

# FRASERS PROPERTY (THAILAND) PLC

No. 23/2020  
15 April 2020

## CORPORATES

<b>Company Rating:</b>	A-
<b>Issue Ratings:</b>	
Senior unsecured	A-
<b>Outlook:</b>	Stable

**Last Review Date:** 20/12/19

### Company Rating History:

Date	Rating	Outlook/Alert
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" outlook. At the same time, TRIS Rating assigns the rating of "A-" to FPT's proposed issue of senior unsecured debentures of up to Bt4 billion. The proceeds from the new debentures are intended for use in business operations and for debt repayment.

The ratings reflect FPT's leading position as an integrated real estate property development company, covering residential, industrial, and commercial properties (including offices, hotels, and serviced apartments). The ratings continue to reflect the company's growing brand recognition and revenue in the residential property market, proven track record in ready-built factories (RBFs) and warehouses for rent, and reliable income stream from commercial property. However, the ratings also take into consideration FPT's rising financial leverage as a result of the large debt-funded acquisition of a 95.65% stake in Golden Land Property PLC (GOLD), coupled with concerns over the unprecedented impacts from the coronavirus (COVID-19) pandemic.

After the consolidation of GOLD in fiscal year (FY) 2019, FPT's total operating revenue increased to Bt19.6 billion. Revenue from the residential property business of GOLD contributed around 80% of total operating revenue during FY2019 through the first three months of FY2020. Revenue from office buildings for rent and hotel operations under GOLD contributed 5% and 3% of total operating revenue, respectively, while revenue from warehouses and RBFs contributed around 8%. FPT's earnings before interest, tax, depreciation, and amortization (EBITDA) reached Bt6 billion in FY2019. Around 60%-65% of total EBITDA was derived from GOLD.

Due to the negative impacts resulting from the COVID-19 outbreak, TRIS Rating expects FPT's total operating revenue and EBITDA in FY2020 to decline by 20% and 17% year-on-year (y-o-y), respectively. FPT's total operating revenue during the first three months of FY2020 dropped slightly by 3% y-o-y to Bt4.6 billion. We expect demand for residential property to drop by 20%-30%. We anticipate revenue from the hotel business to shrink by 50% reflecting a sharp drop in occupancy rates (OR) during the travel ban. However, revenue from the industrial estate property for rent business may not be significantly affected by the virus pandemic since most of its tenants hold long-term leases and are in the logistics and consumer products businesses. We also expect FPT to record gain from asset sales to Frasers Property Thailand Industrial Freehold and Leasehold Real Estate Investment Trust (FTREIT) in FY2020, thus its EBITDA should not sharply drop this year. FPT's total operating revenue is expected to recover to around Bt20 billion and EBITDA should improve to Bt6-Bt8 billion per annum during FY2021-FY2022.

As of December 2019, FPT's residential property portfolio under GOLD comprised 52 existing landed property projects. Around 90% of the projects are located in Bangkok and its vicinity, with the remainder located upcountry. Total unsold project value (including built and un-built units) was Bt29.2 billion and the total backlog was Bt3.9 billion. The backlog is expected to be delivered to customers during the remainder of FY2020 through FY2021.

**CreditUpdate**, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company's current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been "upgraded," "downgraded," "affirmed" or "cancelled." The update includes information to supplement the previously published ratings.

Credit Updates are part of TRIS Rating's monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

FPT's industrial property portfolio included 361,185 square metres (sq.m.) of leasable factory area and 702,323 sq.m. of leasable warehouse area. Nearly all the factories and warehouses are scattered across three strategic industrial locations in Thailand, including the eastern economic corridor (EEC), Eastern Bangkok, and Northern Bangkok. As of December 2019, the OR of factories and warehouses was 57% and 85%, respectively.

