

# DUSIT THANI PLC

No. 232/2024  
19 December 2024

## CORPORATES

<b>Company Rating:</b>	BBB-
<b>Issue Ratings:</b>	
Senior unsecured	BBB-
Hybrid	BB
<b>Outlook:</b>	Stable

**Last Review Date:** 12/12/23

### Company Rating History:

Date	Rating	Outlook/Alert
12/12/23	BBB-	Stable
28/08/20	BBB-	Negative
27/03/20	BBB	Alert Negative
17/12/19	BBB	Stable
27/12/11	BBB+	Stable
15/10/10	A-	Negative

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## RATIONALE

TRIS Rating affirms the company rating on Dusit Thani PLC (DUSIT) and the ratings on DUSIT's senior unsecured debentures at "BBB-". We also affirm the rating on DUSIT's subordinated capital debentures (hybrid debentures, DUSIT22PA) at "BB". The rating outlook remains "stable".

The ratings reflect DUSIT's established position in the hospitality industry and its brand equity. The ratings also consider DUSIT's expanded food business, which helps diversify its revenue sources. Additionally, the ratings incorporate the expectation that the Dusit Central Park project and residential sales will proceed as planned without major disruptions and that its financial profile will improve as it begins recognizing revenue from the Dusit Central Park project.

## KEY RATING CONSIDERATIONS

### Dusit Thani Bangkok boosts hotel revenue

The reopening of Dusit Thani Bangkok in September 2024 is expected to enhance the overall performance of DUSIT's hotel business in coming years. The new 257-key flagship hotel, accounting for 10% of DUSIT's owned-hotel portfolio in terms of number of keys, is expected to command a premium average daily rate (ADR) of over THB10,000 per room per night, compared with an average ADR of THB3,680 in 2023. According to our baseline projections, DUSIT's hotel revenue is forecast to increase to THB6.1-THB6.5 billion per year in 2025-2026 from THB4.3 billion in 2023.

We expect the momentum within the Thai tourism industry to remain robust, despite the challenges posed by the slow return of Chinese tourists. With the inclusion of Dusit Thani Bangkok, we project the revenue per available room (RevPAR) for DUSIT's owned hotel portfolio to be THB2,835 per room per night in 2024 and THB3,300-THB3,600 per room per night during 2025-2026, compared with THB2,541 per room per night in 2023. This assumption reflects our view that Dusit Thani Laguna Phuket, Dusit Thani Pattaya, and Dusit Thani Manila will continue to deliver satisfactory results. Meanwhile, Dusit Thani Maldives will likely continue to face intensifying competition from the increased supply of accommodations throughout the islands. We project the RevPAR for Dusit Thani Maldives to be 10%-20% below pre-pandemic levels during the forecast period.

### Good prospects in hotel management business

We consider DUSIT's hotel management business to have promising growth potential, significantly contributing to the company's overall hotel operations. Currently, DUSIT manages properties in 18 countries with over 10,000 rooms and villas. Revenue from hotel management has shown substantial growth following the pandemic downturn, reaching THB786 million in 2023 compared with THB452 million in 2022. Also, there are over 50 properties with over 10,000 keys in the pipeline for hotel management to be gradually incorporated into DUSIT's portfolio over coming years. We forecast revenue from the hotel management business to be THB0.9-THB1 billion annually during 2024-2026, accounting for 15%-20% of the projected hotel revenue.

By focusing on growth under an asset-light model, DUSIT can minimize capital expenditure during periods of financial strain and high leverage. This

approach also provides the company with increased flexibility in managing costs, particularly when faced with adverse operating conditions.

### **Moderate growth in food business**

The company operates its food business through Dusit Foods Co., Ltd. Dusit Foods' revenues mainly come from providing catering services for international schools in Thailand, Vietnam, and Hong Kong, as well as operating a bakery business and the Bonjour pastry shop franchise.

We project revenue from the food business to be THB1.5-THB1.7 billion per annum during 2024-2026. The revenue forecast is based on our expectation that contracts for catering services with international schools will be regularly renewed. Also, we expect the bakery business to grow 5%-10% per year primarily due to the Bonjour pastry shop expansion.

