

Press Release

No. 76/2017
21 April 2017

TRIS Rating Assigns "BBB+/Stable" Rating to Senior Unsecured Debt Worth Up to Bt2,000 Million of "UV"

TRIS Rating has assigned the rating of "BBB+" to the proposed issue of up to Bt2,000 million in senior unsecured debentures of Univentures PLC (UV). At the same time, TRIS Rating has affirmed the company rating of UV at "BBB+". The outlook remains "stable". The proceeds from the new debentures will be used to repay short-term financing and business expansion.

The ratings reflect UV's improving financial profile driven by strong growth in low-rise residential property sales of its subsidiary, Golden Land Property Development PLC (GOLD), and a significant amount of cash received from the set-up of Golden Ventures Leasehold Real Estate Investment Trust (GVREIT). In addition, the capital injection of Bt4,971 million into GOLD by Frasers Property Holdings (Thailand) Co., Ltd. (FPHT), which is the connected person of UV, also helped improve capital structure of the Group in 2016. The ultimate major shareholder of UV and FPHT is the connected person of both companies.

The ratings continue to reflect UV's more diversified product portfolio to middle- and high-end housing products after it acquired GOLD in late 2012 and Krungthep Land PLC (KLAND) in late 2014, the stable stream of income of its rental assets, and the 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 debts nationwide, coupled with the current slowdown in the domestic economy, which may impact the demand in the residential property market in the short-to-medium term.

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 Bt18,000 million per annum and the company is expected to keep its operating profit margin at around 15%. The debt to capitalization ratio should stay below 55% or the interest-bearing debt to equity ratio below 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 debt to capitalization ratio at above 60% for certain periods may lead to a downward rating or outlook revision. The rating upgrades are unlikely in the near 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 some listed property developers. Adelfos 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 KLAND. As of February 2017, UV owned 33 residential property projects. Its project portfolio comprises eight condominium projects developed by GUD and 25 housing projects developed by GOLD and KLAND. At the end of February 2017, UV had unsold units (including built and un-built units) worth Bt22,000 million available for sale.

UV's presales grew by 4% year-on-year (y-o-y) to Bt11,578 million in 2016, which was driven by a presales growth from housing projects. The presales during the first two months of 2017 dropped by 29% y-o-y to Bt1,975 million. UV's total revenue in 2016 was Bt17,073 million, a 29% y-o-y rise. The revenue from residential projects increased by 36% y-o-y to Bt14,237 million. The rental assets generated a revenue of Bt1,400 million in 2016. At the end of February 2017, UV's backlog was worth Bt4,300 million. The units in the backlog will be delivered to customers during the remainder of 2017. Over the next three years, UV's total revenue is expected to reach Bt18,000 million per annum, as the company plans to launch several new residential property projects. The revenue from housing projects will comprise at least 60% of the company's total revenue.

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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 from 11% in 2014. Due to the larger contribution of the revenue from single-detached houses (SDH) and townhouses which have higher profit margins, UV's operating profit margin will be maintained at around 15% over the next three years.

UV's debt to capitalization ratio improved to 33% as of December 2016 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 GVREIT in March 2016. Cash from 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 total debt to capitalization ratio below 55% in order to remain commensurate with its ratings.

UV's cash flow protection has improved significantly as the fund from operation (FFO) to total debt ratio increased to 18% in 2016, compared with 9% in 2015 and 5% in 2014. The earnings before interest, tax, depreciation and amortization (EBITDA) interest coverage ratio was 9 times in 2016, up from 2-3 times during 2013-2015. The debts due over the next 12 months comprise a Bt1,579 million short-term borrowings and a current portion of project loan worth Bt963 million. This will be supported by its cash on hand of Bt687 million, expected FFO of around Bt1,500 million per annum, and undrawn committed credit facility of Bt3,800 million.

Univentures PLC (UV)

Company Rating:

BBB+

Issue Rating:

Up to Bt2,000 million senior unsecured debentures due within 3 years

BBB+

Rating Outlook:

Stable

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