

SINGHA ESTATE PLC

No. 76/2023
7 July 2023

CORPORATES

Company Rating:	BBB+
Issue Rating:	
Senior unsecured	BBB
Outlook:	Stable

Last Review Date: 09/06/23

Company Rating History:

Date	Rating	Outlook/Alert
09/05/23	BBB+	Stable

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RATIONALE

TRIS Rating affirms the company rating on Singha Estate PLC (S) at “BBB+” with a “stable” rating outlook. At the same time, we assign a rating of “BBB” to S’s proposed issue of up to THB1.7 billion senior unsecured debentures due within three years. The proceeds from the new debentures will be used for business expansion and/or debt repayment. The new issue rating replaces the issue rating previously assigned on 9 June 2023, following S’s request to change the issue size from the previously announced size of up to THB1.5 billion.

The issue rating is one notch below the company rating due to the subordination of the company’s senior unsecured debentures to its priority debt, in terms of priority of claims against the company’s assets. As of March 2023, S’s priority debt to total debt ratio was 93%, exceeding the 50% threshold according to TRIS Rating’s “Issue Rating Criteria”.

The ratings take into consideration the continued recovery in S’s hotel operations, its planned expansion in real estate projects, and our expectation that its financial leverage will remain on a declining path over the coming years. The ratings also reflect the good quality of its hotel portfolio, well-accepted residential brands, and recurring revenue streams from its commercial business. The ratings are, however, constrained by the cyclical nature of the hotel industry and the company’s limited track record in the real estate business.

S’s operating performance remained in line with our forecast. S recorded revenue of THB3.4 billion in the first quarter of 2023, a 12% increase year-on-year (y-o-y) but a 16% decrease quarter-on-quarter (q-o-q). The y-o-y increase was mainly thanks to the recovering performance of the hotel business while revenue from real estate sales decreased both y-o-y and q-o-q. We expect revenue from real estate sales to catch up in the remainder of 2023, supported by the transfer of backlog and new project launches. We also expect the company’s hotel business to continue to recover in 2023-2024, supported by solid tourism demand following the reopening of countries in Asia, especially China. The company’s earnings before interest, tax, depreciation, and amortization (EBITDA) was THB860 million in the first quarter of 2023. S’s financial leverage as measured by the adjusted debt to EBITDA ratio fell to 10.2 times in the first quarter of 2023 from 11 times in 2022, in line with our expectations. TRIS Rating expects the company’s adjusted debt to EBITDA ratio to gradually decline to 7.7 times in 2025 from 10 times in 2023 as cash generation recovers, despite its continued business expansion.

RATING OUTLOOK

The “stable” outlook reflects our expectation that the company will maintain competitiveness in its core businesses and that its operating performance and credit metrics will continue to improve.

RATING SENSITIVITIES

The ratings could be revised downward if the company’s operating performance is significantly weaker than expected or if the company makes more debt-financed investments than anticipated that cause the adjusted debt to EBITDA ratio to stay above 8 times and/or the funds from operations (FFO) to

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adjusted debt ratio to remain below 5% for a prolonged period. A rating upgrade is unlikely in the near term; however, this could happen if the company demonstrates significantly better-than-expected operating performance and enlarges its cash generation, causing the adjusted debt to EBITDA ratio to remain below 5 times and/or the FFO to adjusted debt ratio to stay above 10% on a sustained basis.

RELATED CRITERIA

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

Singha Estate PLC (S)

Company Rating:	BBB+
Issue Rating:	
Up to THB1,700 million senior unsecured debentures due within 3 years	BBB
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

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