

AP (THAILAND) PLC

No. 52/2018

20 July 2018

CORPORATES

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

Company Rating History:

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

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RATIONALE

TRIS Rating affirms the company rating on AP (Thailand) PLC (AP) and the ratings on its outstanding senior unsecured debentures at "A-". At the same time, TRIS Rating assigns a rating of "A-" to AP's proposed issue of up to Bt2,000 million in senior unsecured debentures due within four years. The company plans to use the proceeds from the new debentures to repay some of its existing loans and fund business expansion.

The ratings reflect AP's satisfactory business profile, driven by its proven track record in the residential property development industry, diverse range of products, and moderate backlog, which secures a portion of its future revenues. These strengths are partially offset by the cyclical nature of the property development industry, AP's moderate use of financial leverage, and concerns over the relatively high level of household debt nationwide.

AP's operating performance in the first quarter of 2018 was slightly higher than TRIS Rating's expectation. As of June 2018, AP's owned projects generated presales of Bt13,216 million, up 55.4% from the same period last year. The company also had Bt4,049 million of presales from condominium projects undertaken by the joint venture (JV). AP's revenue in the first quarter of 2018 was Bt5,612 million, up 33.6% year-on-year (y-o-y). Revenues from housing segment increased 58.0% y-o-y. The operating margin (operating income before depreciation and amortization as a percentage of revenue) was 17.3% in the first quarter of 2018, increasing from 14.5%-16.5% during 2015-2017.

At the end of March 2018, the value of the backlog stood at Bt7,508 million, splitting between the housing units worth Bt4,286 million and the condominium units worth Bt3,222 million. The backlog will be recognized as revenue in 2018 and 2019. The backlog of the projects under the JV was Bt37,309 million and will be transferred from 2018 onwards. TRIS Rating expects that AP will realize share of profit from investments in its JVs of around Bt600-Bt1,000 million per year during 2018-2020.

The total debt to capitalization ratio (including 51.0% of the debt carried by the JV) at the end of March 2018 was 53.3%, up from 51.8% at the end of 2017. This ratio rose because several large condominium projects were launched and because AP bought more land for new projects. We expect AP's debt to capitalization ratio to stay around 50.0%-55.0% over the next three years.

RATING OUTLOOK

The "stable" outlook reflects TRIS Rating's expectations that AP will remain competitive in its core market segments and will rebalance its product portfolio as market conditions and customer needs change. The outlook is also based on our expectation that AP will continue to follow prudent financial policies and keep the debt to capitalization ratio below 55.0% over the next three years.

RATING SENSITIVITIES

The company's ratings and/or outlook could be revised downward should its financial profile deteriorate significantly from the current level or if the debt to capitalization ratio stays above 55.0% on a sustained basis. In contrast, the ratings could be revised upward if the company can improve its profitability

while its debt to capitalization ratio declines to 40.0%-45.0% on a sustained basis.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Bt million

	----- Year Ended 31 December -----				
	Jan-Mar 2018	2017	2016	2015	2014
Revenue	5,612	22,176	20,253	22,079	23,149
Gross interest expense	179	565	564	603	657
Net income from operations	809	3,157	2,703	2,623	2,615
Funds from operations (FFO)	948	3,600	2,260	2,787	2,861
Inventory investment (-increase/+decrease)	(2,712)	(8,007)	(1,590)	(1,926)	(1,310)
Total assets	47,075	43,936	37,790	36,147	35,564
Total debts	20,785	18,403	14,741	14,679	14,705
Total adjusted debts	25,584	23,256	17,583	16,871	15,448
Shareholders' equity	22,446	21,637	19,423	17,654	15,848
Operating income before depreciation and amortization as % of sales	17.34	15.51	14.83	16.45	16.37
Pretax return on permanent capital (%)	10.03 **	9.86	9.81	11.05	11.74
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	5.87	7.21	6.32	6.14	5.59
FFO/total debt (%)	14.97 **	15.48	12.86	16.52	18.52
Total debt/capitalization (%)	53.27	51.81	47.51	48.87	49.36

Note: All ratios have been adjusted by debt from the joint venture of 51.0%.

* Consolidated financial statements

** Annualized with trailing 12 months

AP (Thailand) PLC (AP)

Company Rating:	A-
Issue Ratings:	
AP188A: Bt1,250 million senior unsecured debentures due 2018	A-
AP191A: Bt350 million senior unsecured debentures due 2019	A-
AP191B: Bt1,000 million senior unsecured debentures due 2019	A-
AP191C: Bt500 million senior unsecured debentures due 2019	A-
AP197A: Bt1,000 million senior unsecured debentures due 2019	A-
AP197B: Bt1,000 million senior unsecured debentures due 2019	A-
AP201A: Bt1,500 million senior unsecured debentures due 2020	A-
AP207A: Bt1,500 million senior unsecured debentures due 2020	A-
AP217A: Bt1,500 million senior unsecured debentures due 2021	A-
AP221A: Bt1,500 million senior unsecured debentures due 2022	A-
Up to Bt2,000 million senior unsecured debentures due within 4 years	A-
Rating Outlook:	Stable

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