

FRASERS PROPERTY (THAILAND) PLC

No. 61/2022
15 June 2022

CORPORATES

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

Last Review Date: 14/10/21

Company Rating History:

Date	Rating	Outlook/Alert
14/10/21	A	Stable
17/09/19	A-	Stable
01/03/19	A	Alert Negative
25/05/17	A	Stable
27/04/16	A-	Stable
07/05/15	A	Negative
02/05/12	A	Stable
14/10/11	A	Alert Negative
21/11/05	A	Stable

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RATIONALE

TRIS Rating affirms the company rating on Frasers Property (Thailand) PLC (FPT) and the ratings on FPT's existing senior unsecured debentures at "A", with a "stable" rating outlook. At the same time, we assign the rating of "A" to FPT's proposed issue of up to THB3 billion in senior unsecured debentures. The proceeds from the new debentures will be used for FPT's debt repayment, business expansion, and working capital.

The company rating incorporates a rating enhancement of three notches from FPT's stand-alone credit profile (SACP) to reflect the company's status as a "strategically important" member of Frasers Property Ltd. (FPL, rated "AA-/Negative" by TRIS Rating), a multinational property development company listed on the Singapore Stock Exchange. We view FPT as an investment arm of FPL's real estate business in Thailand. FPT's earnings before interest, taxes, depreciation, and amortization (EBITDA) contributed around 15% of FPL's total EBITDA.

FPT's SACP of "bbb" reflects its leading position as an integrated property development company, its growing brand recognition in the residential property market, proven track record in the factory and warehouse for rent business, and its relatively high financial leverage. The ratings also incorporate our concerns over Thailand's high household debt level and rising inflation which could erode the purchasing power of homebuyers and raise costs of property developers in the short to medium term.

We forecast FPT's total operating revenue to stay in the THB15-THB17 billion per annum range during fiscal years 2022-2023 (FY2022-FY2023) and revive to THB19 billion in FY2024. We expect revenue from the residential property business will contribute THB12-THB15 billion per annum or around 80% of total operating revenue over the forecast period. FPT's residential sales will largely hinge on its ability to generate new sales from remaining units in existing and newly launched projects. We project FPT to launch new residential projects worth THB20-THB25 billion per annum over the next three years. FPT's residential sales will be partly supported by its backlog worth THB2.7 billion as of March 2022. Nearly all backlog is expected to be delivered to homebuyers during the second half of FY2022.

We expect FPT's rental income from industrial properties for rent to soar to THB1.7-THB2.0 billion annually during FY2022-FY2024. Our base-case scenario assumes FPT will build new leasable areas of 200,000-250,000 square meters (sq.m.) per annum during FY2022-FY2024. Around 90% of the new leasable areas will be built-to-suit warehouses, with pre-secured tenants. FPT plans to sell leasable area of around 150,000 sq.m. annually to the Frasers Property Thailand Industrial Freehold and Leasehold Real Estate Investment Trust (FTREIT). FPT will likely maintain its own leasable areas at around 1.2-1.4 million sq.m. over the forecast period.

We project FPT's EBITDA to gradually revive to THB5.3-THB6.0 billion per annum during FY2022-FY2024, from THB5.2 billion in FY2021. FPT should be able to sustain its EBITDA margin above 30% and its bottom line of at least 10% of total operating revenue during the next three years.

With continued business expansion in the residential and industrial property businesses, we expect FPT's leverage to remain at a high level during FY2022-

FY2024. We anticipate FPT's debt to EBITDA ratio to hang at 9-11 times throughout the forecast period. The ratio of funds from operations (FFO) to total debt should remain in the 5%-7% range during FY2022-FY2024. However, the leverage pressure may be alleviated by the company's asset recycling plan through asset sales to a REIT and revenue recognition from its investments.

As of March 2022, FPT's scheduled debt repayments during the next 12 months will amount to THB21.3 billion, comprising THB16 billion debentures, THB4.6 billion short-term loans, THB0.5 billion long-term project loans, and THB0.2 billion lease liability. FPT's sources of funds (on a consolidated basis) consisted of THB1 billion cash on hand plus undrawn committed project loan facilities of THB5.6 billion and undrawn uncommitted short-term loan facilities of THB6.8 billion. FFO over the next 12 months is forecast to be THB3.3 billion. We expect the company will refinance some of its maturing bonds. Thanks to its access to the bond market, FPT's liquidity should remain manageable over the next 12 months. In addition, FPT had unencumbered land banks at book value of THB12.9 billion and remaining finished units in debt-free residential projects with a selling price of THB4.7 billion, which can be pledged as collateral for new loans if needed.

As of March 2022, FPT had total debt of THB49.5 billion (per priority debt consideration). FPT's priority debt, including secured debts at the parent company and total debts of its subsidiaries, was THB13.3 billion. These translate to a priority debt to total debt ratio of 27%.

RATING OUTLOOK

The "stable" outlook reflects our expectation that FPT should be able to sustain its market position and deliver operating results as targeted. We also expect FPT to keep its FFO to total debt ratio above 5% and to ensure that its financial leverage does not rise beyond our expectations. We expect FPT to retain its status as a strategically important member of FPL.

RATING SENSITIVITIES

An upward rating revision could occur if FPT delivers significantly better-than-expected operating performance and improves its financial profile such that the FFO to total debt ratio stays above 10% for a sustained period. On the contrary, FPT's ratings and/or outlook could be revised downward if its FFO to total debt ratio falls below 5%, either from weaker operations or aggressive debt-funded business expansion. A change in the company's group status in relation to FPL could also lead to a change in the company rating on FPT.

RELATED CRITERIA

- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021
- Group Rating Methodology, 13 January 2021
- Rating Methodology – Corporate, 26 July 2019

Frasers Property (Thailand) PLC (FPT)

Company Rating:	A
Issue Ratings:	
TICON229A: THB1,000 million senior unsecured debentures due 2022	A
TICON233A: THB2,500 million senior unsecured debentures due 2023	A
TICON235A: THB2,300 million senior unsecured debentures due 2023	A
TICON238A: THB700 million senior unsecured debentures due 2023	A
TICON283A: THB1,000 million senior unsecured debentures due 2028	A
FPT231A: THB500 million senior unsecured debentures due 2023	A
FPT237A: THB1,000 million senior unsecured debentures due 2023	A
FPT242A: THB500 million senior unsecured debentures due 2024	A
FPT251A: THB1,800 million senior unsecured debentures due 2025	A
FPT271A: THB500 million senior unsecured debentures due 2027	A
FPT275A: THB500 million senior unsecured debentures due 2027	A
FPT292A: THB200 million senior unsecured debentures due 2029	A
FPT301A: THB1,200 million senior unsecured debentures due 2030	A
FPT305A: THB500 million senior unsecured debentures due 2030	A
Up to THB3,000 million senior unsecured debentures due within 5 years	A
Rating Outlook:	Stable

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