

Press Release

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TRIS Rating Views Joint-Investment in Mixed-Use Property Development Project Has No Immediate Impact on DTC's Credit Rating

TRIS Rating holds the view that a new investment of Dusit Thani PLC (DTC) in mixed-use property development project has no immediate impact on DTC's rating.

On 28 February 2017, DTC announced that the company's board of directors has approved to propose the annual general meeting of the shareholders to consider and approve the investment in the mixed-use property development project, which consists of a hotel, residences, a shopping center, and office building, located at the intersection of Silom and Rama IV Road. DTC will invest in the mixed-use project through a joint venture with Central Pattana PLC (CPN). The project value will not exceed Bt36,700 million, and DTC's portion will not exceed Bt13,000 million.

In TRIS Rating's view, securing a long-term lease on this prime plot of land will eliminate the uncertainty surrounding the current lease expiring in March 2018. The project will enhance DTC's competitive position in the long term, allowing it to strengthen its core hotel business and diversify into real estate development and retail businesses. In addition, DTC's partner, CPN, has a strong business and financial profile, which will support the development of the mixed-use project and enhance the value of the project.

During the project development period, DTC's financial profile will weaken because it will lose the revenue from the Dusit Thani Bangkok property, the site of the mixed-use project. The Dusit Thani Bangkok hotel comprised 20% of DTC's revenues in 2016 and 15% of earnings before interest, tax, depreciation and amortization (EBITDA). DTC's financial risk profile will also rise as it will take on more debt to fund the mixed-use project. However, given DTC's current low level of financial leverage, it has the financial flexibility to increase gearing. DTC's management is committed to maintaining a conservative financial policy. TRIS Rating expects DTC to keep the total debt to capitalization ratio below 50%. TRIS Rating will monitor the development of the project and review DTC's credit rating once more information on the project and the financing structure become available.

Currently, DTC is assigned a "BBB+" company rating with "stable" outlook by TRIS Rating.

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