

# BOUND AND BEYOND PLC

No. 10/2024  
9 February 2024

## CORPORATES

**Company Rating:** BB  
**Outlook:** Stable

**Last Review Date:** 07/02/23

### Company Rating History:

Date	Rating	Outlook/Alert
07/02/23	BB	Stable
08/02/21	BB	Negative
08/01/20	BBB-	Negative
08/02/19	BBB-	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Bound and Beyond PLC (BEYOND) at “BB” with a “stable” rating outlook. The rating reflects the high quality of BEYOND’s hotel properties, its tight but manageable liquidity, and the anticipated continued improvement in operating performance alongside Thailand’s recovering tourism industry. However, the rating is constrained by BEYOND’s high financial leverage and limited hotel portfolio, with only two hotels in a single location.

## KEY RATING CONSIDERATIONS

### Strong hotel recovery in 2023 with continued improvement expected

BEYOND’s hotel performance improved in the first nine months of 2023, fueled by a rebound in Thailand’s tourism industry. Tourist arrivals reached approximately 28 million, representing 70% of pre-pandemic levels, compared to 11 million in 2022. This translated into a 57% year-on-year (y-o-y) increase in BEYOND’s revenue to THB2.1 billion in the first nine months of 2023. BEYOND’s hotel occupancy rate (OR) climbed to 52%, while the average room rate (ARR) was around THB18,400, leading to a sharp increase in revenue per available room (RevPAR) to around THB9,600 in the first nine months of 2023, from THB4,100 in the same period in 2022. Food and beverage (F&B) revenue expanded by 17% y-o-y in the first nine months of 2023, a slower growth than room revenue, due to earlier recovery of restaurants and banquets in 2022.

Looking ahead, we anticipate BEYOND’s hotel performance to continue improving over the next three years alongside Thailand’s tourism industry. TRIS Rating expects BEYOND’s hotel RevPAR to surge 80% y-o-y in 2023, before increasing by 6%-11% per annum in 2024-2026. We expect a modest rise in F&B revenue of 10% in 2023, followed by slower growth of 4%-5% per annum in 2024-2026. Also, BEYOND’s planned investments in a new hotel and restaurant business are expected to contribute to new revenue streams. Consequently, BEYOND’s overall revenue is forecast to increase from around THB3 billion in 2023 to THB3.2-THB4.1 billion in 2024-2026. As hotel performance recovers and reaches a stabilized period, earnings before interest, taxes, depreciation, and amortization (EBITDA) is expected to rise from THB520 million in 2023, to THB620-THB830 million in 2024-2026, compared to just THB170 million in 2022. The EBITDA margin is expected to expand from 8% in 2022 to 17% in 2023 and further stabilize at 19%-20% over the following years.

### Good asset quality

TRIS Rating views two hotels in BEYOND’s portfolio as being of good quality considering their newness, prime location, and outstanding architecture. Commercially opened in late 2020, the 299-key Four Seasons Hotel Bangkok at Chao Phraya River (FSH) and 101-key Capella Bangkok (CPH) are situated on the Chao Phraya Riverfront on Charoenkrung Road, a competitive location for leisure travelers and social events in Bangkok. Both hotels cater to clientele in the ultra-luxury segment. Rooms are larger than those of close competitors, with FSH starting at 50 square meters (sq.m.) and CPH starting at 61 sq.m. Also, world-renowned hotel operators manage both properties, bringing expertise to smooth operations and consistent service quality. The Four Seasons and Capella brands possess strong global recognition, further solidifying the hotels’ appeal to international customers.

FSH and CPH offer 12 dining venues with diverse international cuisines, from Chinese and French to the cocktail bar and casual cafés. Notably, CPH features Cote by Mauro Colagreco, a Michelin-starred French restaurant, while FSH features BKK Social Club, a celebrated cocktail bar recognized among the World's 50 Best Bars. Apart from restaurants, FSH and CPH offer ample meeting and social event spaces of 3,401 sq.m. and 2,037 sq.m., respectively. We believe the quality of these assets will support BEYOND's long-term revenue generation.

