

# FRASERS PROPERTY (THAILAND) PLC

No. 185/2024  
16 October 2024

## CORPORATES

<b>Company Rating:</b>	A
<b>Issue Ratings:</b>	
Senior unsecured	A
<b>Outlook:</b>	Stable

**Last Review Date:** 24/04/24

### Rating History:

Date	Rating	Outlook/Alert
14/10/21	A	Stable
17/09/19	A-	Stable
01/03/19	A	Alert Negative
25/05/17	A	Stable
27/04/16	A-	Stable
07/05/15	A	Negative
02/05/12	A	Stable
14/10/11	A	Alert Negative
21/11/05	A	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Frasers Property (Thailand) PLC (FPT) and the ratings on FPT's existing senior unsecured debentures at "A", with a "stable" rating outlook. At the same time, we assign the rating of "A" to FPT's proposed issue of up to THB6.0 billion senior unsecured debentures due within 10 years. The proceeds from the new debentures will be used for debt repayments and/or working capital.

The company rating incorporates a three-notch enhancement from its stand-alone credit profile (SACP) to reflect FPT's group status as a "strategically important" subsidiary of Frasers Property Limited (FPL), rated "AA-/Stable." FPL is a multinational property development company listed on the Singapore Stock Exchange.

FPT's SACP of "bbb" continues to reflect its diversified and balanced real estate portfolio and the satisfactory performance of its industrial and commercial property businesses. However, the SACP is constrained by the weaker-than-expected performance of its residential property segment and its high financial leverage. The ratings also consider the negative effects of persistently high interest rates and household debt levels, which have contributed to increased mortgage rejection rates and weakening purchasing power among homebuyers.

## KEY RATING CONSIDERATIONS

### Strategically important subsidiary of Frasers Group

We view FPT as a strategically important subsidiary of FPL, with FPL holding nearly 60% of FPT, both directly and indirectly. FPT's property-related businesses, which span the residential, commercial, hospitality, and industrial segments, are aligned with its parent company. The company serves as an investment arm for FPL's real estate businesses in Thailand and some other ASEAN countries. Over the past five years, FPT's EBITDA has represented approximately 15%-20% of FPL's total EBITDA.

In addition to operational alignment, FPT's financial policy is consistent with the group's. FPT aims to maintain its interest-bearing debt-to-equity ratio below 1.5 times. As a strategically important subsidiary, FPT is expected to continue receiving both business and financial support from the group.

### Diversified property portfolio

FPT's business portfolio has become more diversified following its acquisition of Golden Land Property Development PLC (GOLD) in 2019. The company has transitioned from a purely industrial property focus to a broader range of business lines, encompassing residential, commercial, hospitality, and industrial properties. This diversification has strengthened the company's revenue and earnings resilience. Notably, despite the challenges encountered in the residential segment last year, the strong performance of its industrial and commercial properties has helped sustain overall financial stability.

Looking forward, we project FPT's total operating revenue to sustain in the range of THB13-THB15 billion during fiscal years 2024-2026 (FY2024-FY2026), with approximately 70% of revenues coming from residential properties for sale and around 30% from industrial and commercial properties. However, the EBITDA contribution from industrial property is projected to increase to around 65%, from around 50%-60% in recent years, with residential and

commercial properties making up the remainder. This shift is mainly being driven by the expected margin compression in the residential property segment. Overall, FPT's EBITDA margin is likely to remain above 35%, and the net profit margin above 10% during FY2024-FY2026, supported by satisfactory margins from both industrial and commercial properties.

### **Residential property business to bottom out starting from FY2025 onwards**

FPT's operating performance in its residential property segment for the first nine months of FY2024 (9MFY2024) was approximately 20% below our previous projections. Several factors contributed to this trend, including diminished purchasing power among homebuyers, elevated household debt levels, a high-interest rate environment, and increased mortgage rejection rates. Consequently, the company's revenue from residential sales declined by around 11% year-on-year (y-o-y) to approximately THB6.8 billion, while its gross profit margin decreased to 23%, down from 31% in the same period last year. This softened profitability was primarily attributed to construction cost adjustments and pricing strategies implemented to address weak market sentiment and intense competition.

