

## Press Release

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### **TRIS Rating Expects TU's Impairment of Investment in "Red Lobster" To Have No Immediate Impact on the Assigned Ratings**

On 16 January 2024, the Board of Directors of Thai Union Group PLC (TU) approved to pursue an exit of its investment in Red Lobster and acknowledged the impairment of the company's entire investment in Red Lobster. TU will consequently record a one-time non-cash impairment of approximately THB18.5 billion (or USD530 million) in the final quarter of 2023. As a result, TU is expected to record a substantial net loss in 2023. In addition, the impairment will likely lead to breaches of covenants on the interest coverage ratio (ICR) and dividend payment restrictions in connection with some of its bond obligations. The company has scheduled a bondholders' meeting on 15 February 2024 to seek covenant waivers from the bondholders before the 2023 earnings release.

Notwithstanding the likelihood of TU obtaining the covenant waivers from bondholders, TRIS Rating views that TU has the financial flexibility and sufficient backup facilities from various financial institutions, to refinance the relevant bond obligations in the scenario of failing to obtain the covenant waivers. Despite the substantial impact on TU's net profit and equity base in 2023, we view that the impairment as a one-off transaction and we expect TU's bottom line to improve from 2024 onwards as the company no longer incurs losses from Red Lobster's operations. Consequently, TRIS Rating anticipates no immediate impact on the ratings and outlook of TU.

TU has invested in Red Lobster, a US casual dining seafood restaurant chain, since 2016. TU holds a 49% stake, comprising a 25% equity stake and 24% in convertible preferred shares. Red Lobster has posted substantial losses over the past several years, owing to the impact from the COVID-19 pandemic, and subsequently the impact on consumer spending from prolonged inflation, and high interest rates.

TRIS Rating currently assigns the ratings of "A+" to TU and its outstanding senior unsecured debentures, and the rating of "A-" to the company's subordinated capital debentures (hybrid debentures), with a "stable" outlook.

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