

# SUPALAI PLC

No. 198/2024  
31 October 2024

## CORPORATES

**Company Rating:** A  
**Outlook:** Stable

**Last Review Date:** 16/10/23

### Company Rating History:

Date	Rating	Outlook/Alert
18/07/14	A	Stable
07/06/13	A-	Positive
20/05/10	A-	Stable
03/03/06	BBB+	Stable
29/10/04	BBB	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Supalai PLC (SPALI) at “A” with a “stable” rating outlook. The rating reflects the company’s strong market position, well-diversified portfolio, low financial leverage, and adequate liquidity. We also expect SPALI to deliver strong operating performance and maintain financial position as targeted. The rating takes into account the negative effects of persistently high interest rates and rising household debt levels, which have adversely impacted purchasing power and elevated mortgage rejection rates for residential property in the short to medium term.

## KEY RATING CONSIDERATIONS

### Leading market position in Thailand with a well-diversified portfolio

SPALI’s credit profile is underpinned by its strong market presence and competitive edges in the residential property market, particularly in the middle-income segment. Its annual presales and transfers exceeding THB20 billion since 2015, ranking among the top five listed residential property developers in Thailand. SPALI reported presales of THB29 billion and revenue from residential sales of THB31 billion in 2023.

SPALI's project portfolio is well-diversified in terms of product types, price ranges, and locations. The company offers various types of products, including single detached houses (SDHs), semi-detached houses (semi-DHs), townhouses, condominiums, and land plots, through the low-to high-ended segment. Its residential projects cover the Bangkok Metropolitan Area (BMA), and 29 provinces in Thailand.

As of June 2024, SPALI had 178 landed property projects and 33 condominium projects available for sales, with total remaining project value of THB117 billion (including built and un-built units), in Thailand. Of the unsold value, around three-fourths was landed property projects, and the remainder was condominium projects. Around half of total unsold value was situated in the BMA, while the remainder was in provincial areas.

### Expected larger income from overseas investments

SPALI has pursued investment opportunities abroad since 2013. The company has partnered with six local firms in Australia to develop 12 projects, including four joint operations (JOs) and eight joint ventures (JVs). The remaining project value was THB352 billion, including the four JOs worth around THB34 billion, with an expected development period of five to 15 years. Additionally, SPALI has partnered with Stockland Corporation Ltd. (50:50) to acquire 12 property projects from Lendlease Corporation Ltd. (Lendlease). SPALI is required to inject around THB10 billion in equity into this JV in 2024-2025. The expected development value of these projects is THB138 billion (SPALI’s portion) over the next 10 years. Upon completing its investment in Lendlease, SPALI’s equity investment in Australia will increase to around 24% of total assets.

Due to the larger scale of its investment portfolio, we expect earnings contribution from Australia to materialize in the next few years. Our base-case scenario projects revenue from JO projects will be maintained at around THB2-THB3 billion per annum in 2024-2026, accounting for 7%-10% of total operating revenue. We also anticipate shared profit from investments in JV projects to double in 2025-2026 from THB200-THB400 million in 2022-2024.

### Strong operating performance anticipated

We expect SPALI to deliver strong performance in line with our targets. Our base case projects SPALI's total operating revenue to range between THB29-THB31 billion per annum in 2024-2026. Our projected revenue is partly supported by SPALI's large backlog worth THB16.5 billion, its plan to launch new projects worth THB40-THB50 billion annually, and the contribution from projects in Australia. The backlog is expected to be recognized as revenue of THB12.6 billion in the second half of 2024 (2H24), THB2.3 billion in 2025, and THB1.5 billion in 2026.

Since over three-fourths of new projects launches each year will be landed property, we project revenue contribution from landed property will be 65%-75% of total revenue in 2024-2026. Consequently, we anticipate that SPALI's profitability may be softer, as landed property projects typically yield lower profit margins than condominium projects. Additionally, intense competition from top-tier players and sluggish demand in the residential property market may further pressure the company's profitability.