Looking forward, we anticipate residential sales to decline by approximately 18%, reaching around THB9.0 billion for FY2024, before gradually improving to a range of THB9.4-THB10.0 billion during FY2025-FY2026. Sales in the remaining quarter of FY2024 will be partially supported by a backlog of approximately THB1.3 billion as of June 2024, all of which are expected to be recognized as revenue in FY2024. The gross profit margin for residential property is projected to slightly improve to the 25%-27% range over the forecast period, assuming no further construction cost adjustments.

### **Operating performance of the industrial property to remain satisfactory**

We expect FPT's industrial property segment to continue reporting satisfactory operating performance during FY2024-FY2026. We project that rental income from industrial property to gradually improve to around THB2.3-THB2.7 billion per annum over the forecast period. Rental income from warehouses will likely remain the primary source of income, contributing around 80% of total rental income from industrial properties over the next three years. The gross profit margin for industrial property is anticipated to remain strong, exceeding 55% during this period.

FPT's industrial portfolio is likely to expand further during FY2024-FY2026, with new industrial property builds expected to range from 130,000 to 180,000 square meters (sq.m.) per annum, of which approximately 80%-90% are anticipated to be warehouses. The company's own leasable area, including operations in Indonesia and Vietnam, is expected to remain around 1.2-1.4 million sq.m., reflecting a slight increase from the current 1.1 million sq.m. Furthermore, we expect FPT to sell industrial assets to Frasers Property Thailand Industrial Freehold and Leasehold Real Estate Investment Trust (FTREIT) valued at around THB1.5-THB2.0 billion per annum during FY2024-FY2026.

Despite facing strong competition from both established operators and new industry entrants, FPT's warehouse occupancy rates are projected to remain robust, staying at above 85% in Thailand, around 50%-80% in Vietnam, and approximately at 95% in Indonesia over the next three years. This resilience is driven by growing demand for logistics and warehousing solutions, particularly due to the expansion of e-commerce. Meanwhile, factory occupancy rates are anticipated to hold steady at around 80% over the same period, supported by ongoing trends in supply chain diversification, manufacturing relocation, and the expansion of production capacities in the region.

### **Small but stable earnings contribution from commercial property**

We expect hotel operating performance to remain solid, supported by the recovery of the tourism industry. The average revenue per available room (RevPAR) for each of FPT's hotels improved significantly in 9MFY2024, and we anticipate this positive trend will continue over the forecast period. However, revenue from the hotel business is expected to decrease to around THB350-THB450 million per annum during FY2024-FY2026, following FPT's decision to terminate the management contract for the Mayfair Marriott to facilitate the development of a new condominium project. The gross profit margin for the hotel business is expected to remain sound, in the range of 40%-45% over the forecast period.

Despite challenges from new office supply and shifts in tenant preferences towards hybrid workspaces and shorter lease terms, the office-for-rent business is expected to improve, generating revenue of around THB750 million per annum during FY2024-FY2026. This increase would mainly be driven by the full-year recognition of its new office and retail building, "Silom Edge." We expect the rental rate of FYI Center to remain stable, with the occupancy rate projected to stay at around 90% during FY2024-FY2026. For Silom Edge, we expect the occupancy rate to exceed 80% for its retail space and above 90% for office space over the forecast period. Rental rates for both retail and office space are forecast to remain steady, with the gross profit margin for the retail and office segments expected to remain robust at around 50% throughout the forecast period.

## Financial leverage expected to remain high

FPT's financial leverage is expected to remain relatively high due to its continued investments in both industrial and residential properties. As of 30 June 2024, its adjusted debt (including guarantees on joint ventures' debts) to capitalization ratio stood at around 60%, while its funds from operations (FFO) to adjusted debt ratio was above 5%. The adjusted debt to EBITDA ratio increased slightly to around 10-11 times, reflecting weaker residential performance.

