

S HOTELS AND RESORTS PLC

No. 43/2025
4 April 2025

CORPORATES

Company Rating: BBB
Issue Ratings:
Senior unsecured BBB-
Outlook: Stable

Last Review Date: 06/01/25

Company Rating History:

Date	Rating	Outlook/Alert
21/11/24	BBB+	Negative
09/05/23	BBB+	Stable

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RATIONALE

TRIS Rating downgrades the company rating on S Hotels and Resorts PLC (SHR) to “BBB” from “BBB+” and the ratings on its existing senior unsecured debentures to “BBB-” from “BBB”. The rating outlook is revised to “stable” from “negative”. The downgrades follow the rating downgrade on its parent company, Singha Estate PLC (S), rated “BBB/Stable”. The ratings continue to reflect our assessment of SHR’s status as a “core subsidiary” of S, according to our “Group Rating Methodology”.

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.

KEY RATING CONSIDERATIONS

Core subsidiary of S

We assess SHR as a core subsidiary of S as the company plays an integral part in S’s overall business strategy. S has control over SHR’s business strategies and financial policy through the company’s board of directors and top management. We expect SHR to continue playing a critical role in S’s strategy to expand its hospitality business. Also, SHR contributes around 79% of S’s EBITDA in 2024.

Hotel performance to continue improving

We project continued revenue growth for the company over the period 2025-2027, driven by the ongoing improvement of the tourism sector and the company’s planned expansion of its hotel portfolio through acquisitions. The overall hotel occupancy rate (OR) is forecast to increase to 70% in 2025, due in part to the absence of major renovations. However, a projected decline in OR to approximately 67%-68% is expected for 2026-2027 due to planned renovations at properties including Santiburi Koh Samui, SAii Phi Phi Island resort, and its assets in Fiji and Mauritius. The average daily room rate (ADR) is expected to exhibit a moderate annual increase of 2% over the same period, with ADR uplifts at some properties following renovations. Consequently, SHR’s revenue is projected to reach THB11.2-THB12.0 billion per annum between 2025 and 2027. The company’s EBITDA margin is expected to remain around 26%-27% throughout the forecast period.

In 2024, the company’s hotel performance demonstrated continued improvement, attributed to the robust recovery of global tourism. Revenue increased by 7% year-on-year (y-o-y), reaching THB10.5 billion, with growth observed across the company’s properties in Thailand, the Maldives, Fiji, and Mauritius. Conversely, the UK portfolio experienced a y-o-y revenue decline, influenced by softened business travel demand, asset divestments, and property renovations. The company’s overall revenue growth was primarily driven by a 12% increase in ADR, with a marginal rise in the occupancy rate to 67% from 66% in the previous year. This slight increase in occupancy was tempered by renovations at SAii Laguna Phuket, which impacted occupancy rates during the second to fourth quarters of 2024, prior to the property’s full operational resumption in December 2024.

Expanding hotel portfolio via brownfield acquisitions

The company’s hotel expansion strategy is centered on acquiring operational hotels, with a specific focus on upper midscale to luxury properties located in

leisure destinations. Concurrent to this expansion, the company aims to keep enhancing the quality of its existing hotel assets and improving the overall efficiency of its hotel portfolio.

In 2025, the company will proceed with its initiative to upgrade its UK hotel properties. The company has signed contracts with The Ascott Limited for the renovation and rebranding of its four UK properties under Ascott's brands. This initiative aims to reposition these assets within a higher market segment. Furthermore, the company has a continuous renovation pipeline for other properties extending over the next five years to maintain the competitiveness of its properties and facilitate increases in ADR.

We expect that the company to allocate a budget of THB0.6-THB1.0 billion per annum for hotel renovations during the period 2025-2027. Additionally, our base-case forecast anticipates a hotel acquisition budget of approximately THB2 billion per annum for the years 2026-2027.

Geographically diversified hotel portfolio

SHR's hotel portfolio exhibits geographical diversification, encompassing 36 hotels with 4,290 keys across Thailand, the Maldives, Fiji, Mauritius, and the UK. Key Thai properties are situated in prominent tourist destinations. The Maldives portfolio centers on the CROSSROADS Project, benefiting from proximity to Male International Airport. The UK assets consist of upper-midscale city hotels in key urban centers. In 2024, the UK business contributed approximately 36% of total hotel revenue, the Maldives 26%, Thailand 18%, with the remaining revenue from Fiji and Mauritius.

SHR employs varied hotel management models that match specific geographical contexts. Self-managed, own-brand hotels offer higher margins and management flexibility. Franchise agreements leverage global brand distribution for rapid market penetration of new properties. Third-party management is utilized for geographically remote properties.

Manageable liquidity

The company's sources of funds as of December 2024 included cash and cash equivalents of THB2.3 billion and undrawn credit facilities of THB580 million, with expected cash flow from operations of THB1.8 billion in 2025. Uses of funds include loans of THB3.8 billion coming due in the next 12 months and expected capital expenditures of THB1 billion in 2025. The company may need to refinance some of its maturing debt to meet its investment plans.

Debt structure

As of December 2024, SHR had consolidated debt of THB13 billion, of which around THB12 billion was considered priority debt, consisting of secured and unsecured loans at subsidiaries. As its priority debt ratio was 90%, far exceeding the threshold of 50% according to TRIS Rating's "Issue Rating Criteria", we view that SHR's senior unsecured creditors could be significantly disadvantaged to its priority debt holders with respect to claims against the company's assets.

