

S HOTELS AND RESORTS PLC

No. 86/2023
9 August 2023

CORPORATES

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

Last Review Date: 09/05/23

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 S Hotels and Resorts PLC (SHR) at “BBB+” with a “stable” rating outlook. At the same time, we assign the rating of “BBB” to SHR’s proposed issue of up to THB1.5 billion senior unsecured debentures due within four years. The proceeds from the new debentures will be used for business expansion and/or debt repayment.

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. As of March 2023, SHR’s priority debt to total debt ratio was 95%, exceeding the 50% threshold according to TRIS Rating’s “Issue Rating Criteria”.

The ratings reflect our assessment of SHR’s status as a “core subsidiary” of Singha Estate PLC (S, rated “BBB+/stable”), according to our “Group Rating Methodology”. We assess SHR’s stand-alone credit profile (SACP) at “bbb+” level, reflecting the good quality of its hotel portfolio with reasonable geographic diversity and our expectation that SHR’s financial leverage will decline as its hotel operations continue to recover in the coming years.

SHR’s operating performance in the first quarter of 2023 was in line with our expectations. SHR’s revenue came in at THB2.6 billion in the first quarter of 2023, increasing by 51% year-on-year (y-o-y). Earnings before interest, tax, depreciation, and amortization (EBITDA) was THB660 million in the first quarter of 2023. SHR’s financial leverage tracked our forecast with an adjusted debt to EBITDA ratio (annualized from the trailing 12 months) of 6.1 times in the first quarter of 2023, down from 7.2 times in 2022. Going forward, we expect the company’s hotel business to continue to recover in 2023-2024, supported by solid tourism demand following the reopening of countries in Asia, especially China. We forecast SHR’s financial leverage as measured by the adjusted debt to EBITDA ratio to trend down to 4.8 times in 2025 from 5.6 times in 2023 as SHR’s cash generation recovers, despite its continued business expansion.

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 change in S’s credit profile or our assessment of SHR’s status in the S Group could affect the company rating on SHR.

RELATED CRITERIA

- Group Rating Methodology, 7 September 2022
- 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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S Hotels and Resorts PLC (SHR)

Company Rating:	BBB+
Issue Rating:	
Up to THB1,500 million senior unsecured debentures due within 4 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

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