

LAND AND HOUSES PLC

No. 15/2020
20 March 2020

CORPORATES

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

Last Review Date: 02/10/19

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 to LH's proposed issue of up to Bt8 billion 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 brand positions in diversified residential product types, reliable stream of income from rental assets, and moderate level of financial leverage. The ratings take into account the financial flexibility the company derives from its sizable marketable securities on hand and the cyclical and competitive nature of the residential property development industry.

As one of the leading property developers in Thailand, LH ranks in the top three in terms of revenue. LH's operating revenues hovered in the range of Bt26-Bt35 billion over the past five years. In 2019, LH recorded operating revenue of Bt30.6 billion. The company had 79 active projects as of December 2019. The total value of the unsold units (including built and un-built units) across all active projects was Bt59.9 billion. Landed property projects accounted for 79% of total value of the unsold units, while condominium projects made up the rest. LH has a backlog worth Bt8.9 billion. Around 60% of the backlog is expected to be transferred in 2020 and the remainder in the following years.

LH's operating margin (operating income before depreciation and amortization as a percentage of revenue) ranged between 23%-26% during 2016-2018 and 25% in 2019. Going forward, LH's profitability might soften due to rising land costs and intense competition in both the landed property and condominium segments. However, we expect the operating margin to remain around 22%-24% during 2020-2022.

TRIS Rating assesses LH's financial leverage as moderate. The debt to capitalization ratio was 47%-48% during 2016-2019. The debt to earnings before interest, tax, depreciation, and amortization (EBITDA) ratio was 3.6 times in 2019. LH's debentures have a key financial covenant stipulating the company to maintain its net interest-bearing debt to equity ratio below 1.5 times. As of December 2019, the ratio was below the limit at 0.85 times.

TRIS Rating views that LH has sufficient liquidity. The ratio of funds from operations (FFO) to total debt was 21% while EBITDA interest coverage was around 9 times in 2019. In addition, LH's sizable investment portfolio of marketable securities provides some financial flexibility. The total fair value of the investment portfolio was approximately Bt80 billion as of December 2019. LH receives around Bt2 billion per annum in dividends from these investments. TRIS Rating acknowledges that the value of the listed securities is subject to market sentiment and volatility. However, in TRIS Rating's 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 maintain acceptable

financial leverage. We also expect the debt to capitalization ratio to stay below 50% or the 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 should stay 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 the projections.

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:	
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+
LH220A: Bt7,000 million senior unsecured debentures due 2022	A+
Up to Bt8,000 million senior unsecured debentures due within 5 years	A+
Rating Outlook:	Stable

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