Our baseline projects SPALI's gross profit margin should remain at 35%-36% and EBITDA margin should range between 27%-29% over the forecast period. SPALI's gross profit margin decreased to 36% in 2023-6M24 from 38%-40% in earlier years. Its EBITDA margin also dropped to 28%-29% in 2023-6M24 from above 30% in past several years. Despite a soften profitability, we expect SPALI's efficient cost control will continue enabling its profit margin to remain above the industry average.

### Low financial leverage despite ongoing project expansion

Although SPALI intends to continuously expand its residential portfolio across both the BMA and provincial areas, we expect SPALI's debt to capitalization ratio to remain at 30%-32% in 2024-2026, near the same level as 2021-2023. However, we expect the debt to EBITDA ratio may rise to 3-3.5 times over the next three years from 2-2.5 times in 2022-2023, largely attributable to the anticipated drop in profit margins. Despite the increase in SPALI's financial leverage, we consider its debt ratios remain low compared to those of rated peers.

Our base-case scenario projects SPALI to launch landed property projects worth THB44 billion in 2024, followed by THB30 billion annually in 2025-2026. We expect the company to launch condominium projects worth THB6 billion this year, with an increase to THB10 billion per year over the subsequent two years. We estimate the annual budget for land acquisition to be THB7-THB8 billion and capital expenditures for construction to range from THB10-THB13 billion. We incorporate planned equity investment in Australian projects amounting to THB10 billion over 2024-2025 and a dividend payout ratio of 40%-44% in our assumptions.

### Adequate liquidity

We assess SPALI to have adequate liquidity to cover its debt repayments over the next 12 months. As of June 2024, SPALI's sources of liquidity consisted of cash on hand (net of all obligations) of THB1.4 billion plus undrawn committed credit facilities from banks of THB10.4 billion. Funds from operations (FFO) over the next 12 months are forecast to be around THB6 billion. In addition, SPALI has unencumbered assets (land plots and office building) at book value worth THB8.6 billion, which can be pledged as collateral for new credit facilities, if needed. Given its strong credit profile, SPALI should be able to access capital markets.

SPALI's debts coming due in the next 12 months will be THB23.8 billion, comprising THB12.7 billion promissory notes (P/Ns), THB6.1 billion debentures, and THB5 billion bills of exchange (B/Es). SPALI normally rolls over most of matured P/Ns and B/Es. The company already refinanced the debentures due in 2H24 with new debentures issuances. We anticipate that SPALI's cash flow protection to remain strong over the forecast period, with FFO to debt ratio expected to remain above 20%.

The financial covenant on SPALI's debt obligations requires the company to maintain its total liabilities to equity (D/E) ratio below 2 times. The ratio at the end of June 2024 was 0.8 times. We believe SPALI should have no problems complying with the financial covenant over the next 12 months.

### Debt structure

As of June 2024, SPALI had total consolidated debts of THB33.1 billion. SPALI's priority debt, including secured debt at the company and total debts at the subsidiaries, was THB5.6 billion. This translates to a priority debt to total debt ratio of 17%.

### BASE-CASE ASSUMPTIONS

These are the key assumptions in TRIS Rating's base-case forecast for SPALI's operations in 2024-2026:

- New residential project launch of THB40-THB50 billion per annum
- Annual budget for land acquisition of THB7-THB8 billion
- Equity investment in Australia totaling THB10 billion over 2024-2025

- Total operating revenue to range from THB29-THB31 billion per annum, with 7%-10% revenue contribution from JO projects in Australia
- Shared profits from investments in JV projects in Australia to double in 2025-2026
- Gross profit margin to hover 35%-36% and EBITDA margin to stay at 27%-29%

#### **RATING OUTLOOK**

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The “stable” outlook reflects our expectation that SPALI will be able to deliver operating results aligned with our base-case forecast and sustain its strong financial profile throughout the forecast period.