### **Reliant on limited hotel portfolio**

BEYOND relies on only two hotels located in the same area which target the same high-end luxury segment. Hence, this is one factor constraining our business risk assessment of the company. We consider the hotel industry to be, in general, vulnerable to event-specific risks and uncontrollable factors, which can disproportionately impact a concentrated portfolio. A geographically diversified portfolio across various customer segments is a common strategy to mitigate these risks. Such diversification would provide stability and reduce dependence on any single location or market segment.

The company could also benefit from scale if it has a larger portfolio, with existing managerial capabilities potentially capable of overseeing more properties and achieving cost efficiencies. BEYOND plans to add three to five hotels in tourist destinations across Thailand and explore investments in the restaurant business over the next five years. However, even with the inclusion of a new hotel in a tourist destination outside Bangkok, BEYOND's portfolio will remain small and less diversified compared to its rated peers.

### **Financial leverage remained high but expected to decrease**

BEYOND financial leverage, while still high, has shown signs of improvement. Following the recovery of hotel performance post-pandemic and the divestment of a non-core land plot in Rayong Province for around THB540 million in the second quarter of 2023, the company's adjusted debt decreased to THB4.8 billion as of September 2023, down from THB5.3 billion in 2022. The debt to EBITDA ratio fell to around 9 times in the first nine months of 2023, from its very high level in 2022.

Going forward, BEYOND has budgeted THB3 billion for new projects over the next five years, on top of the capital investment budget for the maintenance and improvement of existing assets. In our base-case forecast, we anticipate annual capital expenditures of THB550-THB670 million between 2024 and 2026. These funds will primarily support the development of new hotels, expansion into the restaurant business, and maintenance of existing assets. Additionally, BEYOND plans to divest its remaining major non-core asset, the Tak land plot, in 2024. Assuming successful execution of these plans, we project BEYOND's adjusted debt to remain relatively stable at around THB4.7-THB5.1 billion in 2023-2026. Meanwhile, we expect continued improvement in BEYOND's EBITDA, driven by ramping up hotel performance. Consequently, the debt to EBITDA ratio is projected to gradually decline, reaching below 8 times in 2024 and further falling to below 7 times in 2025-2026, from around 9 times in 2023.

Key financial covenants on BEYOND's debentures require the company to maintain an interest-bearing debt to equity ratio below 3.5 times. As of September 2023, the ratio was 0.93 times, in compliance with the financial covenants.

As of September 2023, 100% of BEYOND's debt was priority debt, which included secured debt at the parent level and debt at the subsidiary level. Because its priority debt ratio exceeded the 50% threshold, according to TRIS Rating's "Issue Rating Criteria", we view BEYOND's unsecured creditors as being significantly disadvantaged in terms of claims against the company's assets.

### **Tight but manageable liquidity**

TRIS Rating assesses BEYOND's liquidity as tight but manageable in the next 12 months. BEYOND's sources of liquidity include cash and cash equivalents of around THB1.6 billion as of September 2023 and expected funds from operations of around THB230 million in 2024. The uses of cash include expected capital expenditures of around THB670 million, long-term loans coming due of THB100 million, and bonds maturing of THB577 million. Back-up sources of liquidity come from the divestment of the land plot in Tak Province. Although this potential divestment could provide additional liquidity, the timeframe and proceeds remain uncertain.

### **BASE-CASE ASSUMPTIONS**

- Total revenue to reach around THB3 billion in 2023, before increasing to THB3.2-THB4.1 billion per annum in 2024-2026.
- EBITDA margin to increase to 17% in 2023 and 19%-20% in 2024-2026.
- Capital expenditure of around THB550-THB670 million per annum in 2024-2026.
- Divestment of a land plot in Tak Province in 2024.