Looking ahead, we expect FPT to allocate around THB2.0-THB3.0 billion per year for land acquisitions for new residential projects, and THB4.0-THB4.5 billion annually for construction costs during FY2024-FY2026. Investment in industrial properties is projected to range from THB2.5-THB3.7 billion per year over the same period. Given this investment plan, we expect FPT's debt-to-capitalization ratio to improve slightly to around 56%-58% during FY2024-FY2026, with the FFO-to-debt ratio remaining stable at around 6%. The adjusted debt-to-EBITDA ratio is likely to stay at approximately 10 times over this period, supported by the company's asset recycling plan, which is expected to generate THB1.5-THB2.0 billion annually.

The financial covenants on FPT's debentures require maintenance of an interest-bearing debt (excluding lease liabilities) to equity ratio below 3 times. As of June 2024, this ratio was 1.3 times, and we believe FPT will comfortably comply with these covenants over the next 12 to 18 months.

## Manageable liquidity

We assess FPT's liquidity over the next 12 months to be manageable. As of June 2024, the company faced debt maturities totaling THB15.9 billion, consisting of THB7.0 billion in debentures, THB5.7 billion in short-term loans, THB2.9 billion in long-term project loans, and THB0.3 billion in lease liabilities.

FPT's available liquidity sources included THB1.1 billion in cash, THB1.4 billion in undrawn committed credit facilities, and THB7.2 billion in undrawn uncommitted credit lines. FFO is projected to be around THB3.0-THB3.3 billion annually. FPT also holds unencumbered land banks valued at THB10.6 billion and finished debt-free residential units worth THB3.4 billion, which could be used as collateral for new loans if needed.

## Debt structure

As of 30 June 2024, FPT's consolidated debt, excluding lease liabilities, was around THB49.0 billion. Its priority debt was THB10.1 billion, comprising secured debts and debts of its subsidiaries. This results in a priority debt to total debt ratio of around 21%.

## BASE-CASE ASSUMPTIONS

These are our key assumptions for FPT's operations during 2024-2026:

- New residential project launches worth THB10.4-THB17.2 billion per annum
- Annual budget for land acquisition to range from THB2.0-THB3.0 billion
- Annual capital expenditure for industrial property to range from THB2.5-THB3.7 billion
- Total operating revenues to increase to THB13-THB15 billion per annum
- Average gross profit margin from all businesses of around 34%-35% and EBITDA margin of 36%-37%

## RATING OUTLOOK

The "stable" outlook reflects our expectation that FPT should be able to maintain its market position and deliver operating performance as targeted and will keep its FFO to total debt ratio above 5%. We also expect FPT to remain a strategically important subsidiary of FPL.

## RATING SENSITIVITIES

A revision to the ratings on FPT could result from changes in its SACP and/or its group status within the Frasers group. The SACP on FPT could be revised upward should the company deliver significantly better-than-expected operating results, leading to a sustained increase in its FFO to adjusted debt ratio to a level above 10%. Conversely, the SACP could be revised downward if the FFO to adjusted debt ratio is expected to fall below 5% for an extended period, potentially due to weakened operating performance or aggressive debt-funded expansion.

## COMPANY OVERVIEW

FPT, originally known as TICON Industrial Connection PLC (TICON), was incorporated in 1990 and listed on the Stock Exchange of Thailand (SET) in 2002. The Frasers Property Group, a multinational company that develops, owns, and manages a diverse portfolio of properties, acquired a majority share in TICON in early 2017, after which the company was renamed FPT. As of June 2024, Frasers Property Group held an 81.83% stake in FPT.

In early 2019, FPT announced a voluntary tender offer for all securities of GOLD. This acquisition was completed in early 2020, making FPT a major shareholder in GOLD with a 99.48% ownership stake. Since then, FPT's business portfolio has expanded to include residential properties for sale, industrial properties for rent (including factories and warehouses in Thailand, Indonesia, and Vietnam), and commercial properties for rent (such as offices, retail spaces, hotels, and serviced apartments). Additionally, FPT has engaged in several joint ventures with partners to develop various projects, including industrial properties in Thailand and a township project on Bangna-Trad Road.