#### **RATING SENSITIVITIES**

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The rating and/or outlook could be revised upward should SPALI’s operating performance and financial profile improve substantially, such that the FFO to debt ratio consistently exceeds 40%. In addition, a significant increase in revenue contribution from recurring-income assets would be a plus for the rating or outlook. Conversely, a downward revision of the rating and/or outlook may occur if SPALI’s profitability and/or capital structure significantly deviate from our expectations, particularly if the FFO to debt ratio falls below 20% for an extended period.

#### **COMPANY OVERVIEW**

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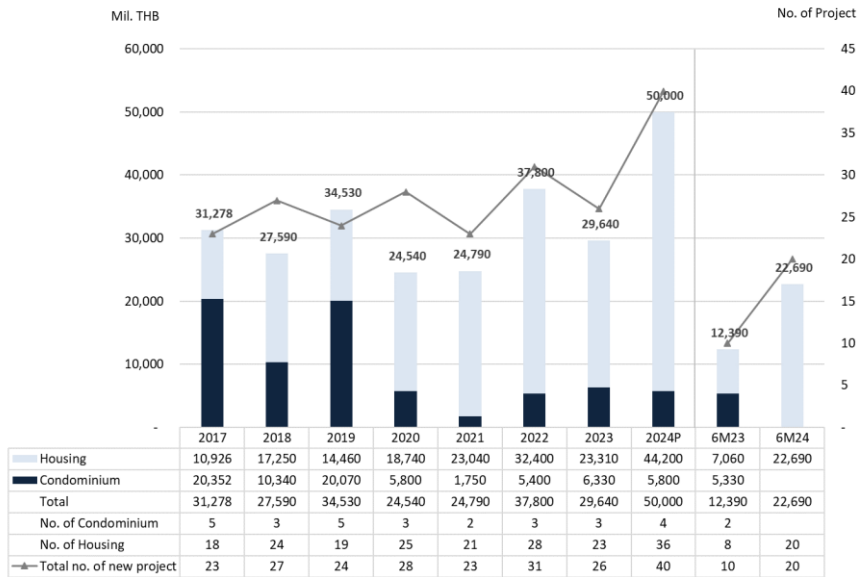
Established by the Tangmatitham Family in 1989, SPALI is one of Thailand’s leading property developers. As of June 2024, the Tangmatitham Family, the largest shareholder, held a 38% stake in SPALI. The company offers a wide range of residential property products including SDHs, semi-DHs, townhouses, and condominiums. Its products, which target the middle-income segment, are located in a number of major cities in Thailand.

SPALI has explored investment opportunities abroad since 2013. It is currently investing in JOs and JVs with local residential property developers in Australia. In December 2023, SPALI set up another JV with Stockland Corporation Ltd. to acquire 12 land plot projects, with total project value of THB138 billion (in SPALI’s portion), from Lendlease. Upon the completion of payment term, SPALI’s equity investments in Australia will increase to 24% of total assets from 11% as of June 2024. However, the contribution from foreign investments to SPALI’s overall performance remains modest.

As of June 2024, SPALI had more than a hundred active projects. The value of unsold units was THB117 billion. Around three-fourths of this value was landed property projects, and the remainder was condominium projects. SPALI’s backlog was sizable at around THB16 billion.

