

THAI UNION GROUP PLC

 No. 52/2021
 16 July 2021

CORPORATES

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

Last Review Date: 28/06/21

Company Rating History:

Date	Rating	Outlook/Alert
28/08/18	A+	Stable
24/06/15	AA-	Stable
23/12/14	AA-	Alert Developing
08/01/13	AA-	Stable
14/01/11	A+	Stable
29/07/10	A+	Alert Developing
30/08/06	A+	Stable

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RATIONALE

TRIS Rating affirms the company rating on Thai Union Group PLC (TU) and the ratings on TU's senior unsecured debentures at "A+", and subordinated capital debentures (hybrid debentures) at "A-". The rating outlook remains "stable". At the same time, TRIS Rating assigns the rating of "A+" to TU's proposed issue of up to THB5 billion in senior unsecured debentures. The new issue rating replaces the issue rating previously assigned on 28 June 2021, following TU's request to increase the issue size from the previously announced size of THB4 billion. The proceeds from the new debentures will be used to refinance the company's outstanding debts and support working capital needs.

The ratings still reflect TU's strong market position as one of the world's leading seafood processors, the diversity of its products and markets, the well-known brands of its products distributed in Europe and the United States (US), and barriers to market entry including fishing quotas, and high capital investment. However, the ratings are constrained by volatile raw material prices, the risk of disease outbreaks, trade barriers, fishing regulations, and fluctuations in foreign exchange rates.

TU's operating results improved substantially in the first quarter of 2021. The improvement was mainly driven by a recovery of the frozen products business, coupled with solid margins of pet care and value-added segments. Earnings before interest, taxes, depreciation, and amortization (EBITDA) surged by 30.5% year-on-year (y-o-y) to THB3.6 billion in the first quarter of 2021. The EBITDA margin stood at 11.4%, up from 7%-10% during the past few years.

TU's debt level against cash generation has improved significantly, following its strong operating performance and lower capital spending. TU's net debt to EBITDA ratio was 4.1 times in the first quarter of 2021, down from 6.1 times in 2019 and 4.2 times in 2020. The total debt to capitalization ratio slipped to 52.1% in the first quarter of 2021, from 55.4% in 2019 and 52.3% in 2020.

For the remainder of 2021, we expect TU's operating performance to remain at a satisfactory level, despite facing several challenges. The company's strategies that focus on innovative products, efficiency improvements and cost reductions combined with the prospect of a post COVID-19 economic recovery particularly in major economies, should help the company sustain steady operating performance.

As of March 2021, TU's interest-bearing debt was THB62 billion, comprising debentures and perpetual bond of about THB34 billion, long-term loans totaling THB21 billion, and a short-term loan of THB8 billion.

The key financial covenants on the company's debentures are a net interest-bearing debt to equity ratio below 2 times, and an interest coverage ratio above 3 times. TU's net debt to equity ratio at the end of March 2021 was 0.9 times, while its interest coverage ratio was 8.6 times. We expect the company to remain in compliance with these covenants over the forecast period.

RATING OUTLOOK

The “stable” outlook reflects our expectation that TU will maintain its competitive advantage and satisfactory operating performance.

RATING SENSITIVITIES

TU’s ratings could be revised upward if cash flow protection improves significantly. A downgrade could occur if operating performance is materially weaker than expected or if TU makes any sizable debt-funded investment that potentially weakens its balance sheet and cash-flow protection.

RELATED CRITERIA

- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019
- Hybrid Securities Rating Criteria, 12 September 2018
- Key Financial Ratios and Adjustments, 5 September 2018

Thai Union Group PLC (TU)

Company Rating:	A+
Issue Ratings:	
TU217A: THB1,500 million senior unsecured debentures due 2021	A+
TU217B: THB2,000 million senior unsecured debentures due 2021	A+
TU221A: THB2,000 million senior unsecured debentures due 2022	A+
TU237A: THB2,000 million senior unsecured debentures due 2023	A+
TU241A: THB2,500 million senior unsecured debentures due 2024	A+
TU242A: THB1,050 million senior unsecured debentures due 2024	A+
TU26NA: THB2,000 million senior unsecured debentures due 2026	A+
TU271A: THB4,000 million senior unsecured debentures due 2027	A+
TU29NA: THB4,000 million senior unsecured debentures due 2029	A+
TU19PA: THB6,000 million subordinated capital debentures	A-
Up to THB5,000 million senior unsecured debentures due within 7 years	A+
Rating Outlook:	Stable

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