

NOBLE DEVELOPMENT PLC

No. 41/2018

1 June 2018

CORPORATES

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

Company Rating History:

Date	Rating	Outlook/Alert
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	

Contacts:

Hattayanee Pitakpatapee
hattayanee@trisrating.com

Jutamas Bunyanichkul
jutamas@trisrating.com

Rapeepol Mahapant
rapeepol@trisrating.com

Auyporn Vachirakanjanaporn
auyporn@trisrating.com

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



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating of Noble Development PLC (NOBLE) at “BBB” and also affirms the existing ratings of NOBLE’s senior unsecured debentures at “BBB-”. At the same time, TRIS Rating assigns the rating of “BBB-” to NOBLE’s proposed issue of up to Bt1,500 million in senior unsecured debentures due within three years. The proceeds from the new debentures will be used to repay some of its existing debentures.

The ratings take into consideration NOBLE’s well-accepted brand name in the middle- to high-end segments of the condominium market, its large backlog which partly secures its future revenue stream, and its relatively high financial leverage. The ratings are also factored in the high level of household debt nationwide, coupled with the rising competition in high-priced condominium segment which may impact the demand in the middle- to high-end residential property market in the short to medium term.

NOBLE’s presales in 2017 was Bt4,058 million, increasing by 43% year-on-year (y-o-y), mainly supported by presales from the Noble Around Sukhumvit 33 project and the Noble Ambience 42 project. Similarly, presales during the first quarter of 2018 improved to Bt1,571 million, mainly from presales of the Noble Nue Changwattana project. Revenue improved significantly to Bt9,677 million in 2017, compared with Bt4,503 million in 2016. A transfer of backlog from the Noble Ploenchit project since late 2016 drove revenue growth. Revenue in the first three months of 2018 was Bt1,021 million, dropping by 69% y-o-y. The main reason was that no large backlog were transferred to customers, while there was a transfer of some backlog from the Noble Ploenchit pushing revenue growth during the same period last year. As a result, NOBLE’s performance in 2018 will hinge on its ability to deliver a large backlog in the Noble Revolve Ratchada II project. NOBLE’s current backlog partially secures revenue of Bt3,400-Bt5,300 million per annum during 2018-2020. Including the unsold units worth around Bt8,200 million of the Noble Ploenchit project, NOBLE’s revenue over the next three years is expected to be Bt5,000-Bt9,000 million per annum.

NOBLE’s gross profit margin decreased to 38% of total revenue during the first quarter of 2018, from 39%-43% during the past five years. The operating profit margin (as measured by operating income before depreciation and amortization as a percentage of sales) declined to 15% during the first three months of 2018 due to high selling, general and administration (SG&A) expenses. However, the operating profit margin is expected to recover and stay at least 20% of total revenue once the large amount of backlog will be recognized from the second quarter of 2018 onwards.

Total debt was Bt14,657 million as of March 2018, up from Bt12,637 million as of December 2017 and Bt14,301 million as of December 2016. The debt to capitalization ratio improved to 66% as of December 2017 and 69% as of March 2018 from 76% as of December 2016. The net interest-bearing debt to equity ratio was 1.81 times at the end of 2017 and 1.83 times at the end of March 2018, which was in line with the financial covenant limit of net interest-bearing debt to equity ratio at 2.5 times. Going forward, NOBLE plans to launch several residential projects worth around Bt13,800 million in 2018 and Bt23,000 million in 2019. Despite its aggressive expansion plan, TRIS Rating expects the company

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.

to keep the debt to capitalization ratio at around 65% or the interest-bearing debt to equity ratio at around 2 times in order to satisfy the current credit ratings.

The ratio of funds from operations (FFO) to total debt was 19% in 2017, up from 7% in 2016. Subsequently, the ratio dropped to 9% (annualized with trailing 12 months) in the first three months of 2018 due to higher financial leverage. However, NOBLE's liquidity is still adequate. The company had sufficient financial flexibility as of March 2018, consisting of cash on hand of Bt2,630 million and undrawn unconditional project loans of Bt6,658 million. NOBLE requires customers to make down payments of 20%-30% of the selling price. The company has Bt3,865 million in debt due in the next 12 months, comprising bills of exchange (B/E) of Bt995 million, debentures of Bt2,570 million, and long-term project loans of Bt300 million. The debentures will be refinanced by a new debenture issuance. The project loans will be repaid by cash received from the transfers of units in condominium projects.

RATING OUTLOOK

The "stable" outlook reflects the expectation that NOBLE will be able to sustain its operating performance and financial position at the target levels.

Under TRIS Rating's base case scenario, we assume that, over the next three years, NOBLE's revenue is expected to be Bt5,000-Bt9,000 million per annum and the company is expected to keep its operating profit margin at least 20%. The debt to capitalization ratio should be around 65% or the interest-bearing debt to equity ratio should stay around 2 times.

RATING SENSITIVITIES

The rating and/or outlook of NOBLE could be under a downward pressure if its operating performance and/or financial profile deteriorate significantly from the target levels. On the other hand, NOBLE's ratings and/or outlook could be revised upward should its business scale enlarge and its capital structure improve significantly from the current level.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Bt million

	Jan-Mar 2018	----- Year Ended 31 December -----				
		2017	2016	2015	2014	2013
Revenues	1,021	9,677	4,503	373	2,276	3,085
Interest expense paid	131	618	818	710	563	481
Net income from operations	79	2,044	682	(468)	163	323
Funds from operations (FFO)	118	2,344	990	(504)	191	389
Inventory investment (-increase/+decrease)	(483)	1,362	86	(3,575)	(3,030)	(1,605)
Total assets	24,711	22,501	23,269	22,942	19,796	17,244
Total debt	14,657	12,637	14,301	14,209	11,417	9,796
Shareholders' equity	6,555	6,477	4,433	3,758	4,272	4,246
Operating income before depreciation and amortization as % of sales	14.74	29.75	26.14	(113.03)	14.37	18.07
Pretax return on permanent capital (%)	8.66 **	14.89	6.13	(2.55)	2.26	4.19
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	1.28	5.22	1.88	(0.48)	0.83	1.51
FFO/total debt (%)	9.24 **	18.55	6.92	(3.55)	1.67	3.97
Total debt/capitalization (%)	69.10	66.11	76.34	79.08	72.77	69.77

* Consolidated financial statements

** Annualized with trailing 12 months

Noble Development PLC (NOBLE)

Company Rating:	BBB
Issue Ratings:	
NOBLE187A: Bt1,500 million senior unsecured debentures due 2018	BBB-
NOBLE196A: Bt1,500 million senior unsecured debentures due 2019	BBB-
NOBLE205A: Bt1,500 million senior unsecured debentures due 2020	BBB-
NOBLE212A: Bt1,500 million senior unsecured debentures due 2021	BBB-
Up to Bt1,500 million senior unsecured debentures due within 3 years	BBB-
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 0-2098-3000

© Copyright 2018, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at www.trisrating.com/rating-information/rating-criteria