TRIS RATING
A strategic partner of S&P Global

CreditNews ข่าวเครดิต

UNIVENTURES PLC

No. 112/2017 7 September 2017

Company Rating:	BBB+
Issue Rating:	
Senior unsecured	BBB+
Outlook:	Stable

Company Rating History:

Date	Rating	Outlook/Alert
08/09/16	BBB+	Stable
01/12/14	BBB	Positive
10/09/13	BBB	Stable
11/09/12	BBB	Developing
17/10/08	BBB	Stable
13/06/07	BBB	Developing
03/11/05	BBB	Stable

Contacts:

Jutamas Bunyawanichkul
jutamas@trisrating.com

Auyporn Vachirakanjanaporn
auyporn@trisrating.com

Rapeepol Mahapant
rapeepol@trisrating.com

Suchada Pantu, Ph. D.
suchada@trisrating.com

WWW.TRISRATING.COM

Rating Rationale

TRIS Rating affirms the company rating of Univentures PLC (UV) and the rating of UV's senior unsecured debentures at "BBB+". The ratings reflect UV's more diversified product portfolio, as well as reliable stream of income from its rental assets, and expected support from its ultimate major shareholder. However, these strengths are partially offset by the expected rise in its financial leverage based on the aggressive business expansion through residential projects and rental assets of the Group. The rating also takes into consideration the relatively high level of household debt nationwide, coupled with the current slowdown in the domestic economy, which may impact demand in the residential property market in the short-to-medium term.

UV was founded in 1980 as a zinc oxide (ZnO) producer. The company shifted its business to property development in 2000 by investing in a number of joint ventures (JVs) with listed property developers. Adelfos Co., Ltd. purchased 51.6% of UV's shares in 2007 and became its controlling shareholder. As of March 2017, Adelfos held a 66.01% stake in UV. Adelfos is owned by the second generation of the Sirivadhanabhakdi family. The family owns and manages a number of property companies under the TCC Group.

UV's residential property portfolio used to be dedicated to condominium projects, developed by Grand Unity Development Co., Ltd. (Grand Unity). UV expanded to the middle- and high-end housing segments after the acquisition of GOLD and Krungthep Land PLC (KLAND). As of June 2017, UV owned 35 residential property projects. Its project portfolio comprises eight condominium projects developed by Grand Unity and 27 housing projects developed by GOLD and KLAND. At the end of June 2017, UV had unsold units (including built and un-built units) worth Bt18,000 million available for sale.

UV's presales grew by 4% year-on-year (y-o-y) to Bt11,570 million in 2016. Presales during the first six months of 2017 soared by 27% y-o-y to Bt8,447 million. Presales from housing projects drove the growth. UV's total revenue in 2016 was Bt17,073 million, a 29% y-o-y rise. Revenue during the first half of 2017 increased by 16% y-o-y to Bt8,611 million. Revenue from residential projects grew by 36% y-o-y in 2016 and 13% y-o-y in the first six months of 2017. Recurring-income assets generated a revenue of Bt1,300-Bt1,500 million per annum during 2014-2016. As of June 2017, UV's backlog was worth Bt4,700 million. The units in the backlog will be delivered to customers during the remainder of 2017 through 2018. Over the next three years, UV's total revenue is expected to be at least Bt16,000 million per annum, as the company plans to launch several new residential property projects. Revenue from housing projects will comprise at least 60% of the company's total revenue.

UV's operating margin, as measured by operating income before depreciation and amortization as a percentage of sales, improved to 15%-16%

during 2015-2016 and 19% in the first six months of 2017, from 11% in 2014. Due to the larger contribution of revenue from single-detached houses (SDH) and townhouses, which have higher profit margins, UV's operating profit margin is expected to stay around 15% over the next three years.

UV's adjusted debt to capitalization ratio improved to 33% as of December 2016 and 37% as of June 2017, from 60% as of December 2015 and 62% as of December 2014. UV's current financial leverage was lower than in the past, as GOLD increased its capital by Bt4,971 million in January 2016 and UV subleased two office buildings, Park Venture Ecoplex and Sathorn Square, to the Golden Ventures Leasehold Real Estate Investment Trust (GVREIT) in March 2016. Cash from the capital increase and subleasing office buildings to the GVREIT helps partly alleviate debt financing. Despite its aggressive business expansion, UV is expected to keep its adjusted debt to capitalization ratio at around 55% in order to remain commensurate with its ratings.

UV's cash flow protection has improved significantly as the ratio of funds from operations (FFO) to total debt increased to 19% in 2016 and 25% (annualized with trailing 12 months) during the first six months of 2017, compared with 9% in 2015 and 5% in 2014. The earnings before interest, tax, depreciation and amortization (EBITDA) interest coverage ratio was 8-10 times during 2016 through the first half of 2017, up from 2-3 times during 2013-2015. Debts due over the next 12 months comprise Bt1,258 million bills of exchange (B/E) and the current portion of project loans worth Bt170 million. This will be supported by cash on hand of Bt1,113 million and undrawn committed credit facilities of Bt3,160 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 UV will be able to sustain its operating performance at the target level. Over the next three years, UV's revenue is expected to be at least Bt16,000 million per annum and the company is expected to keep its operating profit margin at around 15%. The adjusted debt to capitalization ratio should stay at around 55% or the interest-bearing debt to equity ratio at around 1 times.

UV's ratings 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, UV'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.

Univentures PLC (UV)

Company Rating:	BBB+
Issue Rating:	
UV205A: Bt2,000 million senior unsecured debentures due 2020	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	8,611	17,073	13,268	9,133	6,083	4,408
Gross interest expense	112	277	708	504	330	177
Net income from operations	619	994	631	84	175	80
Funds from operations (FFO)	1,168	1,591	1,469	882	304	603
Inventory investment	(1,021)	(2,710)	94	(4,179)	(2,171)	(635)
Total assets	40,585	38,897	32,147	31,056	20,861	20,159
Total debts	10,349	8,475	16,872	16,838	9,107	6,616
Shareholders' equity	17,774	17,518	11,133	10,400	9,307	9,998
Operating income before depreciation and amortization as % of sales	19.15	16.24	15.35	11.28	13.70	13.66
Pretax return on permanent capital (%)	10.57**	8.51	6.01	3.02	3.03	4.69
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	10.42	8.42	3.02	2.04	2.45	3.73
FFO/total debt (%)	25.22**	19.06	8.83	5.35	3.54	9.12
Total debt/capitalization (%)	36.80	32.61	60.25	61.82	49.46	39.82
Total debt/capitalization (%) ***	32.57	27.75	57.85	60.11	45.98	38.84

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

TRIS Rating Co., Ltd.
Tel: 0-2231-3011 ext 500 / Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand www.trisrating.com