Dusit Foods' revenue growth could exceed our expectation if the company successfully executes its business-to-business (B2B) ambitions. Since August 2024, its subsidiary, Savor Eats Co., Ltd., has provided dishes from street food restaurants to Thai Airways' economy class passengers departing from Bangkok, as part of the airline's Streets to Sky project. This will help boost Dusit Foods' revenue if the contract is regularly renewed or it can expand the service to other airlines. In the catering services, the company aims to broaden its scope by offering catering services to corporate and hospital clients, while also extending service coverage to additional countries. In the bakery business, the company aims to expand its business into providing OEM bakery products mainly to strategic partners. Successful food business expansion would also enhance the company's earnings stability given lower susceptibility to event risks compared with the hotel business.

### **Improving financial profile as Dusit Central Park project gradually generates revenue**

DUSIT's financial profile is closely linked to the progress of the Dusit Central Park project. The project requires a total development cost of around THB12 billion during 2024-2026. DUSIT's overall financial profile is expected to gradually improve as revenue streams from the project flow in.

Our baseline projection anticipates DUSIT's revenue to reach THB11.4 billion in 2024, which includes THB4.3 billion from retail bare-shell sub-leasing to Suanlum Property Co., Ltd. For 2025, we estimate the revenue to be around THB8.8 billion, primarily driven by DUSIT's normal operations. In 2026, we forecast a significant increase in revenue to around THB20.5 billion, assuming around 70% of residential transfers will occur during this period. The remaining 30% of residences are expected to be transferred in subsequent years. The EBITDA is forecast at THB1.8 billion in 2024, THB1.5 billion in 2025, and THB4.5 billion in 2026.

DUSIT's leverage as measured by the adjusted debt to EBITDA ratio is expected to stay elevated at 9-12 times during 2024-2025 and come down materially to below 5 times in 2026 due to income streams from residential transfer. The company's financial metrics could take longer to improve if there are disruptions in the project timeline or the remaining residential sales or transferring process of the residential units takes much longer than expected.

The main financial covenant on DUSIT's debt obligations requires maintenance of a net interest-bearing debt to equity ratio not exceeding 3 times. At the end of September 2024, the ratio was 1.19 times. Given the likelihood of its debt increasing significantly over the next few years, we expect DUSIT will need to actively manage its capital structure to remain in compliance with the financial covenant.

### **Manageable liquidity**

DUSIT's liquidity is tight but expected to be manageable over the next 12 months. Primary sources of funds comprised cash and cash equivalents of THB1.5 billion at the end of September 2024 and available credit lines of around THB1.4 billion. Funding sources related to the Dusit Central Park project include cash from the retail bare-shell installments as per the development contract of THB3.2 billion, project loans totaling THB1.2 billion, and customer deposits for residential sales estimated at THB0.8-THB0.9 billion. Also, after repaying loans for the two hotels, ASAI Chinatown and ASIA Sathorn, DUSIT has net proceeds of around THB270 million from forming the Dusit Thani Freehold and Leasehold Real Estate Investment Trust with Buy-Back Condition (DREITBB). The primary uses of funds comprise financial obligations of THB2.5 billion as well as capital expenditures and investments totaling THB4.5-THB5 billion.

### **Debt structure**

As of September 2024, DUSIT's consolidated debt (excluding lease liabilities) was THB11.5 billion. Of this, 49% was priority debt, which included secured debt at the parent level and all debts at the subsidiary level. We see that the priority debt ratio could temporarily exceed our 50% threshold in the next 1-2 years as the Dusit Central Park Project draws down a project loan, before falling below the threshold after repaying the project loan with proceeds from residential sales.

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## BASE-CASE ASSUMPTIONS

- Total revenues to be around THB11.4 billion in 2024, THB8.8 billion in 2025, and THB20.6 billion in 2026.
- EBITDA to be around at THB1.8 billion in 2024, THB1.5 billion in 2025, and THB4.5 billion in 2026.
- Capital expenditures, including spending for the Dusit Central Park project, to be around THB14-THB15 billion in total during 2024-2026.

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## RATING OUTLOOK

The “stable” outlook reflects our expectation DUSIT will continue delivering sound operating performance across all key businesses and that the Dusit Central Park project and residential sales will advance as planned.

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## RATING SENSITIVITIES

The rating upside is limited in the near term. Conversely, a rating downgrade could materialize if DUSIT’s financial metrics materially fall short of our expectations either from weak operating performance or from any disruptions in the Dusit Central Park Project. Also, downward pressure on the ratings could arise if there is substantial deterioration in DUSIT’s liquidity position.

