

LAND AND HOUSES PLC

No. 37/2025
4 April 2025

CORPORATES

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

Last Review Date: 16/09/24

Company Rating History:

Date	Rating	Outlook/Alert
16/09/24	A	Stable
03/09/14	A+	Stable
01/06/10	A	Stable
03/07/09	A	Negative
27/06/08	A	Stable
04/07/07	A	Negative
28/04/06	A	Stable

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RATIONALE

TRIS Rating assigns a rating of “A” to Land and Houses PLC (LH)’s proposed issue of up to THB6 billion senior unsecured debentures due within five years. The proceeds from the new debentures are intended to be used for repaying some of the company’s existing loans and/or funding business expansion. At the same time, we affirm the company rating on LH and the ratings on its existing senior unsecured debentures at “A”, with a “stable” outlook.

The ratings reflect LH’s strong market presence in the landed property segment, its diversified sources of income, and its financial flexibility, underpinned by a significant holding in marketable securities. The ratings are pressured by LH’s high financial leverage and declining sales, driven by rising bank mortgage finance rejection rates amid concerns over high household debt. However, the Bank of Thailand’s (BOT) relaxation of loan-to-value (LTV) rules, effective from 1 May 2025 to 30 June 2026, could help support demand. The new rules allow homebuyers to borrow up to 100% of collateral value for homes of all price range and contracts. The reduced down payment requirements are intended to ease home purchases and potentially stimulate housing demand. Additionally, we view that the impact of the recent earthquake on LH is likely to be relatively less significant, as its portfolio primarily focuses on landed properties, unlike high-rise condominium developers.

LH’s total operating revenue in 2024 decreased for the second consecutive year to THB25.8 billion, down from THB36.3 billion in 2022 and THB27.4 billion in 2023. Revenue from residential property sales declined by 15% year-on-year (y-o-y) to THB16.1 billion, while revenue from rental and services increased by 17% y-o-y to THB9.1 billion. LH’s gross profit margin for 2024 was 30%, down from 32% in 2023, while its selling, general, and administrative (SG&A) expenses to sales ratio slightly increased compared to the previous year. As a result, LH’s EBITDA margin fell to 37% from nearly 40% in 2023.

Looking ahead, TRIS Rating anticipates LH’s operating performance in 2025-2026 to recover from the low point experienced in 2024. LH’s total operating revenue is expected to increase to THB30-THB33 billion annually in 2025-2026. We further expect the company’s focus on the middle- to high-end housing segment to benefit from the relaxation of the LTV rule, given the average selling price of its housing unit is around THB10 million. We project reliable income from rental assets of THB8 billion per annum in the next few years. We foresee LH’s EBITDA improving to THB11-THB13 billion annually, with an EBITDA margin of 37%-39% in 2025-2026.

Due to its aggressive business expansion in both residential property and recurring income assets, LH’s debt to capitalization ratio elevated to 60%, and its funds from operations (FFO) to debt ratio declined to 9% in 2024. However, given the anticipated improvement in LH’s operating performance and its plans to divest certain rental assets, we expect the debt to capitalization ratio to decrease to 50%-55% and the FFO to debt ratio to improve to 11%-15% starting in 2025.

We assess LH’s liquidity as remaining manageable over the next 12 months. As of December 2024, LH’s maturing debts within the next 12 months total THB30.6 billion, consisting of THB15.4 billion debentures, THB13.6 billion short-term bills of exchange (B/E), THB0.4 billion project loans, and THB1.2 billion lease obligations. Conversely, LH’s liquidity sources included THB3.9 billion cash on

hand and THB8.7 billion unused committed credit facilities from banks. We forecast LH's FFO to be around THB8 billion in 2025. LH typically refinances maturing debentures through new debenture issuances. The company intends to convert its B/E into debentures or long-term loans once interest rates reach certain levels. Also, the company holds significant investments in four affiliates (Home Products PLC -- HMPRO, Quality Houses PLC -- QH, LH Financial Group PLC -- LHFG, and Quality Construction PLC -- Q-CON), which support its financial flexibility. By the end of 2024, these investments were valued at THB51 billion.

As of December 2024, LH's consolidated debt, excluding lease liabilities, amounted to THB72 billion. Its priority debt, including secured debt at company level and all borrowings undertaken by its subsidiaries, amounted to THB21 billion. This resulted in a priority debt to total debt ratio of 29%.

The key financial covenants on LH's debentures require the company to maintain its net interest-bearing debt to equity ratio below 2 times. As of December 2024, the ratio was 1.3 times. We expect the company to remain in compliance with the financial covenants over the next 12 months.

RATING OUTLOOK

The "stable" outlook on LH's ratings reflects our expectation that the company will maintain its strong market position and achieve operating performance in line with our forecast. We expect LH's debt to capitalization ratio to improve to around 50%-55%, and its FFO to debt ratio to increase to 11%-15% from 2025 onwards.

RATING SENSITIVITIES

The ratings and/or outlook on LH could be revised upward should the company's operating performance and financial profile improve significantly, such that its debt to capitalization ratio stays below 50% and the FFO to debt ratio above 20% on a sustained basis.

Conversely, the ratings and/or outlook could be revised downward should LH's operating performance and/or financial position deteriorate from current levels, causing its debt to capitalization ratio to stay above 60% and/or FFO to debt ratio to drop below 10% on a sustained basis.

RELATED CRITERIA

- Issue Rating Criteria, 26 December 2024
- Homebuilders and Real Estate Developers Rating Methodology, 12 January 2023
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

Land and Houses PLC (LH)

Company Rating:	A
Issue Ratings:	
LH254A: THB4,700 million senior unsecured debentures due 2025	A
LH254B: THB1,600 million senior unsecured debentures due 2025	A
LH250A: THB4,250 million senior unsecured debentures due 2025	A
LH250B: THB2,800 million senior unsecured debentures due 2025	A
LH250C: THB900 million senior unsecured debentures due 2025	A
LH264A: THB1,300 million senior unsecured debentures due 2026	A
LH264B: THB3,000 million senior unsecured debentures due 2026	A
LH265A: THB5,200 million senior unsecured debentures due 2026	A
LH260A: THB5,800 million senior unsecured debentures due 2026	A
LH274A: THB4,000 million senior unsecured debentures due 2027	A
LH275A: THB1,000 million senior unsecured debentures due 2027	A
LH270A: THB4,000 million senior unsecured debentures due 2027	A
Up to THB6,000 million senior unsecured debentures due within 5 years	A
Rating Outlook:	Stable

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