

MINOR INTERNATIONAL PLC

No. 98/2024
11 June 2024

CORPORATES

Company Rating:	A
Issue Ratings:	
Senior unsecured	A
Hybrid	BBB+
Outlook:	Positive

Last Review Date: 24/04/23

Company Rating History:

Date	Rating	Outlook/Alert
07/06/22	A	Stable
10/07/20	A	Negative
27/03/20	A	Alert Negative
24/07/18	A	Stable
11/06/18	A+	Alert Negative
28/04/14	A+	Stable
21/02/07	A	Stable
19/08/04	A-	Stable
23/12/03	A-	-
05/06/03	A-	Alert Developing
30/07/02	A-	-

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RATIONALE

TRIS Rating affirms the company rating on Minor International PLC (MINT) and the ratings on MINT’s existing senior unsecured debentures at “A”. We also affirm the ratings on MINT’s subordinated capital debentures (hybrid debentures, MINT22PA and MINT23PA) at “BBB+”. At the same time, we revise the rating outlook to “positive”, from “stable”.

The outlook revision is driven by MINT’s robust post-pandemic recovery. The “positive” outlook also factors in the management’s deleveraging target and focus on an asset-light growth strategy. This should lead to sustained improvement in its financial metrics. The ratings continue to incorporate MINT’s strong brand portfolio across hospitality and restaurants, and its significant global presence.

KEY RATING CONSIDERATIONS

Hotel business continues to perform strongly

We anticipate that sustained strong demand for leisure travel and the ongoing recovery of business travel will continue to drive growth in MINT’s hotel business performance over the next 1-3 years.

Our baseline projection forecasts MINT’s owned and leased hotel revenue per available room (RevPAR) to grow by a mid-single digit percentage annually to THB3,900-THB4,300 per room per night in 2024-2026, from THB3,639 per room per night in 2023. We project the occupancy rate (OR) to approach pre-pandemic levels by 2025. Meanwhile, considering the already high base of room rates, we expect the average daily rate (ADR) to grow at more moderate levels compared with the previous two years.

We view strong operational momentum in Europe as a key driver of MINT’s overall hotel performance. Major events in 2024, such as the Summer Olympics in Paris and UEFA EURO 2024 in Germany, will continue to drive RevPAR growth in MINT’s European portfolio. Also, the company’s hotel repositioning initiatives will support room rate increases over the next few years.

In Thailand, MINT’s RevPAR has surpassed pre-pandemic levels since the fourth quarter of 2023. We anticipate this positive momentum to persist, driven by a steady recovery in business travel and Thai government’s policies, such as visa measures and events marketing, helping to bolster tourist arrivals. In Australia, we expect resilient solid domestic demand to continue supporting the performance of its management letting rights (MLRs) hotels. Conversely, in the Maldives, intensified competition and the slow recovery of Chinese and Indian tourists could continue pressuring RevPAR growth over the next few quarters.

Moderate growth in restaurant business revenue

We anticipate MINT’s restaurant business to face continued pressure due to sluggish macroeconomic conditions, particularly in Thailand and China. Our base case forecast for 2024-2026 assumes an annual mid-single-digit revenue growth rate for the restaurant segment.

Active marketing strategies and promotional campaigns are expected to be pivotal in maintaining customer awareness of MINT’s restaurant brands and driving same-store sales growth in Thailand. However, the business in China is

anticipated to continue facing challenges due to the prevailing gloomy consumption sentiment. Also, we expect gradual improvement in the operation in Australia as the company adapts its offerings to better align with customer demand.

MINT's strong market position and scale are key supportive factors for its restaurant business performance amidst the dynamically changing operating conditions. The substantial operational scale facilitates efficiency, notably in areas such as supply chain management and investment in digitalization. Most of MINT's key restaurant brands are adept at catering to both dine-in and delivery demand. Also, data analytics tools assist the company to monitor and optimize their product offerings in alignment with evolving consumer lifestyle trends.

Improving financial metrics

Expected earnings growth and moderate level of capital spending, following the company's strategic direction toward an asset-light model, will likely lead to strengthening financial metrics.

During 2024-2026, we forecast the company's total revenue to be THB165-THB182 billion per annum. The revenue growth is driven mainly by the strong hotel operations and resilient restaurant business. With EBITDA margin projected to be around 27%, we forecast MINT's EBITDA to be THB45-THB49 billion per annum during the forecast period.

