

NOBLE DEVELOPMENT PLC

No. 1/2022
7 January 2022

CORPORATES

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

Last Review Date: 10/11/21

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 rating on NOBLE's existing senior unsecured debenture 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 THB1.8 billion senior unsecured debentures. The new issue rating replaces the issue rating previously assigned on 10 November 2021, following NOBLE's request to increase the issue size to up to THB1.8 billion, from THB1.5 billion. The proceeds from the new debentures are intended to be used to support NOBLE's working capital and investments in real estate development.

The ratings reflect the company's well-accepted brand name 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 an expected rise in financial leverage from the company's aggressive business expansion and concerns over the prolonged Coronavirus Disease 2019 (COVID-19) pandemic, which could add pressure on the demand for residential properties and the profitability of property developers for an extended period.

NOBLE's net presales from its own and joint venture (JV) projects during the first nine months of 2021 contracted by 63% year-on-year (y-o-y) to THB2.2 billion. Its revenue from residential sales also decreased by 28% y-o-y to THB5.1 billion. The economic fallout caused by the prolonged pandemic has eroded the purchasing power of local and foreign homebuyers since 2020. The company has delayed six out of nine planned project launches from 2021 to 2022. However, with the sizable project launches in 2022 coupled with the company's plan to broaden its product range, we expect NOBLE's net presales to revive to the THB12-THB13 billion per annum range during 2022-2024.

Our base-case scenario assumes NOBLE's total operating revenue to be THB9-THB13 billion per annum during 2021-2024, with revenue from sales of real estates to be in the THB7-THB9 billion per annum range or around 70%-80% of total operating revenue. We expect revenue from turnkey constructions and marketing services provided to its JVs will be around THB400-THB500 million in 2021, soaring to THB2.5-THB4.0 billion per annum during 2022-2024. Earnings before interest, taxes, depreciation, and amortization (EBITDA) is expected to be in the THB1.5-THB2.5 billion range per annum over the forecast period. NOBLE's future revenue and earnings are partly secured by its backlog. As of September 2021, the company's backlog was worth THB10.2 billion. Around 65% of its backlog are expected to be transferred in 2022.

As of September 2021, NOBLE's existing project portfolio consisted of 17 own condominium projects, one JV condominium project, and one landed property project. Total unsold project value (including built and unbuilt units) amounted to THB15.7 billion. Condominium projects accounted for 95% of the total unsold project value while landed property projects accounted for the rest. Of the total unsold project value, NOBLE had remaining completed inventory worth THB3.5 billion, which can be recognized as revenue immediately after sale.

With its aggressive business expansion, we expect NOBLE's financial leverage to rise over the next three years. We assume NOBLE will launch new condominium projects (both own and JV) worth THB19 billion per annum in 2022-2023 and THB5 billion in 2024. We also assume NOBLE will launch new landed property

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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.

projects (both own and JV) worth THB13.5 billion in 2022 and THB3 billion per annum in 2023-2024. We forecast NOBLE's debt to capitalization ratio to rise to 65%-70% over the forecast period, from 64% as of September 2021. The adjusted net debt to equity ratio will hover around 2 times, rising from 1.4-1.8 times during 2020 through the first nine months of 2021. We foresee the ratio of funds from operations (FFO) to total debt falling to the 5%-10% range, from above 20% during 2019-2020 and 14% in the first nine months of 2021.

As of September 2021, NOBLE had total debt of THB9.3 billion, of which THB3.9 billion was priority debt. NOBLE's priority debt comprised project loans at the parent company and its subsidiaries. As the ratio of its priority debt to total debt was 42%, below the threshold of 50% according to TRIS Rating's "Issue Rating Criteria", we view that NOBLE's unsecured creditors are not significantly disadvantaged with respect to claims against the company's assets.

We assess NOBLE's liquidity to be adequate over the next 12 months. NOBLE's sources of liquidity included cash and cash equivalents of THB1.2 billion as of September 2021, undrawn unconditional credit facilities of around THB500 million as of December 2021, and expected FFO of around THB1.1 billion in 2022. In addition, NOBLE had unencumbered land banks at book value of around THB0.9 billion and remaining finished units in debt-free projects with selling prices totaling THB2.8 billion, which can be pledged as collateral for bank loans, if needed. NOBLE's uses of funds include debts coming due in the next 12 months amounting to THB2.6 billion, working capital requirements of around THB0.8-THB1.0 billion per annum, and investments in affiliates and JVs of around THB1.2-THB1.4 billion per annum during 2022-2023. Its dividend payment is expected to be around 40% of net profit. NOBLE plans to refinance maturing debentures by new debenture issuance.

The financial covenants on NOBLE's debentures and bank loans require the maintenance of a net interest-bearing debt to equity ratio below 2.5 times. As of September 2021, the ratio was 1.54 times. We believe that NOBLE should have no problems complying with the financial covenants over the next 12 to 18 months.

RATING OUTLOOK

The "stable" outlook reflects our expectation that NOBLE should be able to sustain its operating performance as targeted and deliver the units in backlog as scheduled. We also expect NOBLE to maintain its FFO to total debt ratio at around 5%-10% and its adjusted net debt to equity ratio below 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, a credit upward revision would materialize 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

- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

Noble Development PLC (NOBLE)

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

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