

# DUSIT THANI PLC

No. 157/2021  
28 September 2021

## CORPORATES

<b>Company Rating:</b>	BBB-
<b>Issue Rating:</b>	
Senior unsecured	BBB-
<b>Outlook:</b>	Negative

**Last Review Date:** 10/05/21

### Company Rating History:

Date	Rating	Outlook/Alert
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

### Contacts:

Chanaporn Pinphithak  
chanaporn@trisrating.com

Tulyawat Chatkam  
tulyawatc@trisrating.com

Wajee Pitakpaibulkij  
wajee@trisrating.com

Thiti Karoonyanont, Ph.D., CFA  
thiti@trisrating.com



WWW.TRISRATING.COM

## RATIONALE

TRIS Rating affirms the company rating on Dusit Thani PLC (DUSIT) and the rating on DUSIT senior unsecured debentures at “BBB-” with a “negative” rating outlook. The ratings reflect our expectation that DUSIT’s financial metrics will remain under pressure for an extended period as a result of the prolonged adverse impacts of the Coronavirus Disease 2019 (COVID-19) pandemic and the large investment required for the development of the “Dusit Central Park” project. We expect DUSIT’s adjusted ratio of debt to earnings before interest, taxes, depreciation, and amortization (EBITDA) to stay elevated at a level above 10 times until 2024 before improving significantly in 2025 should the Dusit Central Park project proceed as planned.

The rating outlook remains “negative” reflecting the high degree of uncertainty surrounding the COVID-19 situation, vaccine rollout pace and efficacy, as well as the possibility of new virus variants, which could protract the distressed operating conditions and further weaken the company’s financial profile.

## KEY RATING CONSIDERATIONS

### Prolonged adverse hotel operations

We view DUSIT’s hotel operations, particularly in Thailand, as continuing to be severely affected by the fluid COVID-19 situation in the coming quarters and could take until 2024 to recover to pre-COVID-19 levels.

Our base-case assumption projects DUSIT’s owned hotel revenue per available room (RevPAR) in 2021 to be around 60% lower than the 2019 level. We expect the RevPAR to improve in 2022 but will still be around 30% lower than the 2019 level, while RevPAR in 2023 is projected at around 10% below the 2019 level.

The assumption is based on our view that certain forms of travel restrictions will likely continue over the next several quarters until rates of vaccination in Thailand have gathered pace and the outbreak is largely under control in the country and major parts of the world, potentially by mid-2022. We expect the number of foreign travelers will start gaining momentum in the second half of 2022, which should profoundly help bolster hotel demand in Thailand. Our projection also incorporates a more promising recovery of DUSIT’s hotel operations in the Maldives, where we expect a recovery close to pre-COVID-19 levels in 2022. We also expect the sound performance of the “Dusit Thani Philippines” to continue during the recovering phase.

A key downside risk to hotel performance recovery remains the evolving COVID-19 situation and threats from new variants, which could again disrupt the projected recovery path. With persistent COVID-19 challenges, we expect DUSIT to continue adapting with the uncertainties and operating with solid plan to mitigate the situation risk.

### Depressed earnings continue in 2021

Our baseline projection forecasts DUSIT’s total revenue to be around THB2.8 billion in 2021, before recovering to around THB4 billion in 2022, and around THB4.8 billion in 2023. The revenue projection is based on our assumptions on the recovery prospects of the hotel business. DUSIT’s food and education businesses are also materially impacted by the extended period of online

schooling. However, we expect a faster recovery compared with the hotel business.

Our base-case assumption projects DUSIT's EBITDA to be around negative THB180 million in 2021, before improving to around THB0.6-THB1 billion per annum in 2022-2023. DUSIT's ongoing implementation of business transformation and cost rationalization efforts should help alleviate the impacts of depressed revenue and earnings.

#### **Leverage to stay elevated until 2024**

With the depressed earnings and the large investment required for the Dusit Central Park project, our base-case forecast projects DUSIT's leverage to stay elevated, with an adjusted debt to EBITDA ratio of over 10 times at least until 2024.

DUSIT's debt burden is increasing in connection with the Dusit Central Park project, a large-scale mixed-use property, entailing a total construction cost of THB15-THB16 billion during 2021-2025. A large portion of the funding for the project is expected to come from residential sales installments and retail space sub-leasing. We view that the impacts of COVID-19 and continuing economic headwinds will add uncertainty concerning residential sales and DUSIT may need additional debt financing to fill a potential funding gap.

Apart from the Dusit Central Park project, DUSIT also plans to invest in other projects, including the "ASAI Bangkok Chinatown" and "ASAI Sathorn" projects, two new hotels in Japan, and in the food business. We project DUSIT's capital expenditures and investments, excluding the Dusit Central Park project, to total around THB650 million in 2021, around THB200 million in 2022, and THB550 million in 2023.

Our base-case scenario projects DUSIT's adjusted debt to peak in 2023-2024 at THB18-THB19 billion before major streams of cash from residential sales and transfers flowing in during 2025. Our forecast also takes into account DUSIT's plans to optimize its assets and balance sheet, which should help support its financial profile and relieve its debt burden.

As of June 2021, DUSIT's debts consisted of THB1.2 billion of priority debt out of its total interest-bearing debt of THB5.4 billion. As its priority debt ratio is 22%, below the threshold of 50%, we view that DUSIT's unsecured creditors are not significantly disadvantaged with respect to claims against the company's operating assets.

The main financial covenant on DUSIT's debt obligations requires maintenance of an interest-bearing debt to equity ratio not exceeding 1.75 times. At the end of June 2021, the ratio was 1.18 times. For the new debenture issue, the financial covenant requires maintenance of a net interest-bearing debt to equity ratio not exceeding 3 times. Given the likelihood of its debt to equity ratio increasing significantly over the next few years, we expect DUSIT to actively manage its financial position to remain in compliance with the financial covenant.