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## COMPANY OVERVIEW

DUSIT is a leading Thai hotelier, with eight principal brands: Dusit Thani, Dusit Princess, dusitD2, Dusit Suites, Devarana Dusit Retreats, Dusit Collection, ASAI, and Elite Havens. The company was founded in 1966 by Thanpuying Chanut Piyaoui and listed on the Stock Exchange of Thailand (SET) in 1975. Chanut and Children Co., Ltd. holds 49.7% of DUSIT. Currently, DUSIT’s businesses include hotels & resorts, foods, hospitality education, property development, and hospitality-related services.

DUSIT currently operates 11 owned and leased hotels, with a total of 2,570 rooms, including three hotels owned by Dusit Thani Freehold and Leasehold Real Estate Investment Trust (DREIT). DUSIT also manages over 40 hotels under management contracts and franchise contracts, and over 200 villas under Elite Havens, amounting to over 12,000 keys in Thailand and abroad.

DUSIT operates its food business through Dusit Foods. Currently, Dusit Foods is 75% held by DUSIT and 25% by Modulus Venture Co., Ltd. (Modulus), a wholly-owned subsidiary of PTT Oil and Retail Business PLC (OR). Dusit Foods’ portfolio includes the provision of catering services for international schools in Southeast Asia and Hong Kong by Epicure Catering Co., Ltd. (Epicure), and a Vietnam-based catering company for international schools in Vietnam (The Caterers Co., Ltd.), food sourcing hub for DUSIT’s ecosystem by Dusit Gastro Co., Ltd., Savor Eats Co., Ltd., the joint venture (JV) comprising cloud kitchen, food delivery services and a central kitchen manufacturing hub, and Bonjour Bakery Asia Co., Ltd. and Baujour International Co., Ltd., which operate a bakery business and are franchises of the Bonjour pastry shop.

The education business includes Dusit Thani College, Le Cordon Bleu Dusit (LCBD), and The Food School. The property development business includes the Dusit Central Park project and The Hampton Sriracha by Origin and Dusit, JV condominium projects with Origin Property PLC.

For the first nine months of 2024, hotel operations contributed 67% of DUSIT’s total revenue, followed by the food business at 20%, the education business at 6%, and the property development and other businesses at 7%.

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS**

Unit: Mil. THB

	Jan-Sep 2024	-----Year Ended 31 December -----			
		2023	2022	2021	2020
Total operating revenues	4,993	6,258	4,706	2,609	2,508
Earnings before interest and taxes (EBIT)	(56)	(92)	(394)	(1,203)	(1,333)
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	662	889	598	(209)	(444)
Funds from operations (FFO)	151	221	(27)	(758)	(970)
Adjusted interest expense	465	588	520	474	427
Capital expenditures	3,904	2,758	1,680	1,512	2,813
Total assets	36,536	27,922	26,229	23,784	22,838
Adjusted debt	16,495	13,060	11,804	13,135	12,304
Adjusted equity	7,669	3,576	4,308	3,895	4,942
<b>Adjusted Ratios</b>					
EBITDA margin (%)	13.3	14.2	12.7	(8.0)	(17.7)
Pretax return on permanent capital (%)	(0.3) *	(0.5)	(2.1)	(6.5)	(7.3)
EBITDA interest coverage (times)	1.4	1.5	1.2	(0.4)	(1.0)
Debt to EBITDA (times)	18.1 *	14.7	19.7	(63.0)	(27.7)
FFO to debt (%)	1.1 *	1.7	(0.2)	(5.8)	(7.9)
Debt to capitalization (%)	68.3	78.5	73.3	77.1	71.3

\* Annualized from the trailing 12 months

**RELATED CRITERIA**

- Corporate Rating Methodology , 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Hybrid Securities Rating Criteria, 28 June 2021
- Issue Rating Criteria, 15 June 2021

**Dusit Thani PLC (DUSIT)**

<b>Company Rating:</b>	BBB-
<b>Issue Ratings:</b>	
DUSIT267A: THB1,500 million senior unsecured debentures due 2026	BBB-
DUSIT26NA: THB1,000 million senior unsecured debentures due 2026	BBB-
DUSIT22PA: THB1,500 million subordinated capital debentures	BB
<b>Rating Outlook:</b>	Stable

**TRIS Rating Co., Ltd.**

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