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**News for Investors****Announcement No. 756****14 January 2011**

Thai Union Frozen Products Public Company Limited

Company Rating:**A+****Issue Ratings:**

TUF116A: Bt3,200 million senior debentures due 2011

A+

TUF13NA: Bt500 million senior debentures due 2013

A+**Rating Outlook:****Stable****Rating History:****Company Rating****Issue Rating****Secured****Unsecured**

29 July 2010

A+/Alert Developing

-

A+

17 May 2007

A+/Stable

-

A+

30 Aug 2006

A+/Stable

-

-

Rating Rationale

TRIS Rating affirms the company and issue ratings of Thai Union Frozen Products PLC (TUF) at “A+”. The ratings reflect the company’s strong market position as the world’s leading tuna processors, its product and market diversification, and a number of valuable canned seafood brands. The ratings also take into consideration TUF’s latest move to acquire 100% of the equity of MW Brands Holdings Group (MWB) which will strengthen its position in the European market. These factors are partially offset by the maturity of the canned tuna industry in the United States (US) and European markets, exposure to tuna price volatility and fluctuations in the Thai baht. At the same time, the rating confirmation removes the CreditAlert with “developing” implications placed on the company and issue ratings of TUF since 29 July 2010, following TUF’s announcement to acquire MWB for a total of EUR680 million (or Bt28,496 million at Bt41.9055 for EUR1).

TUF is Thailand’s leading processor and exporter of canned and frozen seafood products with revenue in 2009 of Bt68,994 million. In 2009, TUF produced more than 200,000 tonnes of canned tuna, making TUF one of the top tuna processors in the world. Its supply chain has been strengthened through the integration of packaging and distribution networks. The company’s product portfolio is highly diverse. For the first nine months of 2010, tuna generated the largest portion of total revenue, or 39% of total sales in US dollar terms. Frozen shrimp was the second-largest at 23%, followed by canned seafood (9%), and canned pet food (9%). The company primarily exports to the US (49% of total revenue), Europe (12%), and Japan (12%). TUF’s management has experience of over two decades in the seafood processing industry. The company has a well-recognized canned tuna brand, “Chicken of the Sea”, the third-largest brand of canned tuna in the US.

A broad product line helped sustain TUF’s operating performance in the first nine months of 2010. Despite a 9% drop in tuna sales value, strong demand for shrimp, seafood and pet food products drove total sales 6% higher in US dollar terms compared with the same period in 2009. However, the strengthened baht against the US dollar resulted in flat revenue at Bt50,859 million for the first nine months of 2010. An increasing cost of shrimp, volatile tuna prices as well as a strong Thai baht decreased operating margin to 7.1% in the first nine months of 2010 from 7.6% over the same period in 2009. Including a foreign exchange gain of Bt679 million, net profit was down by 4% compared with the same period in 2009 to Bt2,521 million in the first nine months of 2010. The debt to capitalization ratio as of September 2010 increased slightly to 42.0%, from 40.0% in 2009 due to higher working capital needs. Liquidity was strong before the acquisition. Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage for the first nine months of 2010 was 10.4 times.

In October 2010, TUF acquired 100% of the equity of MWB for about EUR700 million including the transaction costs. About 87% of the consideration, approximately EUR611 million, was from debt financing and the remainder or 13% was from equity financing. TUF borrowed EUR211 million from domestic banks and MWB borrowed another EUR340 million from foreign banks. TUF also issued four-year convertible debentures worth EUR60 million. For the equity portion, TUF successfully issued 73 million new shares via a rights offering and private placement receiving EUR89 million in cash. After the acquisition, the debt to capitalization ratio of TUF rose substantially to approximately 60%, from the pre-acquisition level of 42% as of September 2010. This ratio is expected to improve to 50% within the next several years after the contribution from MWB has been fully realized.

MWB is a manufacturer of canned seafood products. Its business operation is vertically integrated from fleets to production facilities to distribution channels in Europe. Canned tuna contributed about 73% of MWB's total sales. Key production sites are located in Seychelles and Ghana. Major end markets are France, the United Kingdom (UK), Italy, Ireland and the Netherlands. During 2007-2010 (fiscal year ended March), MWB's sales were relatively flat at approximately EUR448-490 million per annum. However, improving profitability drove EBITDA from EUR57 million in 2007 to EUR83 million in 2010 which equalled to 70% of TUF's EBITDA in 2010. As of March 2010, MWB had total assets of EUR559 million and total liabilities of EUR462 million. Total equity stood at EUR97 million.

After MWB acquisition, TUF has become the top tuna processor with canned tuna production of 330,000 tonnes per annum, equivalent to one fifth of the global canned tuna production capacity. TUF now owns a number of well-established brands in Europe including Petit Navire, John West, Mareblu, and Hyacinthe Parmentier. The John West brand has the largest market share in canned seafood in UK, Ireland and the Netherlands. Petit Navire is ranked No. 1 in canned seafood in France in terms of retail sales. The full acquisition of the brands solidifies the revenue base as sales under branded products will rise to 60% of total revenue from the current level of 50%. TUF is more geographically diversified. Sales in European markets now account for 31% of total revenue from 12% before the acquisition. Even though the US remains the major market, it represents 38% of total revenue compared with 48% pre-acquisition. Future synergies could be achieved through centralized procurement, by-product management, and know-how sharing with MWB. The MWB acquisition also provides TUF an opportunity to penetrate into other countries in Europe by leveraging MWB's brands and current EU import duty exemption for tuna produced at Seychelles and Ghana. However, execution of MWB after acquisition remains a challenge. The key risk factors of the investment include saturated market for canned seafood in leading European countries and tough competition in UK.

Rating Outlook

The "stable" outlook reflects TRIS Rating's view that TUF will continue to maintain its competitive strength through economies of scale and production efficiency. A strengthened market position in Europe and greater geographic diversification will help stabilize operations despite volatile tuna prices and foreign exchange rates.

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