

# LAND AND HOUSES PLC

No. 51/2019  
19 July 2019

## CORPORATES

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

**Last Review Date:** 22/03/19

### 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

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## 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 Bt7,000 million in senior unsecured debentures at "A+". The proceeds from the new debentures will be used to finance operations and acquire land.

The ratings reflect LH's leading market position in the residential property development industry, strong market positions in several product types, and moderate level of financial leverage. The ratings also take into account the financial flexibility the company derives from assets that produce recurring income, a high level of marketable securities on hand, and the cyclical and competitive nature of the residential property development industry.

LH is one of the leading property developers in Thailand, ranking in the top three in terms of revenue. Operating revenue was Bt35,265 million in 2017 and Bt34,686 million in 2018. In the first quarter of 2019, the company recorded operating revenue of Bt7,062 million.

LH had 75 active projects as of March 2019. The total value of the unsold units (including built and un-built units) across all 75 projects was Bt67,358 million. Landed property projects accounted for 72% of total value of the unsold units, while unsold units in condominium projects made up the rest. LH has a backlog worth around Bt10,000 million. The units in the backlog are expected to be transferred to buyers during 2019-2021.

LH's operating margin (operating income before depreciation and amortization as a percentage of revenue) ranged from 23%-27% during 2016-2018; it was 24% in the first quarter of 2019. Going forward, profitability might soften due to the rising cost of land and intense competition in both the landed property and condominium segments. However, we expect the operating margin will remain above 20% during 2019-2021.

LH has a moderate level of financial leverage. The debt to capitalization ratio was 47%-48% during 2016-2018. The debt to earnings before interest, tax, depreciation, and amortization (EBITDA) ratio ranged between 3-4 times during 2016-2018. In the first quarter of 2019, the debt to capitalization ratio stayed at 47% while the debt to EBITDA ratio was 3.9 times. LH's debenture covenant limits the net interest-bearing debt to equity ratio at 1.5 times. As of March 2019, the ratio was below the limit at 0.82 times.

We view LH's liquidity as adequate. The ratio of funds from operations (FFO) to total debt hovered around 20% while EBITDA interest coverage ratio ranged from 7-9 times during the last three years. In addition, the company has a sizable investment portfolio of marketable securities. The sizable portfolio provides financial flexibility. The total fair value of the investment portfolio was approximately Bt85,000 million as of June 2019. LH receives around Bt2,000 million per annum in dividend from the investment portfolio.

## 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 forecasts operating revenue will stay above Bt32,000

million per annum during 2019-2021. The debt to capitalization ratio is expected to remain below 50% and 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. For this to happen, the interest-bearing debt to EBITDA ratio would need to fall below 3 times on a sustainable basis and the company will need to maintain strong operating results. In contrast, the ratings and/or outlook could be revised downward should LH's operating performance and/or financial position deviate significantly from our 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>	A+
<b>Issue Ratings:</b>	
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+
LH224A: Bt6,000 million senior unsecured debentures due 2022	A+
Up to Bt7,000 million senior unsecured debentures due within 4 years	A+
<b>Rating Outlook:</b>	Stable

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