TRIS RATING
A Strategic Partner of S&P Global

CreditUpdate เครดิตวาระ
New Issue Report

# SINGHA ESTATE PLC

No. 1/2024
8 January 2024

## CORPORATES

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

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

**Company Rating History:**

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


**Contacts:**

Tulyawat Chatkam
tulyawatc@trisrating.com

Chanaporn Pinphithak
chanaporn@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 Singha Estate PLC (S) at "BBB+" with a "stable" rating outlook and affirms the rating on its existing senior unsecured debentures at "BBB". At the same time, we assign a rating of "BBB" to S's proposed issue of up to THB1.2 billion senior unsecured debentures due within three years. The proceeds from the new debentures will be used for debt repayment.

The issue ratings are one notch below the company rating due to the subordination of the company's senior unsecured debentures to its priority debt, in terms of the priority of claims against the company's assets. As of September 2023, S's priority debt to total debt ratio was 90%, 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 in the first nine months of 2023 came in slightly below our forecast. While revenue grew 19% year-on-year to THB10.3 billion, thanks to a rebound in the hotel business, residential property sales fell short of our expectations. However, we expect real estate revenue to pick up in the fourth quarter of 2023, driven by backlog transfers and new project launches. The company's earnings before interest, tax, depreciation, and amortization (EBITDA) reached THB2.4 billion in the first nine months of 2023, and financial leverage remained within the expected bounds, with an adjusted debt to EBITDA ratio of 10.8 times. TRIS Rating expects this ratio to gradually decline below 8 times by 2025 as cash generation improves, despite ongoing 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 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 Ratings:** | |
| S268A: THB1,700 million senior unsecured debentures due 2026 | BBB |
| Up to THB1,200 million senior unsecured debentures due within 3 years | BBB |
| **Rating Outlook:** | Stable |

**TRIS Rating Co., Ltd.**
Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000