ASIA HOTEL PLC

No. 77/2025
20 May 2025

CORPORATES

Company Rating:	BB
Outlook:	Stable

Last Review Date: 08/05/24

Company Rating History:

Date	Rating	Outlook/Alert
11/07/23	BB	Stable

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RATIONALE

TRIS Rating affirms the company rating on Asia Hotel PLC (ASIA) at "BB" with a "stable" rating outlook. The rating reflects the company's market position in the hotel business and the rental income stream from its commercial properties. The rating also takes into consideration anticipated growth in hotel revenue, supported by the planned renovations, as well as an expected reduction in financial leverage. The rating remains constrained by ASIA's relatively modest scale of operations and earnings, its reliance on a limited number of properties, and the underutilization of its assets.

KEY RATING CONSIDERATIONS

Unlocking revenue potential through hotel property upgrades

In our view, the current revenue per available room (RevPAR) at most of the company's hotels remains below their potential. Although many properties are well-located in prime areas, their aging condition limits their ability to fully leverage these advantages. Successful execution of the planned renovations is key to enhancing the company's long-term competitive position by strengthening its pricing power, improving its ability to attract skilled personnel, increasing operational efficiency, and broadening its customer base. However, the company's inclination towards a conservative financial policy and prioritizing limited disruption may result in a more extended timeline for realizing its hotel portfolio's full potential.

The company's hotel portfolio remains modest in scale relative to rated peers, consisting of six properties in tourist destinations across Thailand and one in the United States. In 2024, Asia Hotel Bangkok continued to be the primary revenue contributor, accounting for nearly half of the company's hotel revenue.

Hotel revenue growth driven by renovations of key properties

We expect the gradual renovation of guest rooms at Asia Hotel Bangkok and Asia Pattaya Hotel to be the main growth driver over the next few years. Resumption of MICE (meetings, incentives, conferences, and exhibitions) activities and ongoing recovery in tourism are also expected to support hotel revenue growth.

Under our base-case scenario, we project the company's RevPAR to grow by 4%-6% annually during 2025-2027. Food and beverage revenue is also expected to increase, driven by the reopening of restaurants and the full operation of newly renovated ballrooms at Asia Hotel Bangkok. We forecast annual hotel revenue growth of 6%-7% in 2025-2027, with revenue reaching THB0.9-1.0 billion per year during the forecast period.

Subdued recovery in commercial property segment

We expect the overall occupancy rate (OR) of the company's commercial properties to improve to approximately 65% during 2025-2027, supported by ongoing efforts to secure new tenants aligned with the malls' target clientele and capable of attracting foot traffic. However, as the company continues to rely on competitive pricing strategies to fill vacancies, we do not anticipate growth in the average rental rate over the forecast period. The rental and services revenue is expected to stay around THB0.4-THB0.5 billion per annum in 2025-2027.

In 2024, occupancy rates at the company's key properties, Zeer Rangsit and The Hub, showed moderate improvement but remained below optimal levels. The average OR at Zeer Rangsit rose to 61% from 56% in 2023, while The Hub's OR increased to 51% from 46% in the prior year. Despite these gains, rental and services revenue remained flat at around THB0.4 billion in 2024, roughly in line with 2023 levels, reflecting restrained rental growth during the year.

Underutilization and concentrated exposure of commercial properties

We consider the inefficient use of the company's key commercial properties, as indicated by weak ORs and rental rates, as one of the factors constraining the rating. In addition, as 80% of commercial property EBITDA is derived from Zeer Rangsit, the property's strategic focus on IT-related tenants makes the company vulnerable to shifts in market demand or changes in consumer behavior, particularly when compared to malls with more diversified tenants and customer bases. Over the past year, Zeer Rangsit has secured a large-space tenant in the non-IT related segment in an effort to diversify its customer base and boost foot traffic. However, rental income from this tenant, which is mostly on the basis of revenue-sharing, remains very small.

The company's commercial property segment has historically provided relatively stable cash flow, supported by contract-based rental and service income. In our view, improved operational efficiency and more proactive property management could enable the company to better realize the full cash flow potential of these assets.

Cost pressure on profit margin expected to persist

Despite a 7% increase in revenue in 2024, the company's EBITDA remained flat year over year, with the EBITDA margin declining to 28% from 30% in 2023. The margin compression was primarily driven by higher staff costs and selling expenses, as the company resumed full compensation and salary payments in both the hotel and commercial property segments following the full normalization of operations post-COVID. We expect the EBITDA margin to remain in the 28%-29% range over 2025-2027, as cost efficiencies realized during the pandemic continue to unwind, while revenue growth is expected to recover only gradually, particularly in the commercial property segment.

