Press Release

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TRIS Rating Assigns "BB/Stable" Rating to Subordinated Capital Debt Worth Up to Bt500 Million of "ORI"

TRIS Rating has assigned the rating of "BB" to the proposed issue of up to Bt500 million in unsecured subordinated perpetual debentures (hybrid debentures) of Origin Property PLC (ORI). At the same time, TRIS Rating has affirmed the company rating of ORI at "BBB-". The outlook remains "stable". The rating of ORI's hybrid debentures is two notches below the company rating. This rating differential reflects the subordinated nature of the hybrid debentures and the option of the issuer to defer coupons on a cumulative basis.

The "stable" outlook reflects the expectation that ORI will continue to grow as planned. The operating margin is expected to stay above 15% while the debt to equity ratio should stay below 2 times.

Possibility of a rating upside is limited in the medium term. However, the ratings or outlook could be revised upward if its revenue or cash flow base grows significantly while its debt to capitalization ratio is maintained at lower than 60% on a sustained basis. On the contrary, the ratings and/or outlook could be revised downward should ORI's operating performance and financial leverage deteriorate significantly from the current levels.

The proposed hybrid debentures' characteristics, including subordination, the interest deferral at the discretion of the company, the five-year non-call period, and sufficient permanence, were qualified for receiving "intermediate" equity content under TRIS Rating's criteria. Thus, TRIS Rating treats 50% of the principal amount of the debentures as equity and the other 50% as debt when calculating ORI's financial ratios. The "intermediate" equity content will fall to "minimal" (or 0% of equity treatment for this issue) at the end of the fifth year from the issuance date. This is because, five years after issuance, the remaining effective tenor of the issue will be less than 20 years. According to TRIS Rating's criteria, the effective maturity date of the issue will be defined as the date when there is a material step-up (equal to or more than 100 basis points (bps)) of the coupon rate. In this case, the interest spread of the hybrid debentures will step up by 100 bps at the end of the 25th year.

Except for certain events as specified in the terms and conditions (e.g., changes in the tax and accounting treatments of hybrid securities or a change in the rating agency's criteria used to assess the equity content of the issue), ORI intends (but is not obliged) to replace, redeem, or repurchase the hybrid debentures with an instrument that has similar or higher equity content. TRIS Rating could lower the equity content of the proposed hybrid debentures, as well as ORI's outstanding hybrid debentures, to "minimal" from "intermediate" if we believe that the company has an intention to deviate from the replacement capital covenant (RCC).

The ratings of ORI reflect the company's evolving brand recognition in the middle- to low-priced condominium segment, improved financial profile after being listed on the Stock Exchange of Thailand (SET) in 2015, and its relatively high backlog. However, these strengths are partly offset by the company's limited track record, product segment concentration, and an anticipated rise in financial leverage due to an aggressive expansion. The ratings also took into consideration the relatively high level of household debts nationwide, and the cyclical and competitive nature of the residential property industry.

ORI was established in 2009 by the Jaroon-ek family. The company was listed on the SET in late 2015. The Jaroon-ek family has been the major shareholder of the company since inception, owning a 63% stake as of March 2017. ORI focuses on the middle- to low-end condominium segment. Most of ORI's condominium projects are located in the suburbs of Bangkok, especially along the Skytrain route from Bearing to Samut Prakan and the route from Kasetsart University intersection to Saphan Mai. The company recently expanded into Sri Racha and Laem Chabang, both in Chonburi province. ORI's condominium projects are developed under the "Knightsbridge", "Notting Hill", and "Kensington" brands. ORI's competitive position in the condominium segment is improving over time. Revenues and presales have grown steadily since inception. In 2016, ORI expanded its business into property projects that generate recurring income through its subsidiary, Origin One Co., Ltd.

ORI's revenue is considered small, around Bt400-Bt500 million per annum during 2013-2014, because it transferred just a few projects each of those years. Revenue was Bt3,153 million in 2016, soaring from Bt2,010 million in 2015. ORI's profitability improved in the past two years. The operating

(Continue on page 2)

margin (operating income before depreciation and amortization as a percentage of revenue) in 2016 was 25.49%, increasing from 24.13% in 2015.

As of December 2016, ORI had 29 condominium projects with a total project value of Bt25,875 million. The average selling price across the entire portfolio was Bt2.42 million per unit. ORI had Bt7,474 million worth of units available for sale across the project portfolio. Presales was Bt9,193 million in 2016, jumping from Bt5,130 million in 2015. At the end of 2016, the value of ORI's condominium backlog stood at Bt12,885 million and is expected to be recognized as revenue of around Bt4,800 million in 2017, Bt4,100 million in 2018, and Bt4,000 million in 2019. ORI's high level of backlog will help secure its revenues over the next three years.

ORI's leverage is on the rise. At the end of 2016, the total debt to capitalization ratio was 48.43%, up from 28.34% in 2015. Going forwards, leverage is expected to increase further since the company plans to launch a number of new projects to sustain its business growth momentum. ORI plans to launch new condominium projects worth around Bt10,000 million annually during 2017-2019. In addition, ORI plans to invest in assets which will generate recurring income, such as hotels and service apartments.

Under TRIS Rating's base-case, ORI's revenue is expected to range from Bt5,500-Bt7,500 million during 2017-2019. The operating margin is expected to hold at around 15%, considering pressures from higher operating expenses to support the sharp increase in the number of new projects launched. Despite its aggressive expansion plan, ORI's debt to equity ratio should stay below 2 times, in order to comply with the financial covenants specified in ORI's loans.

ORI's liquidity profile is adequate. The company had Bt521 million in cash plus undrawn credit lines of Bt5,294 million at the end of 2016. Debts due over the next 12 months amount to about Bt555 million. ORI typically matches the maturities of the short-term debts with the cash it expects to receive from transferring finished condominiums to its customers. Under TRIS Rating's base-case, ORI's funds from operations (FFO) to total debt ratio is expected to maintain at around 15% on average, while the EBITDA (earnings before interest, tax, depreciation, and amortization) interest coverage ratio is expected to stay above 3 times over the next three years.

Origin Property PLC (ORI)	
Company Rating:	BBB-
Issue Rating:	
Up to Bt500 million subordinated capital debentures	BB
Rating Outlook:	Stable

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