

NOBLE DEVELOPMENT PLC

No. 19/2019
1 March 2019

CORPORATES

Company Rating:	BBB
Issue Ratings:	
Senior unsecured	BBB-
Outlook:	Negative

Last Review Date: 09/11/18

Company Rating History:

Date	Rating	Outlook/Alert
28/12/17	BBB	Stable
06/11/15	BBB	Negative
04/01/13	BBB	Stable
08/09/06	BBB+	Stable
12/07/04	BBB	Stable
14/10/03	BBB	-

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RATIONALE

TRIS Rating affirms the company rating on Noble Development PLC (NOBLE) at “BBB” and also affirms the ratings on NOBLE’s senior unsecured debentures at “BBB-”. We revise downward the rating outlook to “negative” from “stable”. The outlook revision follows the announcement on 22 February 2019 that NOBLE’s board of directors has approved a special dividend payment of Bt6.90 per share, or Bt3,150 million in total. The payment date is 22 March 2019.

The “negative” outlook reflects our concern over a rise in financial leverage, the direct result of the sizeable dividend payment. The net debt to equity ratio of the company will be significantly higher than our target of 2 times if management does not adopt plans to reduce leverage.

According to the company’s management, NOBLE has sold some land plots in the first quarter of 2019. After the plots are sold, the net interest-bearing debt to equity ratio, after the dividend payment, will fall to 2.2-2.3 times, lower than the limit of 2.5 times specified in a financial covenant.

In addition, the company has improved its capital structure by divesting non-core assets and accelerating the sales of completed condominium units in three projects: Noble Ploenchit, Noble Revolve Ratchada, and Noble Revolve Ratchada 2. The total value of the completed units in these projects is around Bt6,000 million. The completed units in the Noble Recole and the Noble BE33 projects are scheduled to be transferred to buyers by the end of 2019.

With these actions, the net debt to equity ratio should gradually fall below 2 times by the end of 2019. However, some uncertainties remain. Difficult market conditions are expected to continue in the property development industry. As a result, NOBLE’s deleveraging plan may not yield the expected outcomes and its financial profile may be worse than our target.

Under TRIS Rating’s base case scenario, NOBLE’s revenue is expected to be Bt8,000-Bt10,000 million per annum over the next three years and operating profit margin is forecast to stay above 20%. The interest-bearing debt to equity ratio should drop to 2 times by the end of 2019.

RATING OUTLOOK

The “negative” outlook reflects our concern over NOBLE’s rising leverage after the payment of a special dividend. The net debt to equity ratio could remain above our trigger level of 2 times for a longer period of time should the company be unable to bolster its equity base as planned.

RATING SENSITIVITIES

NOBLE’s outlook could be revised back to “stable” from “negative” if operating performance meets expectations and the net debt to equity ratio falls below 2 times by the end of 2019. In contrast, the ratings could be revised downward if its financial leverage does not fall below the target level in the next 12 months or if operating performance is significantly lower than the target levels.

COMPANY OVERVIEW

NOBLE was founded in 1991 by Mr. Kitti Thanakitamnuay, Mr. Chali Sophonpanich, and Mrs. Panida Teapkarnjana. The company was listed on the

Stock Exchange of Thailand (SET) in November 1996. As of September 2018, Mr. Kitti Thanakitamnuay, the company's founder and major shareholder, held a 43.76% stake of the company in total, following by nCrowne Pte. Ltd. (nCrowne) with 24.90%. Later on, nCrowne sold its entire stake to Fulcrum, a real estate investor and distributor based in Hong Kong, and N Capital Ltd. Consequently, Fulcrum and N Capital became the second largest shareholders of NOBLE, holding 24.90% stake of the company, and obtained two seats on NOBLE's board of directors.

As a strategic partner with Fulcrum, NOBLE is expected to benefit from Fulcrum's distribution network across Asia, covering Mainland China, Hong Kong and Macau, Taiwan, Singapore, and Malaysia. Sales to foreign buyers are expected to improve as a result.

NOBLE focuses on the middle- to high-end condominium segments, with the prices ranging between Bt120,000-Bt270,000 per square meter (sq.m.). The company also offers detached and semi-detached houses (SDHs), townhouses, and land plots for middle- to high-income customers. The average selling prices for low-rise housing units were Bt8.2 million for an SDH unit, Bt6.5 million for a townhouse, and Bt15.9 million for a land plot. Almost all of NOBLE's condominium projects are located along mass transit lines, while its housing projects are located near the expressways. NOBLE's unique designs differentiate its products from other developers.

As of August 2018, NOBLE had 19 existing condominium projects and three housing projects, worth Bt62,834 million in total. Condominium projects comprised 92% of the total project value across NOBLE's portfolio, while housing projects accounted for the rest. The value of the remaining unsold units (including built and un-built units) across the entire portfolio was around Bt18,641 million. About 91% of the value was in condominium projects and the rest was in housing projects. The total backlog is worth Bt17,368 million.

RELATED CRITERIA

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

Noble Development PLC (NOBLE)

Company Rating:	BBB
Issue Ratings:	
NOBLE196A: Bt1,500 million senior unsecured debentures due 2019	BBB-
NOBLE205A: Bt1,500 million senior unsecured debentures due 2020	BBB-
NOBLE20NA: Bt1,050 million senior unsecured debentures due 2020	BBB-
NOBLE212A: Bt1,500 million senior unsecured debentures due 2021	BBB-
Rating Outlook:	Negative

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