

BRITANIA PLC

No. 59/2024
23 April 2024

CORPORATES

Company Rating:	BBB
Issue Ratings:	
Senior unsecured	BBB
Outlook:	Stable

Last Review Date: 24/04/23

Company Rating History:

Date	Rating	Outlook/Alert
20/07/22	BBB	Stable

Contacts:

Auyporn Vachirakanjanaporn
auyporn@trisrating.com

Bundit Pommata
bundit@trisrating.com

Jutamas Bunyawanichkul
jutamas_b@trisrating.com

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



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating on Britania PLC (BRI) and the ratings on its senior unsecured debentures at “BBB” with a “stable” rating outlook. At the same time, TRIS Rating assigns a rating of “BBB” to BRI’s proposed issue of up to THB1.5 billion senior unsecured debentures due within three years. The company plans to use the proceeds from the debenture issuance to repay some of its existing loans and/or fund business expansion.

The ratings incorporate a one-notch rating uplift from the assessed stand-alone credit profile (SACP) of BRI at “bbb-”, to reflect BRI’s status as a highly strategic subsidiary of Origin Property PLC (ORI, rated “BBB+/Stable”). BRI’s SACP reflects the company’s evolving brand recognition as well as its growing market share in the landed property sector. These strengths are partly offset by the company’s short track record, and high financial leverage caused by its aggressive expansion. The ratings also reflect our concerns over the challenging market conditions in the residential property sector, stemming from the reimposition of tighter loan-to-value (LTV) rules in 2023, lingering high interest rates, and increased household debt levels.

KEY RATING CONSIDERATIONS

Highly strategic subsidiary of ORI

TRIS Rating assesses BRI as a highly strategic subsidiary of ORI. BRI was set up in 2016 as a wholly owned subsidiary of ORI to develop landed property projects. BRI was listed on the Stock Exchange of Thailand (SET) in December 2021. Since the initial public offering (IPO), ORI has maintained a 70% stake in BRI. ORI has no plan to reduce its shareholding in BRI in the short to medium term.

Despite its relatively limited scope of business, BRI’s products are in line with and complement the residential property business of the group. Under ORI’s strategy, BRI serves as the flagship for the group’s landed property development business while ORI focuses on condominiums and other property-related businesses.

BRI has contributed significant revenues and earnings to ORI. Its revenues reached THB5.7-THB5.9 billion annually in the past two years, accounting for 40% of ORI’s total operating revenues. Its earnings before interest, taxes, depreciation, and amortization (EBITDA) accounted for 35% of ORI’s EBITDA in the same period.

Growing brand awareness with rapid growth in launches of both owned and JV projects

BRI’s position in the landed property segment has improved rapidly despite its rather short presence in the market, compared with other rated developers. Its presales value, including both owned and joint-venture (JV) projects, has grown steadily from less than THB1 billion in 2018 to around THB6 billion in 2022-2023, in line with its transfers. The gross profit margin of its housing unit sales stood at around 31%-33%, in line with the industry average.

BRI has also developed several housing projects under JVs in the past two years. The company also earned management fee income from the projects. Thus, despite the drop in revenues from owned projects, the substantial amount of management fee income from JVs helped sustain its EBITDA at nearly THB2 billion in 2023.

As of December 2023, the company had developed 32 owned projects and six projects under JVs, with a total value of THB50 billion. Remaining units available for sale (both built and unbuilt) were worth around THB23 billion. Based on the remaining units available for sale and the substantial value of new landed property projects in the pipeline, BRI's revenue is forecast to continue growing to THB6.0-THB6.5 billion annually over the next three years. Profits from its investments in JV projects are expected to be modest in 2024 but should increase to around THB120-THB170 million per annum in 2025-2026. BRI expects to earn management fee income from JV projects of around THB450-THB550 million per annum over the next three years. With this growth trajectory, we expect BRI to remain a major earnings contributor to ORI in the short to medium term.

Aggressive expansion led to higher financial leverage

BRI has aggressively launched new projects in the past two years. The value of new projects, including owned and JV projects, jumped from THB2.9 billion in 2018 to THB12.0 billion and THB16.8 billion in 2022 and 2023, respectively. At the end of 2023, BRI's debt to capitalization ratio stood at 68%, up from 52%-53% during the previous two years and higher than our threshold of 60%. BRI's total outstanding debt in 2023 (including 51% of the debt of the JVs) increased to THB12.2 billion, almost doubling from THB6.6 billion at the end of 2022.

To lower its leverage, BRI plans to divest equity stakes in some existing housing projects to its partners and will launch more housing projects through JVs. In 2024, the company plans to launch new housing projects worth THB17 billion, with 70% of the projects to be developed under JVs. The budget for new land acquisitions is set at only THB1.0-THB1.3 billion per annum during 2024-2026, significantly lower than THB4.2 billion last year, since most JV projects will be developed together with the landlords. Currently, BRI's JV partners include landowners and financial investors such as Nomura Real Estate Development Co., Ltd., Lofis (Thailand) Co., Ltd., Asian Wellness Residence Co., Ltd., and Pruksa Real Estate PLC. BRI generally holds a 51% stake in the JV projects while partners hold 49%. In our view, developing projects under JVs helps BRI enlarge its portfolio for a lesser amount of required capital. In addition, the company will also gain from the sale of equity stakes to its partners and earns recurring income from project management fees.