From FY2018 through 9MFY2024, revenue from residential properties for sale accounted for approximately 68%-80% of FPT's total operating revenue. Meanwhile, revenue contributions from industrial properties and commercial properties for rent ranged from 10%-16% and 5%-10%, respectively. Revenue from other business segments has remained negligible.

**KEY OPERATING PERFORMANCE**

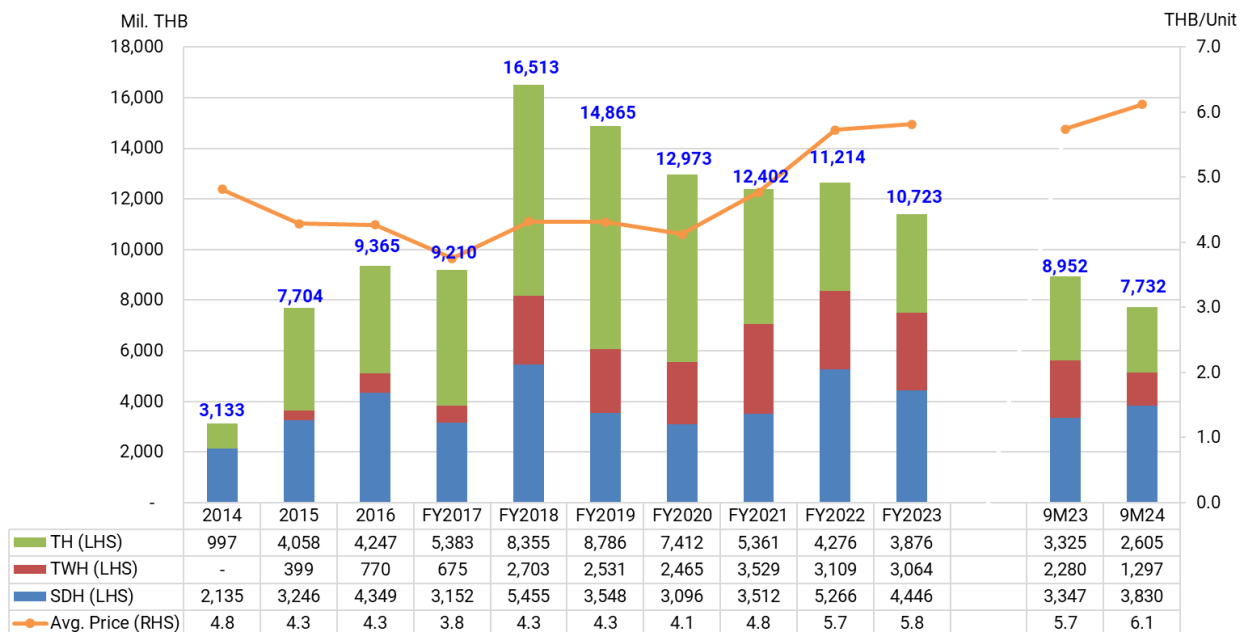
**Table 1: New Project Launches**

Unit: % of total operating revenue

Revenue Contribution	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	Oct 2023- Jun 2024
Residential sales	78	79	78	77	76	72	68
Industrial estate sales							
Industrial estate for rent	9	9	9	10	12	13	16
Office building for rent	5	5	5	4	4	5	6
Hotel operation	3	3	2	1	2	4	3
Management fee income	3	3	3	5	5	5	5
Other rental and services income	1		1	1			
Other operating revenues	1	1	2	2	1	1	1
<b>Total operating revenues</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Total operating revenues (mil. THB)</b>	<b>13,127</b>	<b>19,598</b>	<b>18,686</b>	<b>14,766</b>	<b>15,036</b>	<b>15,217</b>	<b>10,063</b>