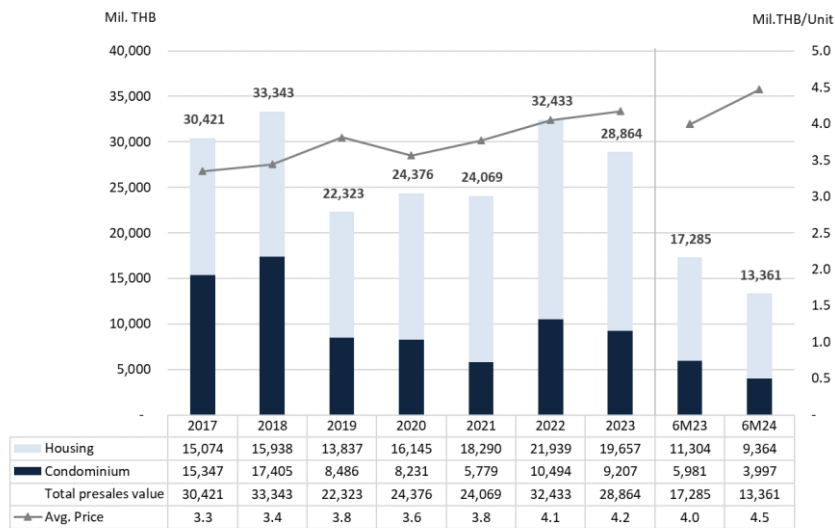
**KEY OPERATING PERFORMANCE**

**Chart 1: New Project Launches**



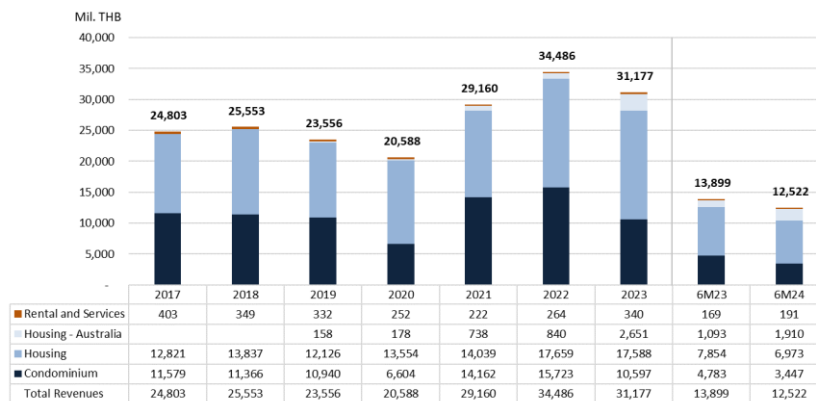
Source: SPALI

**Chart 2: Presales Performance**



Source: SPALI

**Chart 3: Revenue Breakdown**



Source: SPALI

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\***

Unit: Mil. THB

	Jan-Jun 2024	-----Year Ended 31 December -----			
		2023	2022	2021	2020
Total operating revenues	12,522	31,177	34,486	29,160	20,588
Earnings before interest and taxes (EBIT)	3,604	8,995	11,694	10,090	6,331
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	3,529	9,134	11,735	10,037	6,501
Funds from operations (FFO)	2,275	6,779	9,089	7,685	4,869
Adjusted interest expense	458	679	417	439	441
Real estate development investments	76,335	71,125	65,675	62,104	59,945
Total assets	93,502	86,126	79,924	71,432	68,207
Adjusted debt	24,957	22,383	22,985	18,286	20,005
Adjusted equity	52,665	51,465	47,463	42,926	37,396
<b>Adjusted Ratios</b>					
EBITDA margin (%)	28.2	29.3	34.0	34.4	31.6
Pretax return on permanent capital (%)	10.2 **	11.9	17.3	16.5	11.4
EBITDA interest coverage (times)	7.7	13.4	28.1	22.9	14.7
Debt to EBITDA (times)	3.0 **	2.5	2.0	1.8	3.1
FFO to debt (%)	23.6 **	30.3	39.5	42.0	24.3
Debt to capitalization (%)	32.2	30.3	32.6	29.9	34.9

\* Consolidated financial statements

\*\* Annualized with trailing 12 months

**RELATED CRITERIA**

- Homebuilders and Real Estate Developers Rating Methodology, 12 January 2023
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

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**Supalai PLC (SPALI)**

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<b>Company Rating:</b>	A
<b>Rating Outlook:</b>	Stable

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**TRIS Rating Co., Ltd.**

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