

# CARABAO GROUP PLC

No. 45/2023  
20 April 2023

## CORPORATES

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

Last Review Date: 10/03/23

### Company Rating History:

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

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## 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" outlook. At the same time, TRIS Rating assigns the ratings of "A" to CBG's senior unsecured zero-coupon debentures worth THB1,585 million due 2025 (CBG254A) and worth THB546 million due 2026 (CBG264A). The new issue ratings replace the issue ratings previously assigned on 10 March 2023, following CBG's request to change the issue size from the previously announced size of up to THB2 billion to accommodate the outstanding zero-coupon debentures. The proceeds from the debenture issuance will be used to repay outstanding debts and fund working capital.

The ratings reflect CBG's strong position in the domestic energy drink market and its growth opportunities abroad. The ratings are also supported by the company's moderate financial leverage and its sound 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 drink market.

CBG's performance remains on track with our projections. CBG's revenue in 2022 came in at THB19.4 billion, an 11% increase year-on-year (y-o-y). The increase in revenue was mainly the result of growing revenue from third-party products, while overseas sales of energy drink products fell slightly. The company's earnings before interest, taxes, depreciation, and amortization (EBITDA) margin declined to 18.5% in 2022, compared with 24.1% in the previous year. Profitability softened due to an increase in the price of raw materials, particularly aluminum coil, and a greater contribution of revenue from lower margin third-party products.

CBG's financial leverage has increased but remained moderate. The company's debt rose mainly due to an increase in working capital. The debt to EBITDA ratio was 1.8 times in 2022, climbing from 1.4 times in 2021. The ratio of funds from operations (FFO) to debt fell to 47% in 2022 from 60% in 2021.

As of December 2022, CBG's debt consisted of THB860 million in priority debt out of total interest-bearing debt of THB6.6 billion. The priority debt to total debt ratio was 13%.

## RATING OUTLOOK

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

## RATING SENSITIVITIES

The ratings could be revised downward if CBG's operating performance deteriorates substantially for a prolonged period or if its financial policy becomes more aggressive such that the debt to EBITDA ratio rises close to 2 times. A rating upgrade is unlikely in the near term. However, the ratings could be revised upward if CBG is able to significantly expand its cash flow base and develop more meaningful and diversified sources of income while maintaining sound financial leverage.

**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

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

## Carabao Group PLC (CBG)

<b>Company Rating:</b>	A
<b>Issue Ratings:</b>	
CBG237A: THB1,500 million senior unsecured debentures due 2023	A
CBG254A: THB1,585 million senior unsecured debentures due 2025	A
CBG264A: THB546 million senior unsecured debentures due 2026	A
<b>Rating Outlook:</b>	Stable

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