Financial leverage to gradually decline

We expect the company's financial leverage, as measured by debt to EBITDA ratio, to gradually decline over the next few years. We expect the company's EBITDA to stay around THB0.4-THB0.5 billion per annum in 2025-2027. In our base-case forecast, we expect capital expenditure for the property renovations and maintenance to be around THB0.7 billion in total in 2025-2027. Therefore, the company's debt to EBITDA ratio is expected to stay at around 6 times in 2025 and decline to slightly above 5 times by 2027. The ratio was 5.8 times at the end of March 2025.

The key financial covenants on ASIA's debt obligations require the company to keep its interest-bearing debt to equity (IBD/E) ratio below 2 times and debt service coverage ratio (DSCR) above 1.1 times. At the end of March 2025, the ratio was 0.4 times and 1.3 times, respectively.

Debt structure

As of March 2025, ASIA had total consolidated debt of THB2.3 billion, all of which was priority debt, which includes secured debts at the parent company and total debts of its subsidiaries. As its priority debt ratio was higher than the threshold of 50% according to TRIS Rating's "Issue Rating Criteria", we view that ASIA's senior unsecured creditors could be significantly disadvantaged to its priority debt holders with respect to claims against the company's assets.

Manageable liquidity

We assess ASIA's liquidity as manageable over the next 12 months. At the end of March 2025, ASIA's sources of funds comprised cash and cash equivalents of around THB210 million and undrawn uncommitted credit facilities of around THB19 million. We forecast funds from operations (FFO) of around THB260 million in 2025. The company had maturing debts over the next 12 months of around THB370 million.

BASE-CASE ASSUMPTIONS

- Revenue from the hotel business to be around THB0.9-THB1.0 billion per annum in 2025-2027.
- Revenue from the commercial property business to be around THB0.4-THB0.5 billion per annum in 2025-2027.
- EBITDA margin to stay around 28%-29% in 2025-2027.
- Total capital expenditure to be around THB0.7 billion over the three-year forecast period.

RATING OUTLOOK

The "stable" outlook reflects our expectations that ASIA will maintain its market position in both hotel and commercial property businesses and effectively manage costs to prevent further EBITDA margin decline.

RATING SENSITIVITIES

A credit upside would materialize if the company improved its earnings base and profitability from current levels and its debt to EBITDA ratio fell well below 5 times on a sustained basis. Conversely, the rating could be revised downward if the company's operating performance falls short of our base-case forecast and/or its financial profile weakens significantly.

COMPANY OVERVIEW

ASIA was established in 1966 by Techaruvichit Group and listed on the Stock Exchange of Thailand (SET) in 1989. The company has two business lines, hotel and commercial property. The company's portfolio currently comprises seven hotels, four shopping centers, and one apartment building. As of December 2024, the Techaruvichit Group remained the company's major shareholder, holding 68% of the company's outstanding shares.

ASIA's hotel portfolio includes six hotels in Thailand: Asia Hotel Bangkok (established in 1972), Asia Pattaya Hotel (established in 1972), Asia Airport Hotel (established in 1992), Asia Cha-am Hotel (established in 2010), Darley Chiangmai Hotel (opened in 2018), and Ratchapruek Lanna Boutique (opened in 2018). The company owns one hotel in the United States (US) called Quality Inn Long Beach – Signal Hill, which it acquired in 2018 for USD14.4 million. Unlike the company's local hotels, the Quality Inn Hotel operates under franchise from Choice International Hotels. As of December 2024, the company had a total of 1,733 hotel rooms in its portfolio.

ASIA's commercial property portfolio includes three shopping centers in Thailand: Zeer Rangsit (70,647 square meters (sq.m.) leasable area), The Hub (18,131 sq.m. leasable area), and Laan Sook Plaza (1,842 sq.m. leasable area). The company owns one shopping center in the US called Glendale Plaza in Glendale Boulevard, Los Angeles, California, which it acquired in 2011 for USD6.3 million. As of December 2024, the company had a total leasable area of 91,710 sq.m. in its commercial property portfolio.