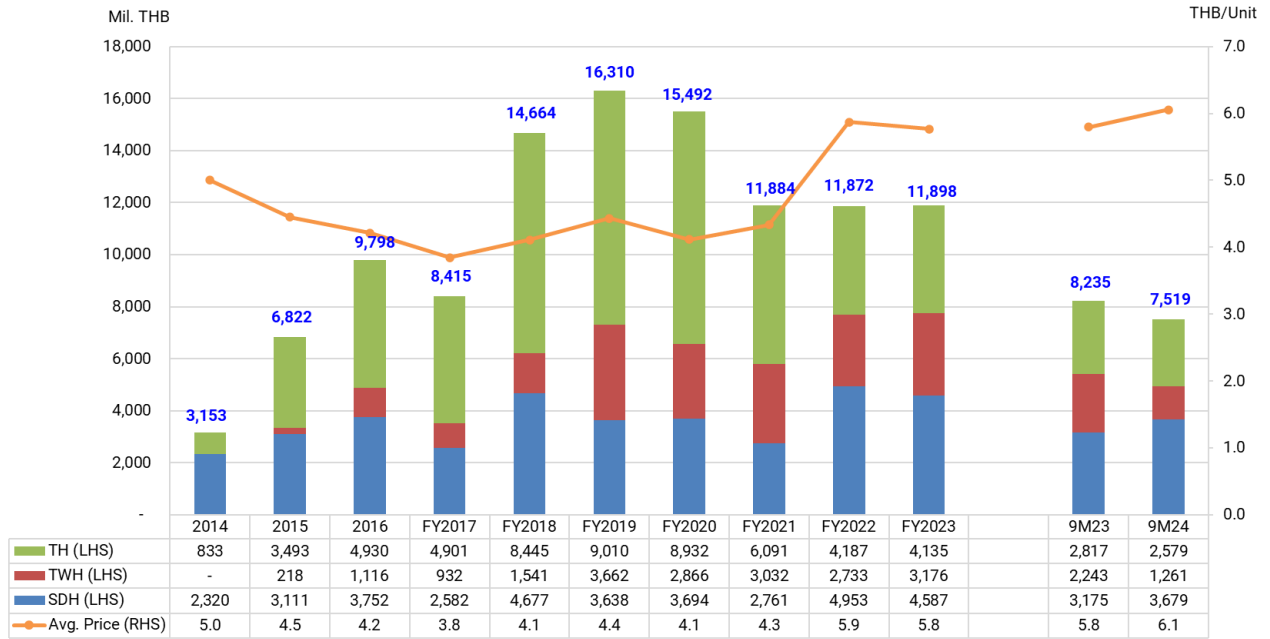
Source: FPT

**Chart 1: Presales**



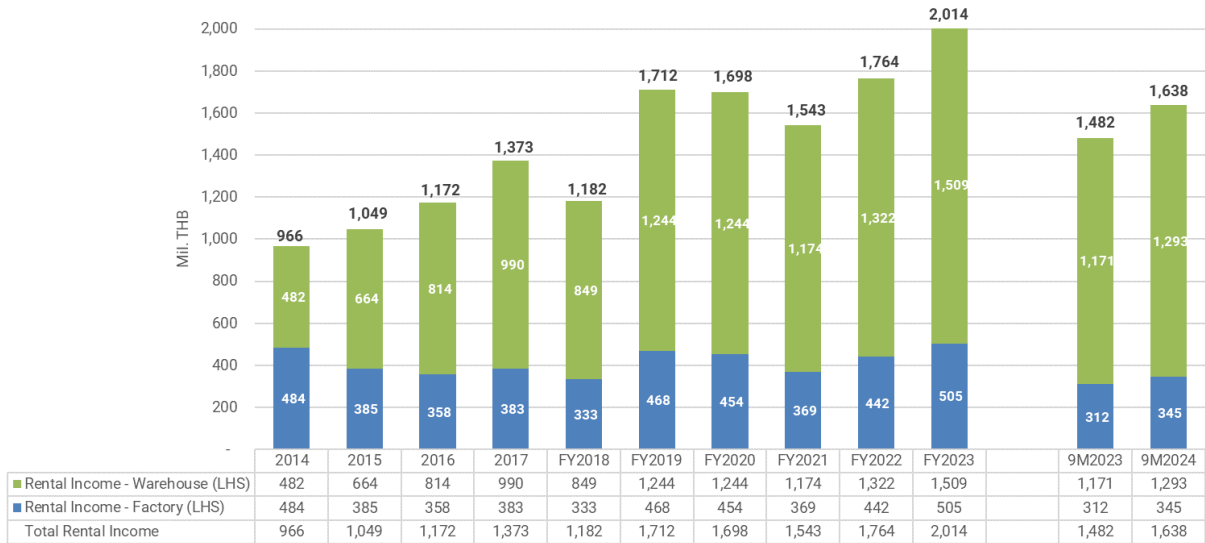
Source: FPT

**Chart 2: Transfers**



Source: FPT

**Chart 3: Breakdown of Rental Income**



Source: FPT

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

Unit: Mil. THB

	Oct2023- Jun2024	-----Year Ended 30 September -----			
		FY2023	FY2022	FY2021	FY2020
Total operating revenues	10,063	15,217	15,036	14,766	18,686
Earnings before interest and taxes (EBIT)	1,978	3,925	3,809	3,201	4,339
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	3,165	5,673	5,618	5,224	6,331
Funds from operations (FFO)	1,689	3,378	3,491	3,233	3,718
Adjusted interest expense	1,306	1,683	1,502	1,549	1,891
Real estate development investments	35,369	33,813	33,658	32,356	32,878
Total assets	97,757	95,871	98,967	92,637	93,186
Adjusted debt	53,411	51,267	54,349	51,246	48,727
Adjusted equity	36,704	37,082	36,487	34,253	32,133
<b>Adjusted Ratios</b>					
EBITDA margin (%)	31.5	37.3	37.4	35.4	33.9
Pretax return on permanent capital (%)	3.7 **	4.3	4.3	3.8	5.3
EBITDA interest coverage (times)	2.4	3.4	3.7	3.4	3.3
Debt to EBITDA (times)	10.4 **	9.0	9.7	9.8	7.7
FFO to debt (%)	5.2 **	6.6	6.4	6.3	7.6
Debt to capitalization (%)	59.3	58.0	59.8	59.9	60.3

\* Consolidated financial statements

\*\* Annualized with trailing 12 months

**RELATED CRITERIA**

- Homebuilders and Real Estate Developers Rating Methodology, 12 January 2023
- 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

**Frasers Property (Thailand) PLC (FPT)**

<b>Company Rating:</b>	A
<b>Issue Ratings:</b>	
