

MBK PLC

No. 39/2023
31 March 2023

CORPORATES

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

Last Review Date: 30/09/22

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 THB2.5 billion in senior unsecured debentures due within 4 years. The proceeds from the new debentures are intended to be used for debt repayments.

The ratings on MBK and its debentures reflect the company's diversified revenue and earnings base, its strong financial flexibility, and expected operational recovery post COVID-19 pandemic. The ratings also incorporate the company's reliable cash flows from the commercial property business and its close linkage with the Thanachart Group.

We expect MBK's operating revenue to improve to THB9-THB11 billion in 2023-2025 from THB8.6 billion in 2022 following the recovery of the commercial property, hotel operation, and financial service businesses. We expect MBK's revenue from commercial properties to increase to THB2.7-THB3.4 billion in 2023-2025 from THB1.9 billion in 2022. With increasing international tourist arrivals, we project revenue from hotel operations to rebound to the THB1.0-THB1.3 billion level in the next three years from THB0.8 billion in 2022. Revenue from the financial service business should be around THB2.4-THB2.6 billion in 2023-2025, driven by a gradual loan portfolio expansion. We view that the company's earnings before interest, taxes, depreciation, and amortization (EBITDA) should return to the THB4-THB5 billion level, with an EBITDA margin of above 40% over the forecast period.

We assess MBK's liquidity position as remaining satisfactory. At the end of December 2022, the company's sources of funds comprised THB1.3 billion in cash on hand, THB1.8 billion in short-term investment, and THB4.0 billion in undrawn credit facilities from commercial banks. We project funds from operations (FFO) to be THB2.8 billion in 2023. The company's use of funds comprised debts due over the next 12 months totaling THB4.4 billion and capital expenditures of THB1.1 billion in 2023. At the end of December 2022, the market value of MBK's investments in listed firms was worth THB6.3 billion, which helps provide financial flexibility.

The financial covenants on MBK's debentures require the debt (interest bearing debt)-to-equity ratio to stay below or equal to 2 times (for all outstanding debentures) and the EBITDA interest coverage ratio to remain above or equal to 4 times (for debentures issued before April 2020). At the end of December 2022, the debt-to-equity ratio was 0.8 times and the EBITDA interest coverage ratio was 6.3 times. We believe that MBK should have no problems complying with the financial covenants over the next 12-18 months.

At the end of December 2022, MBK's total debt stood at THB16.6 billion, excluding lease obligations. MBK's priority debt was THB2.7 billion, which translates to a priority debt to total debt ratio of 16%.

RATING OUTLOOK

The "stable" outlook reflects our expectation that MBK will be able to deliver an operating performance that is in line with our targets. We expect the company's tourism-related businesses to gradually recover in tandem with the industry revival and its other businesses to generate satisfactory operating results.

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

A credit upside would materialize if MBK delivers significantly stronger-than-expected operating and financial results. In contrast, a rating downward revision could occur if MBK's operating performance and/or financial profile deteriorate considerably from our expectation, or if the company pursues any aggressive debt-funded investments leading to deeper-than-expected deterioration in its credit 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:	
MBK27NA: THB1,500 million senior unsecured debentures due 2027	A-
Up to THB2,500 million senior unsecured debentures due within 4 years	A-
Rating Outlook:	Stable

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