

# BRITANIA PLC

No. 116/2022  
20 July 2022

## CORPORATES

**Company Rating:** BBB  
**Outlook:** Stable

### Contacts:

Auyporn Vachirakanjanaporn  
auyporn@trisrating.com

Hattayanee Pitakpatapee  
hattayanee@trisrating.com

Jutamas Bunyawanchkul  
jutamas@trisrating.com

Preeyaporn Kosakarn  
preeyaporn@trisrating.com

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



WWW.TRISRATING.COM

## RATIONALE

TRIS Rating assigns a company rating of “BBB” to Britania PLC (BRI) with a “stable” rating outlook. The rating incorporates a stand-alone credit profile (SACP) of BRI at “bbb-” and a rating uplift of one notch to reflect BRI’s status as a highly strategic subsidiary of Origin Property PLC (ORI, rated “BBB+/Stable” by TRIS Rating). Due to its status as a highly strategic member, the company rating on BRI could be enhanced up to one notch below the rating on ORI.

BRI’s SACP reflects the company’s evolving brand recognition as well as its growing revenue in the landed property market. These strengths are partly offset by the company’s short track record, limited product types, and high financial leverage. The rating also takes into consideration our concerns over Thailand’s relatively high household debt level and rising inflation rates which could impact the purchasing power of homebuyers in the short to medium term.

## KEY RATING CONSIDERATIONS

### Highly strategic subsidiary of ORI, focusing on landed property development

TRIS Rating assesses BRI as a highly strategic subsidiary of ORI. BRI was set up in 2016 as a wholly owned subsidiary of ORI, to develop landed property projects. Since the initial public offering (IPO) in December 2021, ORI has maintained a 70% stake in BRI.

According to ORI’s business strategy, BRI will focus only on developing landed property projects in Bangkok and provincial areas while ORI still focuses on developing condominiums and investments in other businesses. BRI’s products include single-detached houses, semi-detached houses, and townhouses. In our view, BRI’s products complement the housing products of the group.

### Growing contribution to the group

BRI’s landed property projects generated presales of THB4.7 billion in 2021, accounting for 46% of the total presales of ORI. Its revenues were THB3.8 billion in 2021 and THB1.3 billion in the first quarter of 2022, accounting for 25% and 39% of ORI’s total revenues, respectively. BRI’s earnings before interest, taxes, depreciation, and amortization (EBITDA) contributed around 18% and 27% of ORI’s EBITDA in 2021 and the first quarter of 2022, respectively.

Going forward, we expect BRI to maintain its important role as a vehicle for ORI to expand its business in landed property projects. BRI plans to launch new landed property projects worth THB13.4 billion in 2022 to support its revenue growth. We expect BRI to remain a major earnings contributor to ORI over the next three years.

### Evolving brand recognition with good performance

We consider BRI’s market position in the landed property segment has improved over time. Revenues and presales have grown significantly since the company’s inception, with revenue rising sharply over the past three years. Revenues increased to THB2.3 billion in 2020, then jumped to THB3.8 billion in 2021, from THB1.6 billion in 2019. Revenues in the first quarter of 2022 reached THB1.3 billion, a 60% growth year-on-year (y-o-y).

BRI's product prices range from THB2.5 million to THB50 million per unit. Its housing brands like "Brighton" and "Britania" target the entry to mid-price segments while the "Grand Britania" and "Belgravia" brands target the high to luxury price segments. Recognition of the company's housing brands is also increasing over time.

As of March 2022, the company had developed 20 projects worth THB22.7 billion, with total units available for sale (both built and un-built) worth around THB13 billion. BRI's backlog, worth THB1.2 billion as of March 2022, will be transferred and recognized as revenue in the remainder of 2022. Based on the remaining units available for sale and the sizable value of new landed property projects in the pipeline, BRI's revenue is forecast to grow to THB5.3 billion in 2022, THB6.7 billion in 2023, and THB8.1 billion in 2024, while its EBITDA margin is expected to remain above 20% over the next three years.

### **Challenging year for residential property amid concerns over high household debt and rising inflation**

As of December 2021, household debt in Thailand peaked at THB14.58 trillion. The household debt to gross domestic product (GDP) ratio stood at 90.12%, increasing slightly from 89.66% at the end of 2020. The relatively slow pace of economic recovery has caused this ratio to hang at a high level. The Thai GDP dropped by 6.2% y-o-y in 2020 and grew by only 1.6% y-o-y in 2021. This year, we expect the GDP will grow by 2%-3% y-o-y. Thus, assuming household debt to stay at the same level, the household debt to GDP ratio should remain at around 87%-88% in 2022. The relatively high household debt level will impact housing sales, especially in the lower-priced housing segment where bank rejection rates are high.

Rising inflation since the last quarter of 2021 poses another threat to both developers and homebuyers. High inflation rates will push up development and funding costs for developers while lowering the purchasing power of homebuyers. The high inflation rates will impact the prices of construction materials and labor costs. Thus, developers' profit margins could decline if they are unable to pass through the rising costs to homebuyers. With our concerns over the rising construction and labor costs, we expect BRI's EBITDA margin will slightly decline but it should remain in the 20%-22% range over the forecast period.