BASE-CASE ASSUMPTIONS

For the three-year period 2025-2027, TRIS Rating's assumptions for SHR's operations are as follows:

- Revenue to increase to THB11.2 billion per annum in 2025-2026 and THB12.0 billion in 2027.
- EBITDA margin to stay around 26%-27% throughout the forecast period.
- Capital expenditures of around THB1.0 billion in 2025 and THB2.6-THB3.0 billion per annum in 2026-2027.

RATING OUTLOOK

The "stable" outlook on SHR reflects the rating outlook on S and our expectation that SHR will maintain its "core" status in the S Group despite S's expansion in areas unrelated to the hotel business.

RATING SENSITIVITIES

Any material changes in S's credit profile or our assessment of SHR's status in the S Group could affect the company rating on SHR.

COMPANY OVERVIEW

SHR was established in 2015 as the flagship hospitality business of S. The company was listed on the Stock Exchange of Thailand (SET) in 2019 with the ticker symbol "SHR". SHR engages in hotel development and management. As of December 2024, Singha Property Management Group, a wholly owned subsidiary of Boon Rawd Brewery Group, was the major shareholder of the company holding 66% of the total shares. SHR has 36 hotels with a total of 4,290 keys in five countries, namely Thailand, Republic of Maldives, Republic of the Fiji Islands, Republic of Mauritius, and the UK.

KEY OPERATING PERFORMANCE

Table 1: SHR's Revenue Breakdown

Unit: %

Revenue Breakdown	Unit	2020	2021	2022	2023	2024
Total revenue	Mil. THB	1,563	4,513	8,693	9,701	10,352
Self-managed hotels	%	21	5	13	18	18
Outrigger hotels	%	39	5	17	15	20
CROSSROADS Project phase 1 hotels*	%	40	36	28	26	26
UK portfolio hotels**	%	0	54	42	41	36
Total revenue	%	100	100	100	100	100

Source: SHR

* Hotels in the CROSSROADS Project opened in September 2019.

** The method of revenue recognition has been changed to consolidation from share of profit or loss from joint ventures since March 2021.

Table 2: SHR's Hotel Portfolio

	Hotel	Country	Segment	Number of Keys
<u>Self-managed hotels under owned brands</u>				
1	SAii Phi Phi Island Village	Thailand	Upscale	201
2	SAii Laguna Phuket	Thailand	Upper Upscale	255
3	SAii Koh Samui Villas	Thailand	Upper Upscale	52
4	Santiburi Koh Samui	Thailand	Luxury	96
5	Konotta Maldives	Republic of Maldives	Upper Upscale	53
<u>Hotels under hotel management agreement with Outrigger Group</u>				
6	Outrigger Fiji Beach Resort	Republic of the Fiji Islands	Upper Upscale	253
7	Castaway Island, Fiji	Republic of the Fiji Islands	Upper Upscale	65
8	Outrigger Mauritius Beach Resort	Republic of Mauritius	Upper Upscale	181
<u>Hotels under CROSSROADS Project</u>				
9	SAii Lagoon Maldives, Curio Collection by Hilton	Republic of Maldives	Upper Upscale	198
10	Hard Rock Hotel Maldives	Republic of Maldives	Upper Upscale	178
11	SO/ Maldives	Republic of Maldives	Luxury	80
<u>SHR's hotels in the United Kingdom portfolio</u>				
12-33	22 hotels	United Kingdom	Upper Mid-Scale	2,449
<u>Hotels operating under joint venture</u>				
34-36	2 hotels under Holiday Inn brand and 1 hotel under Mercure brand	United Kingdom	Upper Mid-Scale	229
Total				4,290

Source: SHR

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	-----Year Ended 31 December -----				
	2024	2023	2022	2021	2020
Total operating revenues	10,460	9,755	8,747	4,575	1,642
Earnings before interest and taxes (EBIT)	1,276	1,079	832	(751)	(2,427)
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	2,764	2,446	1,981	451	(1,269)
Funds from operations (FFO)	1,640	1,271	1,128	(251)	(1,695)
Adjusted interest expense	1,115	1,125	842	694	377
Capital expenditures	854	1,552	537	382	572
Total assets	36,325	37,723	36,450	37,214	27,117
Adjusted debt	14,748	15,824	14,239	16,144	7,075
Adjusted equity	15,926	16,091	16,019	15,882	15,676
Adjusted Ratios					
EBITDA margin (%)	26.4	25.1	22.6	9.9	(77.3)
Pretax return on permanent capital (%)	3.8	3.2	2.5	(2.5)	(9.3)
EBITDA interest coverage (times)	2.5	2.2	2.4	0.7	(3.4)
Debt to EBITDA (times)	5.3	6.5	7.2	35.8	(5.6)
FFO to debt (%)	11.1	8.0	7.9	(1.6)	(24.0)
Debt to capitalization (%)	48.1	49.6	47.1	50.4	31.1

RELATED CRITERIA

- Issue Rating Criteria, 26 December 2024
- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

S Hotels and Resorts PLC (SHR)

Company Rating:	BBB
Issue Ratings:	
SHR260A: THB1,300 million senior unsecured debentures due 2026	BBB-
SHR272A: THB400 million senior unsecured debentures due 2027	BBB-
SHR282A: THB1,300 million senior unsecured debentures due 2028	BBB-
Rating Outlook:	Stable

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