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**RATING OUTLOOK**

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The “stable” outlook reflects our expectation that BEYOND’s operating performance will continue to improve in line with the recovery of Thailand’s tourism industry. We also expect the company to be prudent in its liquidity management and investments in new projects.

**RATING SENSITIVITIES**

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A rating upside could materialize if BEYOND’s operating performance significantly surpasses our expectations and its debt to EBITDA ratio stays below 6 times on a sustained basis. On the other hand, a rating downgrade could occur if BEYOND’s performance falls significantly below our forecast. Negative pressure on the rating could also emerge from higher-than-expected debt-funded investments or signs of inadequate liquidity to meet debt obligations.

**COMPANY OVERVIEW**

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BEYOND (previously known as Padaeng Industry PLC - PDI) was founded in 1981 to engage in zinc mining and the production of high-grade zinc metal and value-added zinc alloys. The company’s zinc business ceased operations completely in the first quarter of 2019. The company entered the renewable energy business by acquiring 13-megawatt (MW) Japanese solar farms and the 6.3-MW Mae Ramat Solar Farm in 2016. In 2017, the company acquired six operating solar projects with a total installed capacity of 30 MW from Symbior Element Pte. Ltd.

In 2021, BEYOND pivoted to the hotel business. The company sold all its solar power plants in Thailand and Japan and used the proceeds from the divestments to acquire stakes in two companies that hold the rights to use the assets, land, and related rights of two operating hotels, namely the Four Seasons Hotel Bangkok at Chao Phraya River and the Capella Bangkok. The company completed its investment with 100% stakes in both hotels in July 2022.

BEYOND is currently an investment holding company, focusing on the hotel and lifestyle businesses. Country Group Holdings PLC (CGH) is the major shareholder of BEYOND controlling a 39% stake as of September 2023. CGH has played several key roles in BEYOND’s business transformation, from zinc mining and trading to renewable energy and hotel businesses. CGH has participated and recruited a new management team with extensive hospitality industry experience to support strategic planning and future investment.

**KEY OPERATING PERFORMANCE**
**Chart 1: BEYOND's Hotel Portfolio**

Hotel	Location	No. of Room	No. of Restaurant	Meeting Space	Type of Ownership	Year Open
<b>In Operation</b>						
Four Seasons Hotel Bangkok at Chao Phraya River	Charoenkrung rd., Bangkok	299	7	3,401 sq.m.	Leasehold	2020
Capella Bangkok	Charoenkrung rd., Bangkok	101	5	2,037 sq.m.	Leasehold	2020

Source: BEYOND

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS**

Unit: Mil. THB

	Jan-Sep 2023	-----Year Ended 31 December -----			
		2022	2021	2020	2019
Total operating revenues	2,105	2,186	238	526	540
Earnings before interest and taxes (EBIT)	140	(131)	(192)	125	130
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	369	171	(133)	314	312
Funds from operations (FFO)	51	(233)	(211)	157	184
Adjusted interest expense	318	404	79	145	127
Capital expenditures	80	275	37	508	90
Total assets	13,497	13,346	14,106	8,381	8,911
Adjusted debt	4,848	5,345	4,583	1,046	392
Adjusted equity	6,280	6,103	6,412	4,782	4,705
<b>Adjusted Ratios</b>					
EBITDA margin (%)	17.5	7.8	(55.7)	59.7	57.8
Pretax return on permanent capital (%)	1.9	(1.1)	(1.9)	1.5	1.7
EBITDA interest coverage (times)	1.2	0.4	(1.7)	2.2	2.4
Debt to EBITDA (times)	8.9	31.2	(34.5)	3.3	1.3
FFO to debt (%)	2.2	(4.4)	(4.6)	15.1	46.9
Debt to capitalization (%)	43.6	46.7	41.7	17.9	7.7

**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

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**Bound and Beyond PLC (BEYOND)**

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<b>Company Rating:</b>	BB
<b>Rating Outlook:</b>	Stable

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**TRIS Rating Co., Ltd.**

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