### **Debt to capitalization ratio expected to stay below 60% on a sustained basis**

We expect BRI's debt to capitalization ratio to stay below 60% over the next three years. The leverage level improved after it raised THB2.65 billion from an IPO in December 2021. The debt to capitalization ratio was 50.1% at the end of March 2022 and 53.1% in 2021, down from above 80% during 2018-2020. Based on its plan to launch more landed property projects, BRI's debt to capitalization ratio could rise to 55%-57%. In 2022, the company plans to develop three housing projects with a total value of THB3.8 billion, by joining hands with strategic partners, which will help lessen its capital need.

In our base-case forecast, we assume BRI will launch landed property projects worth THB13 billion (including joint venture (JV) projects) in 2022 and worth THB10-THB13 billion per annum in 2023-2024. The budget for land acquisition is projected to be THB3-THB4 billion per annum while construction costs are anticipated to be around 40% of the project value.

The financial covenants on its bank loans require BRI to maintain its interest-bearing debt to equity ratio below 2.5 times. The ratio at the end of March 2022 was 1.06 times. We believe that BRI should have no problem complying with the financial covenants over the next 12 to 18 months. Its priority debt to total debt ratio at the end of March 2022 was 38%.

### **Manageable liquidity**

We assess BRI's liquidity to be manageable. BRI's sources of funds comprised cash on hand of THB319 million at the end of March 2022. We forecast BRI's funds from operations (FFO) over the next 12 months will be THB800-THB900 million. Debt due over the next 12 months includes project loans amounting to THB1.2 billion and short-term loans amounting to THB2.4 billion from ORI. We expect the project loans to be repaid with internally generated cash from the transfers of residential units. Short-term loans from ORI are in the form of unsecured loans and payable at call.

### **BASE-CASE ASSUMPTIONS**

- BRI will launch landed property projects in 2022 worth THB13.4 billion, comprising its own projects worth THB9.6 billion and JV projects worth THB3.8 billion. The company will launch new landed property projects worth THB10-THB13 billion per annum in 2023 and 2024.
- Revenue will be THB5.5-THB8.0 billion per annum during 2022-2024. Shared profits from JV investments will remain small at THB50-THB80 million annually.
- Gross profit margin to be 30%-31% and EBITDA margin to be 20%-22%.
- Land acquisition, including land for JV projects, is budgeted at THB3-THB4 billion yearly over the next three years.

### **RATING OUTLOOK**

The "stable" outlook reflects our expectation that BRI will maintain its status as a highly strategic member of ORI. Despite its aggressive expansion plan, we expect BRI to maintain good operating performance and keep its debt to capitalization ratio below 60%, and its FFO to debt ratio to remain in the 10%-15% range over the next three years.

**RATING SENSITIVITIES**

Due to its current status as a highly strategic member of ORI, BRI’s rating could be upgraded should the rating on ORI be upgraded. In addition, BRI’s rating could be revised upward/downward should its status to ORI change.

**COMPANY OVERVIEW**

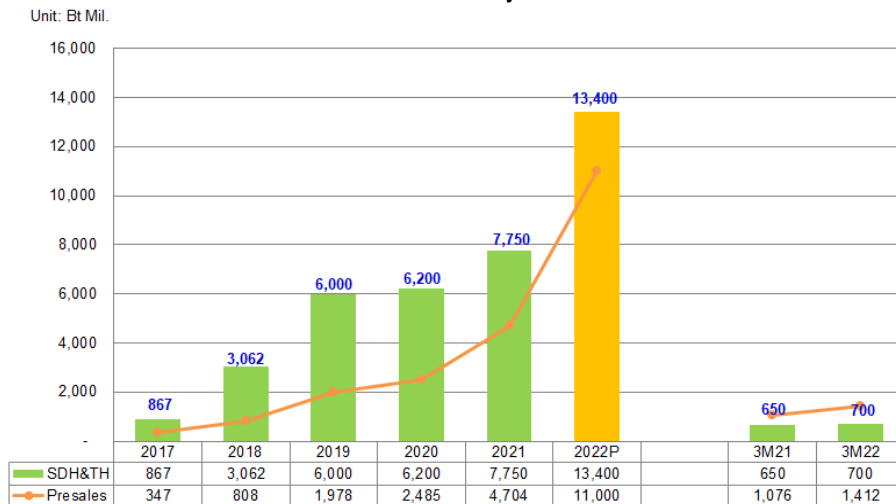
BRI is a residential property developer, focusing on developing landed property projects. BRI was set up in 2016 by ORI. The company became a public company in July 2021 and was listed on the Stock Exchange of Thailand (SET) in December 2021. After the IPO, ORI continued to be BRI’s largest shareholder, holding a 70% stake in the company as of March 2022.

BRI focuses on the landed property development business. The company’s housing projects are developed under the “Britania”, “Grand Britania”, and “Belgravia” brands, with unit prices from THB4-THB50 million. Its townhouse projects are developed under brand names like “Brighton”, with selling prices of THB2.5-THB4.0 million per unit. At the end of March 2022, BRI’s portfolio comprised 20 landed property projects, with a combined project value of THB22.7 billion.

