

# LAND AND HOUSES PLC

No. 24/2019

22 March 2019

## CORPORATES

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

**Last Review Date:** 04/10/18

### 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:

Tulyawat Chatkam

tulyawat@trisrating.com

Hattayanee Pitakpatapee

hattayanee@trisrating.com

Auyporn Vachirakanjanaporn

auyporn@trisrating.com

Jutamas Bunyawanichkul

jutamas@trisrating.com

Suchada Pantu, Ph. D.

suchada@trisrating.com



WWW.TRISRATING.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+". At the same time, TRIS Rating assigns the rating on LH's proposed issue of up to Bt6,000 million in senior unsecured debentures at "A+". The proceeds from the new debentures will be used to refinance LH's debentures maturing in April 2019.

The ratings reflect LH's leading market position in the residential property development industry, strong brand position in several product types, and moderate level of financial leverage. The ratings also take into account the company's financial flexibility deriving from recurring income assets and marketable securities and the cyclical and competitive environment in the residential property development business.

LH ranks in the top three of listed property developers in Thailand in terms of revenue base. The company's operating revenue was Bt35,265 million in 2017 and Bt34,686 million in 2018. The company had 73 existing projects as of December 2018, with total remaining project value worth Bt63,000 million. Landed property projects comprised around 70% of total unsold value while the condominium projects made up the rest. The total backlog was worth around Bt9,800 million and is expected to be transferred during 2019-2021.

LH's operating margin (operating income before depreciation and amortization as a percentage of revenue) was 23%-27% during 2016-2018. Going forward, LH's profitability might soften due to rising land cost and the intensely competitive environment in both landed property and condominium segments. However, we expect LH to sustain an operating margin above 20% during 2019-2021.

LH has a moderate level of financial leverage. The debt to capitalization ratio was 47%-48% during 2016-2018 and the interest-bearing debt to earnings before interest, tax, depreciation, and amortization (EBITDA) ranged between 3-4 times during 2016-2018. LH's debenture covenant limits the net interest-bearing debt to equity ratio at 1.5 times. As of December 2018, the ratio stayed below the limit at 0.86 times.

We view LH's liquidity as adequate. The ratio of funds from operations (FFO) to total debt hovered around 20% and EBITDA interest coverage ratio was 7-9 times during the last three years. In addition, the company has a sizable investment portfolio of marketable securities that helps provide financial flexibility. The total fair value of the investment was approximately Bt74,000 million as of December 2018 and the dividend received from these investments was around Bt2,000 million per annum.

## RATING OUTLOOK

The "stable" outlook reflects our expectation that LH will sustain its strong operating performance, acceptable financial position, and competitive market position. TRIS Rating expects LH's operating revenue to be above Bt32,000 million per annum during 2019-2021. The debt to capitalization ratio should stay below 50% or the interest-bearing debt to EBITDA ratio should 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, so that its interest-bearing debt to EBITDA ratio stays below 3 times on a sustainable basis while its operating performance remains strong comparable with peers. On the contrary, the ratings and/or outlook could be revised downward should LH's operating performance and/or financial position deviate significantly from projections.

## RELATED CRITERIA

- Key Financial Ratios and Adjustments, 5 September 2018
- Rating Methodology – Corporate, 31 October 2007

## Land and Houses PLC (LH)

<b>Company Rating:</b>	<b>A+</b>
<b>Issue Ratings:</b>	
LH194A: Bt5,000 million senior unsecured debentures due 2019	A+
LH194B: Bt1,000 million senior unsecured debentures due 2019	A+
LH190A: Bt1,000 million senior unsecured debentures due 2019	A+
LH190B: Bt7,250 million senior unsecured debentures due 2019	A+
LH204A: Bt1,000 million senior unsecured debentures due 2020	A+
LH204B: Bt6,000 million senior unsecured debentures due 2020	A+
LH200A: Bt1,000 million senior unsecured debentures due 2020	A+
LH200B: Bt6,000 million senior unsecured debentures due 2020	A+
LH215A: Bt6,000 million senior unsecured debentures due 2021	A+
LH210A: Bt5,000 million senior unsecured debentures due 2021	A+
Up to Bt6,000 million senior unsecured debentures due within 5 years	A+
<b>Rating Outlook:</b>	<b>Stable</b>

## TRIS Rating Co., Ltd.

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

© Copyright 2019, 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 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](http://www.trisrating.com/rating-information/rating-criteria)