AP (THAILAND) PLC

No. 82/2017 13 July 2017

Company Rating: A-

Issue Ratings:
Senior unsecured A-

Outlook: Stable

Company Rating History:

Date	Rating	Outlook/Alert
21/06/11	A-	Stable
12/07/10	BBB+	Positive
28/06/07	BBB+	Stable

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Rating Rationale

TRIS Rating affirms the company rating of AP (Thailand) PLC (AP) and the ratings of AP's outstanding senior unsecured debentures at "A-". The ratings reflect AP's satisfactory business profile, driven by its proven track record in the residential property development industry, diverse range of products, and moderate backlog, which secures a portion of its future revenues. These strengths are partially offset by the cyclical nature of the property development industry, AP's moderate use of financial leverage, concerns over the relatively high level of household debt nationwide, and the current slowdown in the domestic economy.

AP was established in 1990 by Mr. Anuphong Assavabhokhin and Mr. Pichet Vipavasuphakorn. The company was listed on the Stock Exchange of Thailand (SET) in 2000. As of May 2017, AP's major shareholder was Mr. Anuphong Assavabhokhin, owning 21.3% of the company's shares. In 2013, AP started to develop condominium projects together with a subsidiary of Mitsubishi Estate Co., Ltd. (MEC), the largest property developer in Japan. AP held a 51% stake in the joint venture (JV) while MEC's subsidiary held 49%.

AP's revenue base has ranked it fourth among the property developers listed on the SET over the past five years. AP's products cover almost all of the key segments in the residential property market. Each product segment has generated strong presales and as a result, AP has captured a respectable market share in each of these segments. The company's track record is particularly strong in the mid-range to high-end townhouse and condominium segments. AP offers its products primarily within the Greater Bangkok area.

In the first half of 2017, AP's owned projects generated presales of around Bt8,500 million. The company also had around Bt6,500 million of presales from nine condominium projects undertaken by the JV, about Bt6,300 million generated from the Life Ladprao project, which was launched in May 2017. As of June 2017, the value of AP's condominium backlog stood at Bt6,525 million. A backlog of this size will translate to the revenue of around Bt3,100 million during the remainder of 2017, while Bt2,100 million will be recognized in 2018, and Bt1,300 million in 2019. The backlog of the JV is currently worth around Bt23,600 million. This backlog will be recognized as revenue from 2016 onwards.

AP's financial profile during the past 12 months was in line with TRIS Rating's expectation. Revenue in the first quarter of 2017 stood at Bt4,200 million, slightly higher than the same period last year. The operating margin (operating income before depreciation and amortization as a percentage of revenue) in the first quarter of 2017 was 11.3%, decreasing from an average of 15% over the past five years. The drop in the operating margin was due to higher operating expenses as the company accelerated the sales of the finished units in the stock. The total debt to capitalization ratio (including 51% of the debt carried by the JV) at the end of March 2017 was 49.3%, increasing from 47.5% at the end of 2016.

During 2017-2019, TRIS Rating's base-case forecast assumes AP's revenue will range from Bt20,000-Bt22,000 million per annum, supported by the sizable condominium backlog and the launches of new low-rise housing projects. The operating margin is expected to hold at 12%-15%. The net profit margin during the next three years is expected to improve as AP will recognize a significant share of profit from the JV projects. In TRIS Rating's forecast, AP's debt to capitalization ratio is expected to stay around 50%-55% over the next three years, or the net debt to equity ratio will be around 1-1.2 times.

AP's liquidity position is adequate. The company had Bt1,238 million in cash on hand, plus undrawn long-term credit lines of Bt7,338, million and short-term credit lines of Bt5,353 million at the end of May 2017. Debts due over the next 12 months (excluding project loans) amount to around Bt9,640 million. AP typically matches the maturities of its short-term debts with the cash it expects to receive from transferring finished condominiums to its customers. AP plans to refinance most of the maturing bonds with new bond issues. The maturing bonds are backed up by AP's undrawn bank credit lines. Over the next three years, TRIS Rating's projections show funds from operations (FFO) at Bt2,500-Bt3,000 million per annum. The FFO to total debt ratio is expected to stay around 12%-15%, while the EBITDA (earnings before interest, tax, depreciation, and amortization) interest coverage ratio is expected to stay above 4 times.

Rating Outlook

The "stable" outlook reflects the expectation that AP will remain competitive in its core market segments and will rebalance its product portfolio as market conditions and customer needs change. The outlook is also based on the expectation that AP will continue to follow prudent financial policies and keep the debt to capitalization ratio below 55% over the next three years.

The company's ratings and/or outlook could be revised downward should its financial profile deteriorate significantly from the current level or if the debt to capitalization ratio stays above 55% on a sustained basis. In contrast, the ratings could be revised upward if the company can improve its profitability while its debt to capitalization ratio declines to 40%-45% on a sustained basis.

AP (Thailand) PLC (AP)

Company Rating:	A-
Issue Ratings:	
AP177A: Bt500 million senior unsecured debentures due 2017	A-
AP179A: Bt1,000 million senior unsecured debentures due 2017	A-
AP17DA: Bt1,000 million senior unsecured debentures due 2017	A-
AP181A: Bt1,250 million senior unsecured debentures due 2018	A-
AP181B: Bt500 million senior unsecured debentures due 2018	A-
AP188A: Bt1,250 million senior unsecured debentures due 2018	A-
AP191A: Bt350 million senior unsecured debentures due 2019	A-
AP191B: Bt1,000 million senior unsecured debentures due 2019	A-
AP191C: Bt500 million senior unsecured debentures due 2019	A-
AP197A: Bt1,000 million senior unsecured debentures due 2019	A-
AP197B: Bt1,000 million senior unsecured debentures due 2019	A-
AP201A: Bt1,500 million senior unsecured debentures due 2020	A-
AP207A: Bt1,500 million senior unsecured debentures due 2020	A-
Rating Outlook:	Stable

Financial Statistics and Key Financial Ratios*

Unit: Bt million

		---------------------- Year Ended 31 December --------------------				
	Jan-Mar 2017	2016	2015	2014	2013	2012
Revenues	4,200	20,253	22,079	23,149	19,854	17,197
Finance cost	188	564	603	657	643	602
Net income from operations	549	2,703	2,623	2,615	2,013	2,186
Funds from operations (FFO)	717	2,260	2,787	2,861	2,132	2,190
Inventory investments (-increase/+decrease)	(2,096)	(1,590)	(1,926)	(1,310)	(4,903)	532
Total assets	40,069	37,790	36,147	35,564	34,410	29,472
Total debts	16,744	14,741	14,679	14,705	15,430	12,282
Total adjusted debts	19,409	17,583	16,871	15,448	15,801	-
Total liabilities	20,096	18,366	18,493	19,715	20,402	16,792
Shareholders' equity	19,972	19,423	17,654	15,848	14,007	12,679
Depreciation & amortization	12	54	67	84	159	152
Dividends	0	944	818	772	715	509
Operating income before depreciation and amortization as % of sales	11.29	14.83	16.45	16.37	14.10	17.14
Pretax return on permanent capital (%)	9.33 **	9.81	11.05	11.74	10.39	12.40
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	3.71	6.32	6.14	5.59	4.67	5.39
FFO/total debt (%)	12.46 **	12.86	16.52	18.52	13.49	17.83
Total debt/capitalization (%)	49.28	47.51	48.87	49.36	53.01	49.20

Note: All ratios have been adjusted by 51% debt from joint venture since 2013 onwards
** Consolidated financial statements*
*** Annualized with trailing 12 months*

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