

CENTRAL PLAZA HOTEL PLC

No. 134/2023

20 November 2023

CORPORATES

Company Rating:	A-
Issue Ratings:	
Senior unsecured	A-
Outlook:	Stable

Last Review Date: 26/07/23

Company Rating History:

Date	Rating	Outlook/Alert
14/07/22	A-	Stable
27/07/21	A-	Negative
31/07/20	A	Negative
27/03/20	A	Alert Negative
09/08/13	A	Stable
28/07/11	A-	Stable
03/07/09	A-	Negative
21/10/04	A-	Stable

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RATIONALE

TRIS Rating affirms the company rating on Central Plaza Hotel PLC (CENTEL) and the ratings on CENTEL's existing senior unsecured debentures at "A-", with a "stable" rating outlook. At the same time, we assign the rating of "A-" to CENTEL's proposed issue of up to THB1 billion and an additional greenshoe portion of up to THB500 million senior unsecured debentures. CENTEL intends to use the proceeds from the new debentures to refinance its maturing debts.

The ratings continue to reflect CENTEL's strong market position in its hotel and quick service restaurant (QSR) businesses in Thailand. These strengths are weighed down by the cyclical nature of the hotel industry and its susceptibility to event risk, as well as the intensely competitive QSR industry.

For the first nine months of 2023, CENTEL's operating performance was in line with our expectation. The revenue per available room (RevPAR) for CENTEL's key properties has already exceeded pre-pandemic levels, attributed to both improved occupancy rates and higher room rates. Concurrently, the QSR business demonstrated resilience despite persistent cost pressures. CENTEL reported a total of THB16.3 billion in revenue and THB4.1 billion in earnings before interest, taxes, depreciation, and amortization (EBITDA).

Looking forward, despite heightened geopolitical risks and the slower-than-anticipated return of Chinese tourists, we foresee that CENTEL's hotel business will maintain sound operational performance. This view is based on its portfolio, covering key segments from upper upscale to affordable hotels, and catering to both leisure and convention markets. This diversity positions the company well to capture a broad range of customer demand. In the QSR sector, we anticipate ongoing cost pressures and intense competition to impact profit margins. However, CENTEL's established market position in the QSR industry, coupled with solid performance in the hotel sector, should provide support for the company's overall profitability.

For the first nine months of 2023, CENTEL's adjusted debt to EBITDA ratio declined to 4.6 times (annualized based on trailing 12 months). Looking ahead, we expect the leverage ratio to rise to 5-6 times in the next 12-18 months, considering CENTEL's capital expenditures and investment plan. The leverage is forecast to start trending downwards with adjusted debt to EBITDA ratio falling below 5 times by 2025.

RATING OUTLOOK

The "stable" outlook reflects our expectation that the company will maintain its market positions in both hotel and QSR businesses, while consistently delivering strong operating performance.

RATING SENSITIVITIES

A rating upside could happen if CENTEL's business and financial profiles consistently improve so that the adjusted debt to EBITDA ratio stays well below 3.5 times on a sustained basis. A rating downgrade could occur if CENTEL's financial metrics are materially weaker than our projection due to consistently weaker-than-expected operating results and/or a larger-than-projected debt-funded investment.

CreditUpdate, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company's current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been "upgraded," "downgraded," "affirmed" or "cancelled." The update includes information to supplement the previously published ratings.

Credit Updates are part of TRIS Rating's monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

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

Central Plaza Hotel PLC (CENTEL)

Company Rating:	A-
Issue Ratings:	
CENTEL24OA: THB600 million senior unsecured debentures due 2024	A-
CENTEL266A: THB1,500 million senior unsecured debentures due 2026	A-
CENTEL269A: THB500 million senior unsecured debentures due 2026	A-
Up to THB1,000 million senior unsecured debentures and additional greenshoe portion of up to THB500 million due within 2 years	A-
Rating Outlook:	Stable

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