FPT251A: THB1,800 million senior unsecured debentures due 2025	A
FPT256A: THB1,000 million senior unsecured debentures due 2025	A
FPT25NA: THB971 million senior unsecured debentures due 2025	A
FPT262A: THB3,000 million senior unsecured debentures due 2026	A
FPT268A: THB2,400 million senior unsecured debentures due 2026	A
FPT260A: THB1,900 million senior unsecured debentures due 2026	A
FPT271A: THB500 million senior unsecured debentures due 2027	A
FPT275A: THB500 million senior unsecured debentures due 2027	A
FPT275B: THB1,000 million senior unsecured debentures due 2027	A
FPT276A: THB2,000 million senior unsecured debentures due 2027	A
FPT277A: THB1,400 million senior unsecured debentures due 2027	A
FPT27NA: THB689 million senior unsecured debentures due 2027	A
FPT27NB: THB1,500 million senior unsecured debentures due 2027	A
FPT282A: THB500 million senior unsecured debentures due 2028	A
TICON283A: THB1,000 million senior unsecured debentures due 2028	A
FPT292A: THB200 million senior unsecured debentures due 2029	A
FPT295A: THB500 million senior unsecured debentures due 2029	A
FPT301A: THB1,200 million senior unsecured debentures due 2030	A
FPT302A: THB500 million senior unsecured debentures due 2030	A
FPT305A: THB500 million senior unsecured debentures due 2030	A
FPT309A: THB300 million senior unsecured debentures due 2030	A
FPT315A: THB500 million senior unsecured debentures due 2031	A
Up to THB6,000 million senior unsecured debentures due within 10 years	A
<b>Rating Outlook:</b>	Stable

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