

AP (THAILAND) PLC

No. 56/2024
1 July 2024

CORPORATES

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

Last Review Date: 23/05/24

Company Rating History:

Date	Rating	Outlook/Alert
22/05/23	A	Stable
13/05/22	A-	Positive
21/06/11	A-	Stable
12/07/10	BBB+	Positive
28/06/07	BBB+	Stable

Contacts:

Auyporn Vachirakanjanaporn

auyporn@trisrating.com

Preeyaporn Kosakarn

preeyaporn@trisrating.com

Jutamas Bunyawanichkul

jutamas_b@trisrating.com

Suchada Pantu, Ph.D.

suchada@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating assigns a rating of “A” to a proposed issue of up to THB3.5 billion senior unsecured debentures due within four years of AP (Thailand) PLC (AP). The company plans to use the proceeds from the new debenture issuance to repay some of its existing loans and/or fund business expansion. At the same time, TRIS Rating affirms the company rating on AP and the ratings on AP’s outstanding senior unsecured debentures at “A” with a “stable” rating outlook.

The ratings reflect AP’s leading market position with a diverse product portfolio, satisfactory profitability, and significant backlog. The ratings also consider the company’s moderately high financial leverage, the cyclical nature of the residential property industry, and our concerns over the reimposition of tighter loan-to-value (LTV) rules, lingering high interest rates, and elevated levels of household debt.

AP’s operating revenues in the first quarter of 2024 (1Q24) stood at THB8 billion, accounting for 20% of our full-year forecast. Around 87% of the total revenues came from the landed property segment, 9% from condominium sales, and the rest from management fees and service income. AP’s EBITDA margin contracted slightly to 19.1%, down from 21.8% in 2023 and below our target of 20.7%. However, we expect AP’s operating performance to improve and align with our target, with its EBITDA margin remaining around 20% over the next three years.

Amidst sluggish housing demand in 1Q24, AP’s projects, including projects under joint venture (JV), generated presales of THB9.7 billion, down 12% from the same period in 2023. Presales from landed property projects contributed 70% of its total presales. As of March 2024, AP’s total backlog (including JV backlog) amounted to THB34 billion. Around THB20-THB22 billion of the backlog is expected to be transferred within the remainder of 2024 with the remaining portion scheduled for transfer over the next three years.

AP’s financial leverage is moderately high. During 2023 through 1Q24, AP aggressively launched new projects and acquired additional land plots for its upcoming landed property projects. This resulted in AP’s debt to capitalization ratio, including 51% of the debt carried by JV projects, increasing to 46.7% by the end of March 2024, up from 41.3% at the end of 2022. The debt to EBITDA ratio (annualized with the trailing 12 months) stood at 4.6 times, increasing from 3.2 times in 2022 while the ratio of funds from operations (FFO) to debt (annualized with the trailing 12 months) was 15.3%, decreasing from 23.6% in 2022.

The financial covenants on bank loans and debentures require AP to maintain a net interest-bearing debt to equity ratio below 2 times. At the end of March 2024, the ratio stood at 0.8 times. We believe that AP should have no problem complying with the financial covenants over the next 12 to 18 months. Its priority debt to total debt ratio as of March 2024 was 19%.

We assess AP to have adequate liquidity for the next 12 months. At the end of March 2024, the company’s liquidity sources comprised cash on hand of THB2.9 billion and available credit facilities of THB12.3 billion. We forecast AP’s FFO over the next 12 months to be THB5.8 billion. We expect AP’s uses of funds over the next 12 months to amount to THB14.8 billion, including THB8.7 billion for short-term loan repayments, THB5.8 billion for debenture redemption, and the remainder for project loans and financial leases. Short-term loans primarily serve

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as working capital and bridging loans for land purchases which are expected to be converted to project loans over time. Maturing debentures are typically refinanced with new debenture issuances.

RATING OUTLOOK

The “stable” outlook reflects our expectation that AP will maintain its strong market position in both the landed property and condominium segments. The company is expected to sustain its revenues and earnings growth momentum as planned. Also, we expect AP to lower its debt to capitalization ratio to the 40%-45% range while its FFO to debt ratio should gradually improve to around 20% over the next one to two years.

RATING SENSITIVITIES

The ratings could be revised upward if the company’s operating performance and financial profile improve significantly, such that its EBITDA stays above THB10 billion and the FFO to debt ratio stays above 40% on a sustained basis. Conversely, the ratings could be revised downward should the company’s financial profile deteriorate from the current level, causing its debt to capitalization ratio to stay above 45% and FFO to debt ratio to drop below 20% on a sustained basis.

RELATED CRITERIA

- 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
- Issue Rating Criteria, 15 June 2021

AP (Thailand) PLC (AP)

Company Rating:	A
Issue Ratings:	
AP247A: THB1,500 million senior unsecured debentures due 2024	A
AP248A: THB770 million senior unsecured debentures due 2024	A
AP251A: THB2,000 million senior unsecured debentures due 2025	A
AP251B: THB1,000 million senior unsecured debentures due 2025	A
AP257A: THB2,000 million senior unsecured debentures due 2025	A
AP258A: THB850 million senior unsecured debentures due 2025	A
AP261A: THB1,500 million senior unsecured debentures due 2026	A
AP262A: THB1,500 million senior unsecured debentures due 2026	A
AP267A: THB500 million senior unsecured debentures due 2026	A
AP267B: THB1,500 million senior unsecured debentures due 2026	A
AP26DA: THB1,500 million senior unsecured debentures due 2026	A
AP271A: THB3,500 million senior unsecured debentures due 2027	A
AP277A: THB2,500 million senior unsecured debentures due 2027	A
Up to THB3,500 million senior unsecured debentures due within 4 years	A
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

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

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