financial leverage, leading to a drop in the debt to EBITDA ratio to below 5 times.

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

Berli Jucker PLC (BJC)

Company Rating:	A
Issue Ratings:	
BJC233A: THB5,000 million senior unsecured debentures due 2023	A
BJC233B: THB1,000 million senior unsecured debentures due 2023	A
BJC239A: THB3,000 million senior unsecured debentures due 2023	A
BJC239B: THB4,000 million senior unsecured debentures due 2023	A
BJC23DA: THB2,100 million senior unsecured debentures due 2023	A
BJC243A: THB4,000 million senior unsecured debentures due 2024	A
BJC246A: THB12,256.6 million senior unsecured debentures due 2024	A
BJC249A: THB7,000 million senior unsecured debentures due 2024	A
BJC253A: THB1,000 million senior unsecured debentures due 2025	A
BJC259A: THB3,000 million senior unsecured debentures due 2025	A
BJC269A: THB20,000 million senior unsecured debentures due 2026	A
BJC271A: TH5,000 million senior unsecured debentures due 2027	A
BJC273B: THB3,000 million senior unsecured debentures due 2027	A
BJC279A: THB1,000 million senior unsecured debentures due 2027	A
BJC283A: THB7,000 million senior unsecured debentures due 2028	A
BJC293A: THB5,000 million senior unsecured debentures due 2029	A
BJC299A: THB7,000 million senior unsecured debentures due 2029	A
BJC303A: THB3,000 million senior unsecured debentures due 2030	A
BJC306A: THB4,003.4 million senior unsecured debentures due 2030	A
Up to THB2,000 million senior unsecured debentures due within 4 years	A
Rating Outlook:	Stable

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