

## Press Release

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### **TRIS Rating Says Ratings of “SPALI” and “MK” Are Not Affected By Voluntary Tender Offer**

TRIS Rating holds the view that the credit ratings of Supalai PLC (SPALI) and M.K. Real Estate Development PLC (MK) are not affected by SPALI’s recent announcement of a voluntary tender offer for all securities of MK. We expect SPALI’s leverage will not rise sharply. In addition, SPALI’s business profile is unlikely to change significantly due to MK’s smaller business scale. On balance, we believe the purchase will have a neutral to positive impact on MK. SPALI’s stronger business and financial profiles may enhance MK’s competitiveness.

The board of directors of SPALI recently approved a voluntary tender offer for MK. Supalai Property Management Co., Ltd. (SPM), a subsidiary of SPALI, will offer Bt4.10 per share, making the total purchase worth Bt4,067.24 million.

In our view, SPALI’s business and financial profiles will not change significantly after the purchase. Given the total purchase worth Bt4,067.24 million, SPALI’s debt to total capitalization ratio could increase to about 50%, from about 39% as of March 2018. This level remains commensurate with our rating threshold for SPALI. We believe SPALI will not realize significant increases in revenue and profit after the purchase. In 2017, MK’s revenue was 12% of SPALI’s, while MK’s net profit was 4% of SPALI’s. Benefits from diversification to SPALI are unclear. Both SPALI and MK focus on the same target group, which is the middle-income segment. The MK’s rental property segment is currently small. In contrast, if the voluntary tender succeeds, MK could receive business and financial support from SPALI. The support will enhance MK’s competitiveness. Ultimately, the benefits realized will depend on the subsequent strategic moves of the two companies.

**TRIS Rating Co., Ltd./**[www.trisrating.com](http://www.trisrating.com)

Contact: [santaya@trisrating.com](mailto:santaya@trisrating.com), Tel: 0-2098-3000/Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand

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