We expect the company's leverage to continue declining with an adjusted debt to EBITDA ratio dropping to around 4.5 times by 2024, then sustained below 4 times during 2025-2026, given its moderate capital expenditures. Our baseline forecast projects MINT's capital expenditures and investment to be at around THB13 billion in 2024 and THB8-THB9 billion per annum during 2025-2026. Going forward, the company aims to expand toward an asset-light model in both its hotel and restaurant businesses. If effectively implemented, this strategy will alleviate pressure on its balance sheet and provide greater operational flexibility, particularly during periods of adverse operating conditions.

The calculation of adjusted debt includes guarantee commitments, lease obligations, and debt treatment of perpetual securities. Based on our rating criteria, we assign a 50% equity content to a total of THB23.5 billion domestically distributed perpetual securities, and 0% equity content to the entire amount of USD300 million offshore perpetual debt issues.

The main financial covenants on MINT's debt obligations require the net interest-bearing debt to equity ratio to remain below 1.75 times. As of March 2024, the ratio was 0.98 times. We believe the company should have no problem complying with the financial covenants over the forecast period.

Adequate liquidity

We assess MINT to have adequate liquidity over the next 12 months. MINT's primary sources of funds comprise cash on hand of around THB14 billion as of March 2024, while its funds from operations (FFO) are projected to reach THB30 billion, unused credit facilities of around THB36 billion, and proceeds from new debenture issuances of up to THB8 billion. Primary uses of funds are debt repayments of THB11 billion, lease obligations of around THB14 billion, dividend payment of THB1.8 billion, and capital expenditures of THB10-THB12 billion.

Debt structure

As of March 2024, MINT's total interest-bearing debt, including the full amount of hybrid debentures but excluding lease liability, was THB135 billion. MINT's priority debt was THB26 billion, translating into a priority debt ratio of 19%.

BASE-CASE ASSUMPTIONS

TRIS Rating's base-case assumptions for MINT's operations in 2024-2026 are as follows:

- RevPAR of owned and leased hotels to grow by mid-single digit percentage per year.
- Revenue from food business to grow at a mid-single digit per annum.
- Total revenue to be THB165-THB182 billion per annum.
- EBITDA to be THB45-THB49 billion per annum.
- Capital expenditures and investments to be THB13 billion in 2024 and THB8-THB9 billion per annum during 2025-2026.

RATING OUTLOOK

The "positive" outlook reflects our expectation that the strong earnings capabilities and moderate capital expenditure plan should enable the company to continue reducing its level of financial leverage.

RATING SENSITIVITIES

A rating upgrade could materialize if MINT demonstrates the ability to sustain its adjusted debt to EBITDA ratio well below 5 times. Conversely, the rating outlook could be revised to "stable" if MINT's financial metrics deviate materially from

forecasts, possibly stemming from deterioration in operating performance, significant debt-funded investments, or more aggressive dividend payment.

COMPANY OVERVIEW

MINT was founded in 1978 by Mr. William Ellwood Heinecke. As of March 2024, Group of Mr. Heinecke was the major shareholder, holding a 34% stake. The company has two main lines of business: hotel and mixed-use properties and restaurants. As of quarter ended March 2024, the hotel and mixed-use business was the key revenue contributor, comprising 79% of MINT's total revenue and the restaurant business, 21%.

At the end of March 2024, MINT's hotel portfolio comprised 550 properties, with 79,521 keys, across Europe, the Asia Pacific region, Africa, the Middle East, and Latin America. The hotels are managed and operated under MINT's own brands, including Anantara, AVANI, Oaks, Tivoli, NH Collection, NH Hotels, nhow, and Elewana Collection, as well as well-recognized international brands, such as Four Seasons, JW Marriott, St. Regis, and Radisson.

MINT also develops residential property and timeshare businesses under the mixed-use concept, located close to its hotel properties. MINT has five premium residential development projects in Bangkok, Koh Samui, Phuket, and Chiang Mai in Thailand, Maputo in Mozambique, Desaru in Malaysia, and two projects under construction in Bali, Indonesia and Phuket, Thailand. In the timeshare segment, Anantara Vacation Club had 328 units in inventory in Bali, Bangkok, Phuket, Samui, Chiang Mai, Khao Lak, Hua Hin, Queenstown (New Zealand), and Sanya (China) as of March 2024.

