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# GOLDEN LAND PROPERTY DEVELOPMENT PLC

**Company Rating:** BBB+

**Outlook:** Stable

**Company Rating History:**

| Date | Rating | Outlook/Alert |
|---|---|---|
| 08/09/16 | BBB+ | Stable |
| 02/09/15 | BBB | Stable |

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**Rating Rationale**

TRIS Rating affirms the company rating of Golden Land Property Development PLC (GOLD) at "BBB+". The rating reflects GOLD's growing brand recognition in the residential property market, reliable stream of income from its rental assets, and expected support from its ultimate major shareholder. However, since the company is in its initial stage of growth, it needs time to prove its growth stability. Despite the lower debt to capitalization ratio after the significant capital injection by Frasers Property Holding Thailand Co., Ltd. (FPHT), we expect GOLD's leverage to rise with its relatively aggressive growth plan. In addition, demand for housing is still constrained by the relatively high level of household debt and the slowdown in the domestic economy.

As of June 2017, GOLD was held 39.28% by Univentures PLC (UV) and 39.92% by FPHT. The ultimate major shareholder of UV and FPHT is the Sirivadhanabhakdi family. GOLD mainly focuses on the middle-income segment of the housing market. Its products include single detached houses (SDH), semi-detached houses (semi-DH), and townhouses, targeting the Bt2-Bt3 million and the Bt3-Bt5 million segments. GOLD's residential project portfolio extended to more high-end housing segment after it acquired Krungthep Land PLC (KLAND) in late 2014. At the end of June 2017, GOLD had 27 existing projects, with a total value of Bt45,000 million. The value of the remaining unsold units (including built and un-built units) across GOLD's project portfolio was Bt13,000 million. Around 75% of the remaining value was in KLAND projects while the rest belonged to GOLD.

After the change to new groups of shareholders, GOLD's total revenue jumped significantly from less than Bt2,000 million per annum to Bt8,520 million in 2015 and Bt11,022 million in 2016. Revenue during the first six months of 2017 grew by 13% year-on-year (y-o-y) to Bt5,714 million. Residential sales generated revenue of Bt7,305 million in 2015, Bt9,825 million in 2016, and Bt4,972 million in the first six months of 2017. Recurring income from office buildings and hotel business generated revenue of around Bt1,000 million per annum during the past four years. Over the next three years, GOLD's total revenue is expected to be around Bt13,000 million per annum, as the company plans to launch several new projects in order to pursue its growth strategy.

GOLD's operating margin, as measured by operating income before depreciation and amortization as a percentage of sales, improved to 15%-16% during 2014-2016 and 19% in the first six months of 2017, from 12% in 2013. Net profit margin rebounded to the positive figure at 8%-10% of total revenue during 2014 through the first half of 2017. The revenue growing faster than costs helped improve profitability. However, high household debt levels and intense competition in the residential property market are the challenges for GOLD in maintaining its operating profit margin above 15% on the sustainable basis.

GOLD's adjusted debt to capitalization ratio improved to 31% as of December 2016 and 35% as of June 2017, from 59% as of December 2015 and 61% as of December 2014. GOLD's current financial leverage was lower than in the past since the company increased its capital by Bt4,971 million in January 2016 and subleased an office building, Sathorn Square, to the Golden Ventures Leasehold Real Estate Investment Trust (GVREIT) in March 2016. Cash from capital increase and subleasing the office building to the GVREIT helps alleviate its debt financing. However, with its aggressive business expansion, GOLD's leverage is expected to rise but the company is expected to keep its adjusted debt to capitalization ratio at around 55% in order to maintain its current rating.

GOLD's cash flow protection improved recently. The ratio of funds from operations (FFO) to total debt increased to 18% in 2016 and 20% (annualized with trailing 12 months) during the first six months of 2017, compared with 8% in 2015 and 4% in 2014. The earnings before interest, tax, depreciation and amortization (EBITDA) interest coverage ratio was 8-9 times during 2016 through the first half of 2017, up from 2-3 times during 2014-2015. Debts maturing over the next 12 months consist of Bt898 million bills of exchange (B/E) and the current portion of project loans worth Bt76 million. This will be supported by its cash on hand of Bt834 million and unused committed credit facilities of Bt1,900 million as of June 2017, together with an expected FFO of around Bt1,500 million per annum.

**Rating Outlook**

The "stable" outlook reflects the expectation that GOLD's operating performance will be in line with its projection. The company is expected to keep its operating profit margin above 15% over the next three years. Adjusted debt to capitalization ratio should stay at around 55% or the interest-bearing debt to equity ratio at around 1 times.

GOLD's rating and/or outlook could be revised downward should its operating performance and/or financial profile significantly deteriorate from the target levels. Also, the adjusted debt to capitalization ratio at above 60% for certain periods may lead to a downward rating or outlook revision. On the other hand, GOLD's future outlook could be revised upward should its operating performance improve significantly from the current level while its adjusted debt to capitalization ratio is kept lower than 50% on a sustainable basis.

## Golden Land Property Development PLC (GOLD)

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|---|---|
| **Company Rating:** | BBB+ |
| **Rating Outlook:** | Stable |

**Financial Statistics and Key Financial Ratios***

*Unit: Bt million*

| | Jan-Jun 2017 | ----------------------- Year Ended 31 December ------------------- 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|
| Revenue | 5,714 | 11,022 | 8,520 | 4,058 | 1,565 | 1,643 |
| Gross interest expense | 88 | 170 | 501 | 304 | 227 | 271 |
| Net income from operations | 599 | 1,040 | 660 | 106 | (430) | (566) |
| Funds from operations (FFO) | 711 | 1,044 | 929 | 460 | (17) | (150) |
| Inventory investment | (878) | (3,131) | 984 | (2,809) | (1,226) | 370 |
| Total assets | 30,042 | 28,824 | 22,042 | 21,270 | 12,580 | 11,697 |
| Total debts | 7,476 | 6,089 | 11,625 | 11,622 | 5,321 | 4,512 |
| Shareholders' equity | 13,873 | 13,814 | 7,923 | 7,362 | 5,887 | 5,940 |
| Operating income before depreciation and amortization as % of sales | 19.06 | 16.09 | 16.18 | 14.79 | 12.39 | 0.80 |
| Pretax return on permanent capital (%) | 7.56 ** | 7.41 | 5.98 | 2.40 | (0.98) | (1.96) |
| Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times) | 8.84 | 8.08 | 2.86 | 1.87 | 0.48 | 0.13 |
| FFO/total debt (%) | 19.54 ** | 17.54 | 8.18 | 4.13 | (0.01) | (3.02) |
| Total debt/capitalization (%) | 35.02 | 30.59 | 59.47 | 61.22 | 47.48 | 43.17 |
| Total debt/capitalization (%) *** | 30.65 | 25.61 | 56.54 | 59.29 | 42.80 | 37.60 |

*Note:* *All ratios are operating lease adjusted*
* *Consolidated financial statements*
** *Annualized with trailing 12 months*
*** *Excluding capitalized annual leases*

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