BRI has expanded launches of landed property projects by joining hands with strategic partners in JVs. The company has developed two projects in partnership with Nomura Real Estate Development Co., Ltd. (NRED), a Japanese property developer, and one project with Lofis (Thailand) Co., Ltd., an investment company from Hong Kong. BRI has taken a 51% stake in the JV projects while its partners held 49%. The JVs projects will be launched this year.

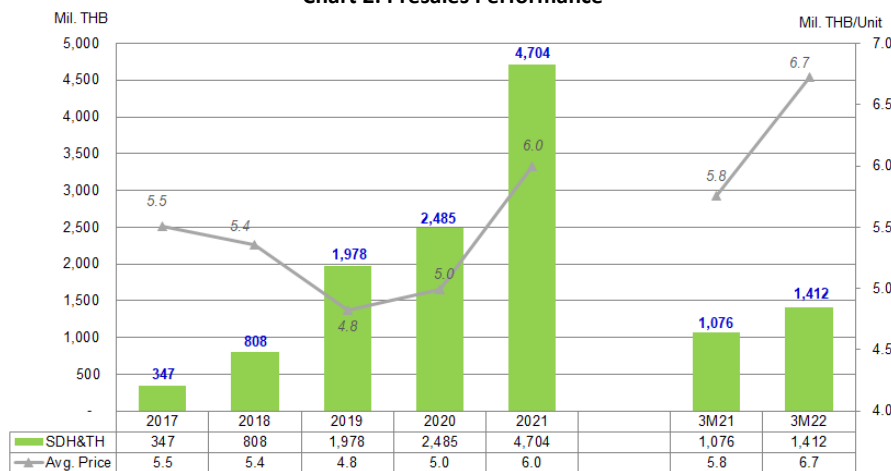
**KEY OPERATING PERFORMANCE**

**Chart 1: Residential Project Launches**

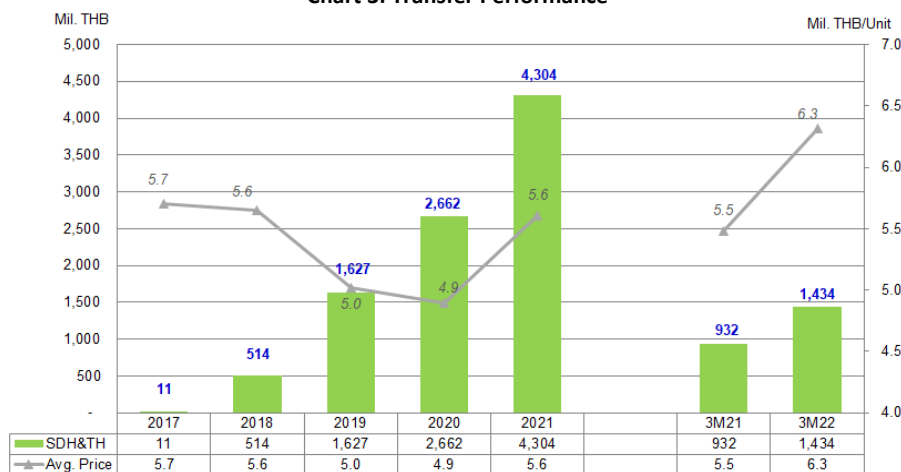


Source: BRI

**Chart 2: Presales Performance**



Source: BRI

**Chart 3: Transfer Performance**


Source: BRI

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\***

Unit: Mil. THB

	-----Year Ended 31 December -----				
	Jan-Mar 2022	2021	2020	2019	2018
Total operating revenues	1,339	3,815	2,342	1,561	515
Earnings before interest and taxes (EBIT)	357	924	524	310	109
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	359	930	529	311	109
Funds from operations (FFO)	252	573	245	142	91
Adjusted interest expense	12	208	193	114	0
Real estate development investments	8,002	7,905	6,758	4,982	1,268
Total assets	9,669	9,116	7,035	5,252	1,568
Adjusted debt	3,759	3,830	4,644	3,834	1,011
Adjusted equity	3,739	3,386	928	478	189
<b>Adjusted Ratios</b>					
EBITDA margin (%)	26.80	24.39	22.61	19.94	21.16
Pretax return on permanent capital (%)	15.89 **	13.56	10.41	10.93	12.58
EBITDA interest coverage (times)	30.72	4.48	2.74	2.74	1,558.09
Debt to EBITDA (times)	3.35 **	4.12	8.77	12.32	9.27
FFO to debt (%)	18.32 **	14.96	5.28	3.71	8.98
Debt to capitalization (%)	50.13	53.07	83.35	88.91	84.25

\* Consolidated financial statements

\*\* Annualized with trailing 12 months

**RELATED CRITERIA**

- Corporate Rating Methodology , 15 July 2022
- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021
- Group Rating Methodology, 13 January 2021

---

**Britania PLC (BRI)**

---

<b>Company Rating:</b>	BBB
<b>Rating Outlook:</b>	Stable

---

**TRIS Rating Co., Ltd.**

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

© Copyright 2022, 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](http://www.trisrating.com/rating-information/rating-criteria)