

NOBLE DEVELOPMENT PLC

No. 53/2022
23 May 2022

CORPORATES

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

Last Review Date: 07/01/22

Company Rating History:

Date	Rating	Outlook/Alert
19/10/20	BBB	Stable
01/03/19	BBB	Negative
28/12/17	BBB	Stable
06/11/15	BBB	Negative
04/01/13	BBB	Stable
08/09/06	BBB+	Stable
12/07/04	BBB	Stable
14/10/03	BBB	-

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RATIONALE

TRIS Rating affirms the company rating on Noble Development PLC (NOBLE) and the ratings on NOBLE's existing senior unsecured debentures at "BBB", with a "stable" rating outlook. At the same time, we assign the rating of "BBB" to NOBLE's proposed issue of up to THB1.2 billion senior unsecured debentures. The proceeds from the new debentures will be used for debt repayments.

The ratings reflect the company's well-accepted brands in the affordable to high-end condominium segments and its large backlog, which will partly secure future revenue streams. The ratings are, however, constrained by the company's relatively high financial leverage from its aggressive business expansion. The ratings also incorporate our concerns on Thailand's high household debt level and the rising inflation rate which could impact the purchasing power of homebuyers in the short to medium term.

NOBLE's operating performance in the first quarter of 2022 was weaker than our expectation. NOBLE reported total operating revenues of only THB1.5 billion, compared with our full-year forecast of THB11.5 billion for 2022, since no condominium projects were completed and ready for transfer during the period.

However, we expect NOBLE's revenue and earnings to revive during the remainder of 2022 once a large amount of backlog is recognized as revenue from the second half of this year onwards.

Our base-case scenario projects NOBLE's total operating revenue to be in the THB9.5-THB13 billion per annum range during 2022-2024, with an earnings before interest, taxes, depreciation, and amortization (EBITDA) margin of around 16%. As of March 2022, the company's backlog was worth THB15.5 billion. Around half of total backlog is expected to be transferred to customers during the remainder of 2022, and the rest during 2023-2025. In addition, NOBLE had total unsold project value (including built and unbuilt units) worth THB23.2 billion, including THB1.3 billion of completed units, which can be recognized as revenue immediately after sale.

We expect NOBLE's financial leverage to remain high over the next three years as it continues aggressive business expansion. We forecast NOBLE's debt to capitalization ratio to stay in the 65%-70% range and adjusted net debt to equity ratio to hover around 2 times. As of March 2022, NOBLE had total debt of THB12.4 billion. NOBLE's priority debt, comprising project loans at the parent company and its subsidiaries, was THB4.9 billion. This translates into a priority debt to total debt ratio of 40%.

We assess NOBLE's liquidity to be manageable over the next 12 months. NOBLE's sources of liquidity as of March 2022 included THB2.8 billion in cash and cash equivalents plus THB1 billion in undrawn unconditional credit facilities. We forecast NOBLE's funds from operations (FFO) in 2022 to be THB1.1 billion. NOBLE also had remaining finished units in debt-free projects totaling THB1.3 billion, which can be pledged as collateral for new loans, if needed. NOBLE's debts coming due over the next 12 months will amount to THB5 billion, comprising THB1.5 billion maturing debentures, THB2.3 billion scheduled term loan repayment, THB700 million bills of exchange, and THB538 million bridge loans. We estimate investments in joint ventures (JVs) of around THB1.3 billion in 2022. Its dividend payment is expected to be around 40% of net profit.

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.

The financial covenant on NOBLE’s debentures and bank loans requires the maintenance of a net interest-bearing debt to equity ratio below 2.5 times. As of March 2022, the ratio was 1.7 times. The company should have no problems complying with the financial covenant over the next 12 to 18 months.

RATING OUTLOOK

The “stable” outlook reflects our expectation that NOBLE should be able to deliver its operating performance and sustain its financial profile as targeted. We expect NOBLE to maintain its FFO to total debt ratio at around 5%-10% and its adjusted net debt to equity ratio at around 2 times on a sustained basis.

RATING SENSITIVITIES

NOBLE’s ratings and/or outlook could be revised downward if its operating results and/or financial profile significantly deviate from the target level. On the contrary, an upward revision could occur if NOBLE’s business scale enlarges and its capital structure improves considerably from the current level, such that the debt to capitalization ratio stays below 60% or the adjusted net debt to equity ratio stays below 1.5 times on a sustained basis.

RELATED CRITERIA

- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019

Noble Development PLC (NOBLE)

Company Rating:	BBB
Issue Ratings:	
NOBLE242A: THB1,800 million senior unsecured debentures due 2024	BBB
NOBLE251A: THB1,800 million senior unsecured debentures due 2025	BBB
Up to THB1,200 million senior unsecured debentures due within 3 years	BBB
Rating Outlook:	Stable

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