KEY OPERATING PERFORMANCE

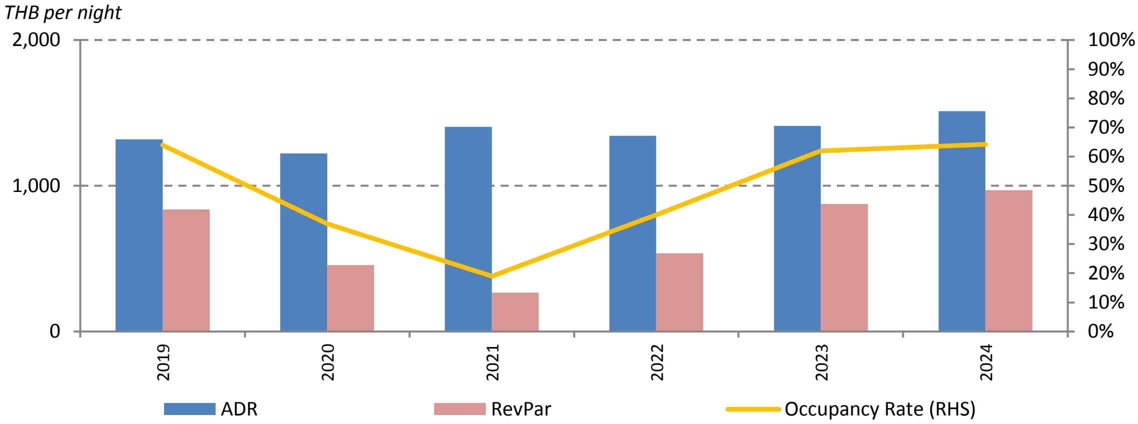
Table 1: ASIA's Revenue Breakdown by Business Line

Unit: %

Revenue Breakdown	2019	2020	2021	2022	2023	2024
Hotel	54	41	33	50	59	62
Commercial property	41	50	60	45	35	32
Others	6	9	7	5	6	5
Total revenue	**100**	**100**	**100**	**100**	**100**	**100**
Total revenue (mil. THB)	**1,438**	**892**	**648**	**969**	**1,258**	**1,346**

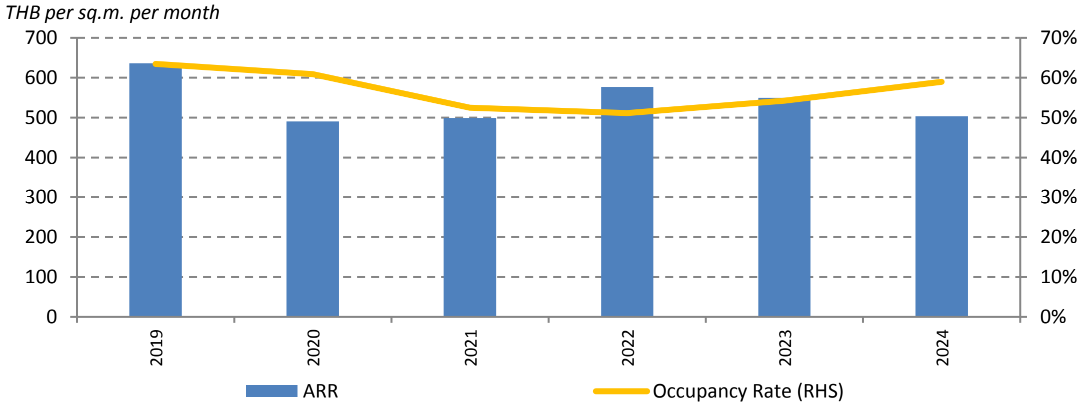
Source: ASIA

Chart 1: ASIA's Hotel Performance (ADR, RevPar, and OR)



Source: ASIA

Chart 2: ASIA's Key Commercial Property Performance (OR and ARR)



Source: ASIA

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	Jan-Mar 2025		----------Year Ended 31 December -----------			
			2024	2023	2022	2021
Total operating revenues	362		1,346	1,258	969	648
Earnings before interest and taxes (EBIT)	52		124	122	36	(81)
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	119		381	381	300	189
Funds from operations (FFO)	78		221	218	145	58
Adjusted interest expense	35		140	151	151	123
Capital expenditures	31		228	84	28	19
Total assets	10,218		10,141	10,231	10,457	10,501
Adjusted debt	2,348		2,377	2,390	2,511	2,687
Adjusted equity	6,022		6,009	6,050	6,092	6,071
Adjusted Ratios						
EBITDA margin (%)	33.0		28.3	30.3	30.9	29.2
Pretax return on permanent capital (%)	1.6	**	1.5	1.4	0.4	(1.0)
EBITDA interest coverage (times)	3.4		2.7	2.5	2.0	(1.5)
Debt to EBITDA (times)	5.8	**	6.2	6.3	8.4	14.2
FFO to debt (%)	10.3	**	9.3	9.1	5.8	2.2
Debt to capitalization (%)	28.1		28.3	28.3	29.2	30.7

* *Consolidated financial statements*
** *Annualized with trailing 12 months*

RELATED CRITERIA

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

Asia Hotel PLC (ASIA)

Company Rating:	BB
Rating Outlook:	Stable

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