

MBK PLC

No. 131/2023

9 November 2023

CORPORATES

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

Last Review Date: 09/10/23

Company Rating History:

Date	Rating	Outlook/Alert
03/09/21	A-	Stable
01/02/11	A	Stable
08/10/07	A-	Stable

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RATIONALE

TRIS Rating affirms the company rating on MBK PLC (MBK) and the ratings on MBK's existing senior unsecured debentures at "A-", with a "stable" outlook. At the same time, we assign the rating of "A-" to MBK's proposed issue of up to THB2.1 billion senior unsecured debentures due within 2 years. The proceeds from the new debentures are intended to be used for future investments, business expansion and working capital.

The ratings reflect the company's diversified revenue and earnings base, improving operating performance, adequate liquidity, and enhanced financial flexibility from its large investment portfolio. The ratings also take into consideration unfavorable economic conditions and interest rate hikes, which could negatively affect domestic consumption and purchasing power in the short to medium term.

For the first six months of 2023 (6M2023), MBK reported revenue from shopping centers of THB1.1 billion, doubling from the same period of the previous year. In addition, the company's overall hotel revenue per available room (RevPAR) in 6M2023 surpassed the 2019 level with an average hotel occupancy rate (OR) of 75% and an average daily rate (ADR) exceeding the pre-pandemic level.

We expect MBK's total operating revenue from all businesses to improve to THB9.5-THB11.5 billion per annum in 2023-2025 from THB8.6 billion in 2022. We project MBK's annual earnings before interest, taxes, depreciation, and amortization (EBITDA) to revert to the THB4-THB5 billion level, with an EBITDA margin of around 43%-44% over the forecast period. Our expectation is based on the continued recovery in shopping center performance and hotel operation, coupled with portfolio expansion of the financial service businesses.

The operating performance of MBK's shopping centers is likely to continue recovering in 2024-2025 in tandem with the spending recovery of both Thai and foreign customers after the pandemic. We also expect the recovery in tourist arrivals and increasing long-haul travel activities to continue supporting MBK's hotel performance in the next couple of years. MBK's outstanding loan portfolio, including asset financing and motorcycle hire purchase loans, is projected to grow by around 5% per annum with acceptable and competitive credit cost.

MBK's financial leverage has lowered to a more moderate level with the debt to EBITDA ratio projected to stay at around 7-8 times at the end of 2023 and further decline to 6-7 times in 2024-2025 as we anticipate a revival of overall operations. MBK's adjusted EBITDA interest coverage ratio should stay at around 3-4 times over the forecast period.

We assess MBK's liquidity as adequate for the next 12 months. As of June 2023, the company's sources of liquidity included THB1.6 billion in cash on hand and THB5.4 billion in undrawn credit facilities available from commercial banks. We project funds from operations (FFO) over the next 12 months to be around THB3 billion. Debts coming due over the next 12 months will amount to THB4.1 billion, comprising THB2.6 billion in short-term borrowings from financial institutions, THB0.8 billion in lease liabilities, THB0.4 billion in debentures, and THB0.3 billion in long-term loans.

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.

MBK also has a large investment portfolio, which can support its liquidity, if needed. As of June 2023, the fair market value of the company's investment in a listed associated company (Thanachart Capital PLC - TCAP) was THB10.4 billion. The portfolio also included investments in other listed company equities worth THB0.6 billion, Siam Piwat Co., Ltd. (SPW) worth THB5.1 billion, corporate debentures of around THB1.0 billion, and SPW's perpetual debenture of THB0.3 billion.

The financial covenants on MBK's debentures require the company to maintain its EBITDA interest coverage ratio (excluding interest from lease liabilities) equal to or above 4 times and its debt to equity ratio (excluding lease liabilities) below or equal to 2 times. As of June 2023, the ratios were 8.5 times and 0.9 times, respectively. We expect the company to remain in compliance with the financial covenants over the next 12 to 18 months.

As of June 2023, MBK's total debt (excluding lease liability) was THB18.9 billion. The company's priority debt, made up of unsecured debts at the subsidiaries, was THB2 billion. This translated to a priority debt to total debt ratio of 11%.

RATING OUTLOOK

The "stable" outlook reflects our expectation that MBK's rental properties will continue generating reliable cash flow while its tourism-related and other businesses will achieve satisfactory operating results as targeted. We also expect MBK's diversified revenue and earnings base to continue underpinning the ratings.

RATING SENSITIVITIES

The credit upside would materialize if MBK achieves substantially larger cash generation to a level comparable with higher-rated peers, while maintaining prudent financial discipline. On the contrary, the ratings and/or outlook could be revised downward if MBK's operating performance significantly deviates from our expectations and/or the company makes any aggressive debt-funded investments that materially weaken its financial profile.

RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Rating Methodology for Real Estate for Rent Companies, 15 July 2021
- Issue Rating Criteria, 15 June 2021
- Nonbank Financial Institution Methodology, 17 February 2020

MBK PLC (MBK)

Company Rating:	A-
Issue Ratings:	
MBK255A: THB1,600 million senior unsecured debentures due 2025	A-
MBK265A: THB600 million senior unsecured debentures due 2026	A-
MBK27NA: THB1,500 million senior unsecured debentures due 2027	A-
Up to THB2,100 million senior unsecured debentures due within 2 years	A-
Rating Outlook:	Stable

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