FPT's financial leverage jumped after the acquisition of GOLD in FY2019. Its debt to capitalization ratio was 64% as of September 2019 and 66% as of December 2019. The debt to EBITDA ratio was 8-9 times during FY2019 through the first three months of FY2020. Nevertheless, FPT plans to deleverage by selling assets to the trust and divesting non-core assets.

TRIS Rating assesses FPT's liquidity to be adequate for the next 12 months. FPT's sources of funds (on a consolidated basis) consisted of Bt7.8 billion in cash on hand plus undrawn uncommitted short-term credit facilities of Bt4 billion and undrawn committed long-term loan facilities of Bt3.6 billion as of March 2020. Funds from operations (FFO) over the next 12 months is forecast at Bt2.7 billion, around 30% lower than our prior forecast. FPT also has unencumbered land banks, under GOLD, worth Bt7.7 billion at book value. FPT's scheduled debt repayments over the next 12 months amount to Bt19.8 billion, comprising Bt5 billion in short-term bills of exchange (B/Es), Bt4.1 billion in promissory notes (P/Ns), Bt6.7 billion in debentures, and Bt4 billion in long-term loans. Due to the liquidity crunch in the bond market, the company may not be able to roll over its B/Es and bonds as planned. FPT's sources of funds at the end of March 2020 should be able to cover repayments of B/Es and debentures due in the next 12 months. However, the company may need to roll over its P/Ns and bank loans, if needed.

### RATING OUTLOOK

The "stable" outlook reflects our expectation that FPT will be able to sustain its competitive position and diversified property portfolio. The outlook also takes into account our expectation that FPT will successfully integrate GOLD and continue to deliver sound operating performance. We also expect FPT to remain a strategically important subsidiary of Frasers Property Holdings (Thailand) Co., Ltd. (FPHT).

### RATING SENSITIVITIES

A credit upside could emerge if FPT delivers better-than-expected operating performance and improves its financial profile to the same level as its higher-rated peers such that the debt to capitalization ratio should stay below 50% and the net debt to EBITDA ratio should stay below 5 times for a sustained period. On the contrary, a weaker operating performance and/or financial profile than our new target could negatively impact the ratings of the company.

### RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018
- Group Rating Methodology, 10 July 2015

## Frasers Property (Thailand) PLC (FPT)

<b>Company Rating:</b>	A-
<b>Issue Ratings:</b>	
TICON205A: Bt500 million senior unsecured debentures due 2020	A-
TICON205B: Bt100 million senior unsecured debentures due 2020	A-
TICON208A: Bt600 million senior unsecured debentures due 2020	A-
TICON213A: Bt1,500 million senior unsecured debentures due 2021	A-
TICON217A: Bt800 million senior unsecured debentures due 2021	A-
TICON225A: Bt1,000 million senior unsecured debentures due 2022	A-
TICON229A: Bt1,000 million senior unsecured debentures due 2022	A-
TICON233A: Bt2,500 million senior unsecured debentures due 2023	A-
TICON235A: Bt2,300 million senior unsecured debentures due 2023	A-
TICON238A: Bt700 million senior unsecured debentures due 2023	A-
TICON283A: Bt1,000 million senior unsecured debentures due 2028	A-
FPT213A: Bt2,000 million senior unsecured debentures due 2021	A-
FPT222A: Bt2,300 million senior unsecured debentures due 2022	A-
FPT231A: Bt500 million senior unsecured debentures due 2023	A-
FPT237A: Bt1,000 million senior unsecured debentures due 2023	A-
FPT242A: Bt500 million senior unsecured debentures due 2024	A-
FPT251A: Bt1,800 million senior unsecured debentures due 2025	A-
FPT271A: Bt500 million senior unsecured debentures due 2027	A-
FPT292A: Bt200 million senior unsecured debentures due 2029	A-
FPT301A: Bt1,200 million senior unsecured debentures due 2030	A-
Up to Bt4,000 million senior unsecured debentures due within 10 years	A-
<b>Rating Outlook:</b>	Stable

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