

NOBLE DEVELOPMENT PLC

No. 177/2017

28 December 2017

Company Rating: BBB

Issue Ratings:
Senior unsecured BBB-

Outlook: Stable

Company Rating History:

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

Contacts:

Jutamas Bunyanichkul
jutamas@trisrating.com

Auyporn Vachirakanjanaporn
Auyporn@trisrating.com

Rapeepol Mahapant
rapeepol@trisrating.com

Suchada Pantu, Ph. D.
suchada@trisrating.com

WWW.TRISRATING.COM

Rating Rationale

TRIS Rating affirms the company rating of Noble Development PLC (NOBLE) at “BBB” and also affirms the ratings of NOBLE’s senior unsecured debentures at “BBB-”. At the same time, TRIS Rating revises the rating outlook of NOBLE to “stable” from “negative”. The “stable” outlook reflects our expectation that NOBLE’s improved operating performance and financial profile will be sustained over the next 2-3 years while its leverage will not deteriorate significantly from the current level.

The ratings take into consideration NOBLE’s well-accepted brand name in the middle- to high-end segments of the condominium market, its large backlog which partly secures its future revenue stream, and its relatively high financial leverage. The ratings are also factored in the high level of household debt nationwide, coupled with the rising competition in high-priced condominium segment which may impact the demand in the middle- to high-end residential property market in the short to medium term.

NOBLE is a medium-sized property developer in Thailand. The company was established in 1991 and listed on the Stock Exchange of Thailand (SET) in 1996. NOBLE primarily develops condominium projects, with selling prices ranging from Bt120,000 to Bt270,000 per square metre (sq.m.). NOBLE also offers other types of residential products including single detached houses (SDH), townhouses, and land plots. NOBLE’s products are known for their unique designs. As of September 2017, NOBLE had 16 active projects. Condominium projects comprised 90% of the value of its project portfolio, while the rest was low-rise housing projects. The value of the remaining unsold units (including built and un-built units) was Bt19,000 million. The total backlog was valued at Bt13,000 million.

NOBLE’s presales during the first nine months of 2017 was Bt2,533 million, mainly supported by presales from the Noble Around Sukhumvit 33 project. Revenue improved significantly to Bt4,503 million in 2016 and Bt7,828 million in the first nine months of 2017, compared with Bt373 million in 2015. A transfer of backlog in the Noble Ploenchit project since late 2016 drove a revenue growth. NOBLE’s current backlog partially secures revenue of Bt2,700-Bt3,700 million per annum during 2018-2020. Including the unsold units worth around Bt9,000 million of the Noble Ploenchit project, NOBLE’s revenue over the next three years is expected to be Bt5,000-Bt9,000 million per annum.

NOBLE’s gross profit margin increased to 42%-43% of total revenue during 2016 through the first nine months of 2017 from 38%-40% during the past five years. The operating profit margin (as measured by operating income before depreciation and amortization as a percentage of sales) recovered to 26% in 2016 and 32% in the first nine months of 2017 from -113% in 2015 and 14% in 2014. Over the next three years, the operating profit margin is expected to stay at least 20% of total revenue.

The debt to capitalization ratio improved to 76% as of December 2016 and 66% as of September 2017 from 79% as of December 2015. The net interest-bearing debt to equity ratio decreased to 1.77 times as of September 2017, which was in line with the financial covenant limit of net interest-bearing debt to equity ratio at 2.5 times. Going forward, NOBLE plans to launch several residential projects worth around Bt13,000 million in 2018 and Bt23,000 million in 2019.

Despite its aggressive expansion plan, TRIS Rating expects the company to keep the debt to capitalization ratio at around 65% or the interest-bearing debt to equity ratio at around 2 times in order to satisfy the current credit ratings.

Due to higher profitability and lower financial leverage, NOBLE’s ratio of funds from operations (FFO) to total debt increased. The ratio was 7% in 2016 and 28% (annualized with trailing 12 months) in the first nine months of 2017, up from -4% in 2015 and 2% in 2014. NOBLE’s liquidity is still adequate. The company had sufficient financial flexibility as of September 2017, consisting of cash on hand of Bt995 million and undrawn unconditional project loans of Bt2,770 million. NOBLE requires customers to make down payments of 20%-30% of the selling prices. The company has Bt3,520 million in debt due in the next 12 months, comprising the bills of exchange (B/E) of Bt685 million, debentures of Bt1,848 million, and long-term project loan of Bt987 million. The debentures will be refinanced by a new issuance. The project loan will be repaid by cash received from the transfers of units in condominium projects.

Rating Outlook

The “stable” outlook reflects the expectation that NOBLE will be able to sustain its operating performance and financial position at the target levels. Over the next three years, NOBLE’s revenue is expected to be Bt5,000-Bt9,000 million per annum and the company is expected to keep its operating profit margin at least 20%. The debt to capitalization ratio should be around 65% or the interest-bearing debt to equity ratio should stay around 2 times.

NOBLE’s ratings and/or outlook could be revised downward should its operating performance and/or financial profile deteriorate significantly from the target levels. On the other hand, NOBLE’s ratings and/or outlook could be revised upward should its business scale enlarge and its capital structure improve significantly from the current level.

Noble Development PLC (NOBLE)

Company Rating:	BBB
Issue Ratings:	
NOBLE187A: Bt1,500 million senior unsecured debentures due 2018	BBB-
NOBLE196A: Bt1,500 million senior unsecured debentures due 2019	BBB-
NOBLE205A: Bt1,500 million senior unsecured debentures due 2020	BBB-
Rating Outlook:	Stable

Financial Statistics and Key Financial Ratios*

Unit: Bt million

	----- Year Ended 31 December -----					
	Jan-Sep 2017	2016	2015	2014	2013	2012
Revenues	7,828	4,503	373	2,276	3,085	2,560
Interest expense paid	482	818	710	563	481	366
Net income from operations	1,826	682	(468)	163	323	325
Funds from operations (FFO)	2,042	990	(504)	191	389	421
Inventory investment (-increase/+decrease)	2,592	86	(3,575)	(3,030)	(1,605)	183
Total assets	21,531	23,269	22,942	19,796	17,244	14,679
Total debt	12,046	14,301	14,209	11,417	9,796	7,806
Shareholders' equity	6,259	4,433	3,758	4,272	4,246	4,059
Operating income before depreciation and amortization as % of sales	32.21	26.14	(113.03)	14.37	18.07	20.50
Pretax return on permanent capital (%)	20.62 **	6.13	(2.55)	2.26	4.19	4.64
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	6.44	1.88	(0.48)	0.83	1.51	1.79
FFO/total debt (%)	28.13 **	6.92	(3.55)	1.67	3.97	5.40
Total debt/capitalization (%)	65.81	76.34	79.08	72.77	69.77	65.79

* Consolidated financial statements

** Annualized with trailing 12 months

TRIS Rating Co., Ltd.

Tel: 0-2231-3011 ext 500 / Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand www.trisrating.com

© Copyright 2017, 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 http://www.trisrating.com/en/rating_information/rating_criteria.html.