#### **Tight but expected to be manageable liquidity**

We assess DUSIT's liquidity will be tight but should be manageable, which will require the company to prudently manage its liquidity and preserve sufficient cash to weather the adverse operating conditions.

DUSIT's sources of funds for the period through 2022 comprise cash and cash equivalents of THB1.4 billion at the end of June 2021, available project loans for the "ASAI Bangkok Chinatown" and "ASAI Sathorn" projects totaling THB670 million, proceeds from the divestment of "Dusit Princess Chiangmai" of THB360 million, cash to be received from share disposals related to the Dusit Central Park project of THB237 million, cash to be received from retail bare-shell installment as per the contract relating to the development of the Dusit Central Park project of THB822 million, and proceeds from a new debenture issue in July 2021 of THB1 billion. Additionally, DUSIT received approval from a bank for project financing for the Dusit Central Park project totaling THB5.5 billion of which the company plans to drawdown around THB1.3 billion in 2022. DUSIT also held remaining shares in NR Instant Produce PLC (NRF) worth around THB600 million as of 27 September 2021. We also expect cash installments from residential sales of THB0.5-THB1 billion during the period. However, we project DUSIT's funds from operations (FFO) to be negative THB600 million during the period.

The primary uses of funds for the next 18 months are scheduled debt repayments of THB2.3 billion, lease obligations of THB330-THB360 million, and capital expenditures and investments of around THB3.5 billion in total. We view that DUSIT needs to refinance parts of its debt coming due.

#### **BASE-CASE ASSUMPTIONS**

- Hotel RevPAR to be 60% below the 2019 level in 2021, 30% below the 2019 level in 2022, and around 10% below the 2019 level in 2023.
- Total revenues to be around THB2.8 billion in 2021, before recovering to around THB4 billion in 2022, and around THB4.8 billion in 2023.

- EBITDA to be around negative THB180 million in 2021, before improving to around THB0.6-THB1 billion per annum in 2022-2023.
- Capital spending, including the Dusit Central Park project, to be around THB1.9 billion in 2021, around THB2.6 billion in 2022, and THB5.4 billion in 2023.

## RATING OUTLOOK

The “negative” outlook reflects the high degree of uncertainty surrounding the revival of the hospitality industry amid the persistently fluid COVID-19 situation, which will continue to weigh on DUSIT’s operating performance and financial profile for at least the next 12-18 months.

## RATING SENSITIVITIES

A rating downgrade could occur if the impacts of the COVID-19 pandemic turn out to be materially worse than expected and DUSIT’s financial metrics are significantly weaker than our expectation or its liquidity position deteriorates materially. The outlook could be revised to “stable” if there are signs of a sustainable recovery in DUSIT’s operating performance and the company maintains sufficient liquidity to weather any adverse operating conditions.

## COMPANY OVERVIEW

DUSIT is a leading Thai hotelier, with six principal brands: “Dusit Thani”, “Dusit Princess”, “dusitD2”, “Dusit Deverana”, “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. Currently, Chanut and Children Co., Ltd. holds 49.7% of DUSIT.

DUSIT currently operates nine owned hotels, with a total of 2,207 rooms, including four hotels owned by Dusit Thani Freehold and Leasehold Real Estate Investment Trust (DREIT). DUSIT also manages 38 hotels under management contracts and franchise contracts, and 276 villas under Elite Havens, altogether with over 10,000 rooms in Thailand and abroad.

DUSIT operates in the food business through its investment in Epicure Catering Co., Ltd., as well as in the education and training business. The education segment includes “Dusit Thani College”, “Le Cordon Bleu Dusit” (LCBD), and other training services. For the first six months of 2021, hotel operations contributed 68% of DUSIT’s total revenue, followed by the food business with 18% and the education business with 14%.

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	Jan-Jun 2021	2020	2019	2018	2017
	-----Year Ended 31 December -----				
Total operating revenues	1,182	2,508	4,763	5,072	5,170
Earnings before interest and taxes (EBIT)	(666)	(1,333)	(76)	355	369
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	(109)	(444)	653	1,053	1,281
Funds from operations (FFO)	(387)	(871)	76	687	921
Adjusted interest expense	218	427	388	281	281
Capital expenditures	870	2,813	2,012	563	1,669
Total assets	23,480	22,838	14,237	11,573	9,980
Adjusted debt	12,369	12,304	8,727	6,433	5,928
Adjusted equity	4,599	4,942	5,904	6,078	5,881
<b>Adjusted Ratios</b>					
EBITDA margin (%)	(9.19)	(17.72)	13.71	20.76	24.77
Pretax return on permanent capital (%)	(7.60)	(7.26)	(0.47)	2.62	3.13
EBITDA interest coverage (times)	(0.50)	(1.04)	1.68	3.75	4.56
Debt to EBITDA (times)	(34.64)	(27.69)	13.36	6.11	4.63
FFO to debt (%)	(7.11)	(7.08)	0.87	10.67	15.53
Debt to capitalization (%)	72.90	71.35	59.64	51.42	50.20

---

**RELATED CRITERIA**

---

- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

---

**Dusit Thani PLC (DUSIT)**

---

<b>Company Rating:</b>	BBB-
<b>Issue Rating:</b>	
DUSIT237A: THB1,000 million senior unsecured debentures due 2023	BBB-
<b>Rating Outlook:</b>	Negative

---

**TRIS Rating Co., Ltd.**

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 02-098-3000

© Copyright 2021, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at [www.trisrating.com/rating-information/rating-criteria](http://www.trisrating.com/rating-information/rating-criteria)