MINT has a retail trading business operated under Minor Lifestyle. At the end of March 2024, MINT had over 280 retail points of sale, focusing primarily on fashion and lifestyle products. Its brands include Anello, BergHOFF, Bossini, Charles & Keith, Joseph Joseph, Zwilling J.A., Henckels and Minor Smart Kids.

The Minor Food Group PLC (MFG) is MINT's wholly-owned subsidiary operating in the restaurant business. MFG, established in 1980, is the largest restaurant operator in Thailand. MFG holds franchises for six international restaurant brands: Swensen's, Sizzler, Dairy Queen, Burger King, Benihana, and Bonchon. MFG has its own brands, including The Pizza Company, The Coffee Club, Thai Express, Riverside, and Coffee Journey. MFG is able to leverage its own brands and some of the franchised brands to franchise businesses in Thailand and in international markets. At the end of March 2024, MINT had a total of 2,642 restaurant outlets located in over 20 countries, of which 51% were equity-owned and the remaining 49% were franchised and sub-franchised outlets. MINT also invested in S&P Syndicate PLC and BreadTalk Group Ltd. in Singapore.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	Jan-Mar 2024	-----Year Ended 31 December -----			
		2023	2022	2021	2020
Total operating revenues	36,866	151,149	122,624	74,440	58,119
Earnings before interest and taxes (EBIT)	3,418	22,501	13,631	(4,172)	(16,915)
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	8,534	42,678	33,170	16,177	1,950
Funds from operations (FFO)	4,739	27,430	21,571	6,118	(8,488)
Adjusted interest expense	3,345	12,822	10,131	9,876	8,479
Capital expenditures	2,184	8,786	5,030	5,085	6,745
Total assets	368,813	359,196	358,210	369,633	362,327
Adjusted debt	208,878	207,318	212,055	229,109	234,147
Adjusted equity	72,487	67,920	60,167	56,056	51,707
Adjusted Ratios					
EBITDA margin (%)	23.15	28.24	27.05	21.73	3.35
Pretax return on permanent capital (%)	8.02 *	7.70	4.50	(1.34)	(5.70)
EBITDA interest coverage (times)	2.55	3.33	3.27	1.64	0.23
Debt to EBITDA (times)	4.70 *	4.86	6.39	14.16	120.10
FFO to debt (%)	13.57 *	13.23	10.17	2.67	(3.63)
Debt to capitalization (%)	74.24	75.32	77.90	80.34	81.91

* 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

Minor International PLC (MINT)

Company Rating:	A
Issue Ratings:	
MINT247A: THB3,501.00 million senior unsecured debentures due 2024	A
MINT249A: THB1,000.00 million senior unsecured debentures due 2024	A
MINT255A: THB4,000.00 million senior unsecured debentures due 2025	A
MINT255B: THB2,769.03 million senior unsecured debentures due 2025	A
MINT257A: THB3,440.00 million senior unsecured debentures due 2025	A
MINT266A: THB1,500.00 million senior unsecured debentures due 2026	A
MINT267A: THB2,000.00 million senior unsecured debentures due 2026	A
MINT277B: THB2,230.97 million senior unsecured debentures due 2027	A
MINT283A: THB1,000.00 million senior unsecured debentures due 2028	A
MINT286A: THB500.00 million senior unsecured debentures due 2028	A
MINT293A: THB1,815.40 million senior unsecured debentures due 2029	A
MINT293B: THB5,684.60 million senior unsecured debentures due 2029	A
MINT313A: THB1,200.00 million senior unsecured debentures due 2031	A
MINT313B: THB1,570.00 million senior unsecured debentures due 2031	A
MINT313C: THB2,430.00 million senior unsecured debentures due 2031	A
MINT329A: THB1,000.00 million senior unsecured debentures due 2032	A
MINT336A: THB1,000.00 million senior unsecured debentures due 2033	A
MINT343A: THB3,070.00 million senior unsecured debentures due 2034	A
MINT343B: THB2,430.00 million senior unsecured debentures due 2034	A
MINT356A: THB1,000.00 million senior unsecured debentures due 2035	A
MINT22PA: THB13,000.00 million subordinated capital debentures	BBB+
MINT23PA: THB10,500.00 million subordinated capital debentures	BBB+
Up to THB8,000.00 million senior unsecured debentures due within 10 years	A
Rating Outlook:	Positive

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