

LAND AND HOUSES PLC

No. 24/2021
22 March 2021

CORPORATES

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

Last Review Date: 29/10/20

Company Rating History:

Date	Rating	Outlook/Alert
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

Contacts:

Auyporn Vachirakanjanaporn
auyporn@trising.com

Hattayanee Pitakpatapee
hattayanee@trising.com

Jutamas Bunyanichkul
jutamas@trising.com

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



WWW.TRISING.COM

RATIONALE

TRIS Rating affirms the company rating on Land & Houses PLC (LH) and the ratings on LH's existing senior unsecured debentures at "A+" with a "stable" rating outlook. At the same time, TRIS Rating assigns the rating to LH's proposed issue of up to THB8 billion in senior unsecured debentures due within three years at "A+". The proceeds from the new debentures are intended to be used to repay some of its existing loans.

The ratings reflect LH's leading position among property developers in Thailand, strong brand position in diversified residential product types, reliable stream of income from rental assets, and moderate level of financial leverage. The ratings take into consideration the financial flexibility derived from its portfolio of marketable securities, and our concerns regarding the adverse effects of the Coronavirus Disease 2019 (COVID-19), which have severely impacted its hospitality and retail businesses and also put more pressure on the domestic economy and demand for residential properties in the short to medium term.

LH's operating performance in 2020 was in line with TRIS Rating's expectations. Despite the pandemic, revenues in 2020 stood at the same level as last year at around THB30.5 billion. Revenue from landed property projects increased by 13% year-on-year (y-o-y) to THB24.9 billion and accounted for 82% of total revenue. The remainder was derived from condominium and rental and service income. As of December 2020, LH had a total backlog worth THB6.9 billion. Around 69% of the backlog is expected to be transferred in 2021 and the rest in the following years.

LH's earnings before interest, tax, depreciation, and amortization (EBITDA) margin had been maintained above 37% during 2016-2019. This ratio dropped to 33% in 2020. Going forward, we expect LH's profitability to soften from a lower revenue base and intense competition in the property market. However, we believe that LH should be able to control selling and administrative costs and sustain the EBITDA margin at around 36%-39% during 2021-2023.

We assess LH's financial leverage as moderate. The debt to capitalization ratio was 53% at the end of 2020, up from a range of 47%-48% during 2016-2019. However, we expect this ratio should stay below 50% over the next three years. LH's debentures have a key financial covenant stipulating that the company maintain its net interest-bearing debt to equity ratio below 1.5 times. As of December 2020, the ratio was at 0.97 times.

We expect LH to have sufficient liquidity over the next 12 months. The ratio of funds from operations (FFO) to total debt was 13% while EBITDA interest coverage was around 6.4 times as of December 2020. In addition, LH's sizable investment portfolio of marketable securities provides some financial flexibility. The total fair value of the investment portfolio was approximately THB66 billion at the end of 2020. LH receives around THB2 billion per annum in dividends from these investments. We note that the value of the listed securities is subject to market sentiment and volatility. However, in our view, the holdings still provide a considerable cushion for LH's ability to service its debts.

RATING OUTLOOK

The “stable” outlook on LH’s ratings reflects our expectation that the company will be able to maintain its strong market position, achieve steady presale performance and decent operating performance, and also maintain acceptable financial leverage. We also expect the debt to capitalization ratio to stay below 50% or the debt to EBITDA ratio to stay below 5 times.

RATING SENSITIVITIES

LH’s ratings and/or outlook could be revised upward should its capital structure improve significantly from the current level, such that its interest-bearing debt to EBITDA ratio stays below 3 times on a sustainable basis while its operating performance remains strong compared to peers. Conversely, the ratings and/or outlook could be revised downward should LH’s operating performance and/or financial position weakens further from its current level.

RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

Land and Houses PLC (LH)

Company Rating:	A+
Issue Ratings:	
LH215A: THB6,000 million senior unsecured debentures due 2021	A+
LH210A: THB5,000 million senior unsecured debentures due 2021	A+
LH224A: THB6,000 million senior unsecured debentures due 2022	A+
LH225A: THB3,000 million senior unsecured debentures due 2022	A+
LH220A: THB7,000 million senior unsecured debentures due 2022	A+
LH235A: THB2,400 million senior unsecured debentures due 2023	A+
LH230A: THB3,000 million senior unsecured debentures due 2023	A+
Up to THB8,000 million senior unsecured debentures due within 3 years	A+
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 0-2098-3000

© Copyright 2021, 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 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