Based on BRI's strategy, we expect BRI's debt to capitalization ratio to gradually decline to a level below 60% in 2026 as both owned and JV projects are developed and transferred over the next three years. Its funds from operations (FFO) to debt ratio should also recover to more than 10% in 2026. Under the financial covenants on its bank loans and debentures, BRI is required to maintain its net interest-bearing debt to equity ratio below 2.5 times. The ratio at the end of 2023 was 1.2 times. We believe the company should have no problem complying with the financial covenants over the next 12 to 18 months.

Tight but manageable liquidity

BRI's liquidity is tight but should remain manageable. As of December 2023, BRI had THB4.8 billion of debt due over the next 12 months, comprising THB1.1 billion short-term loans, THB3.2 billion long-term project loans, and THB0.5 billion debentures. BRI also had short-term loans amounting to THB2.3 billion from ORI. Loans from ORI are in the form of unsecured loans and payable at call. Its sources of liquidity at the end of December 2023 consisted of THB337 million of cash on hand and THB200 million of undrawn committed credit facilities. We forecast FFO over the next 12 months at THB650-THB700 million.

The company plans to refinance most of its maturing debentures with new debenture issuances, while its project loans will be repaid with cash from the transfers of residential units. The company also has unencumbered land and residential units worth around THB500-THB600 million, which can be pledged as collateral for bank loans if needed. In addition, we expect ORI to continue providing financial support to BRI, if needed.

Debt structure

As of December 2023, BRI's consolidated debt, excluding lease liabilities, amounted to THB11.3 billion. Of this, THB5.5 billion was priority debt, comprising secured debt held by BRI and all borrowings undertaken by its subsidiaries. The priority debt to total debt ratio was 48.8%. We expect the company to carefully manage its debt structure to keep this ratio below our threshold of 50%.

BASE-CASE ASSUMPTIONS

- BRI will launch landed property projects in 2024 worth THB17 billion, comprising its own projects worth THB5 billion and JV projects worth THB12 billion. The company will launch new landed property projects worth around THB10 billion per annum in 2025 and 2026.
- Revenue will be THB6.0-THB6.5 billion per annum during 2024-2026. Shared profits from JV projects will remain small in 2024 but increase to around THB120-THB170 million in 2025-2026.
- Gross profit margin to be 31%-32% and EBITDA margin 25%-30%.
- Land acquisition for owned projects is budgeted at THB1.0-THB1.5 billion yearly over the next three years.

RATING OUTLOOK

The “stable” outlook reflects our expectation that BRI will maintain its group status as a highly strategic subsidiary of ORI.

RATING SENSITIVITIES

The ratings could be upgraded should the company rating on ORI be upgraded. On the contrary, the ratings could be downgraded should the company rating on ORI be revised down. In addition, the ratings could be revised upward/downward should BRI’s assessed group status as a subsidiary of ORI change.

COMPANY OVERVIEW

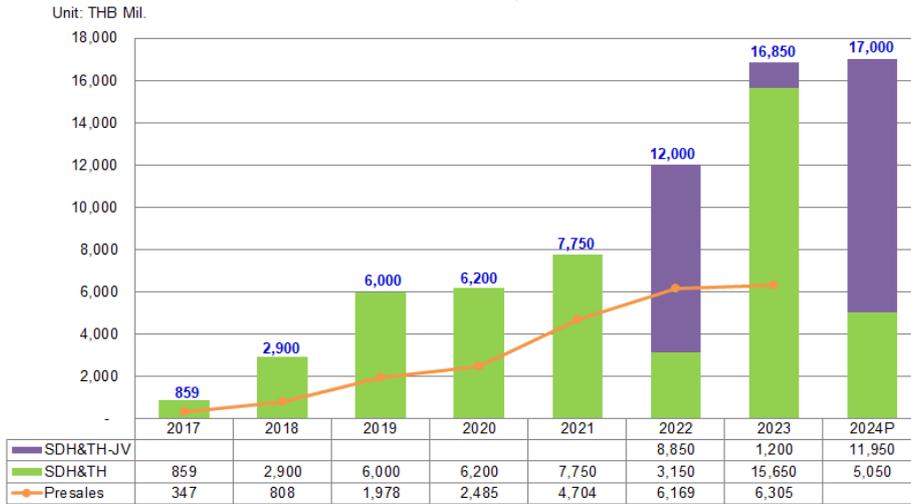
BRI is a residential property developer, focusing on developing landed property projects. BRI was set up in 2016 by ORI. The company became a public company in July 2021 and was listed on the SET in December 2021. After the initial public offering, ORI continued to be BRI’s largest shareholder, holding a 70% stake in the company as of March 2024.

BRI focuses on the landed property development business. The company’s housing projects are developed under the “Britania”, “Grand Britania”, “Belgravia”, and “Branded Residence Villa” brands, with unit prices from THB4-THB60 million. Its townhouse projects are developed under brand names like “Brighton”, with selling prices of THB2.5-THB4.0 million per unit. Most of its landed property projects are located in Bangkok and its vicinity. The company recently expanded to upcountry markets such as Chonburi, Rayong, Khon Kaen, Udon Thani, Samut Prakan, Ayutthaya, and Phuket.

BRI has expanded launches of landed property projects by joining hands with strategic partners through JVs, including partnerships with investors and landowners. Typically, the company will hold a 51% stake in each project. At the end of 2023, BRI had developed six projects under JVs with a total project value of THB10 billion.

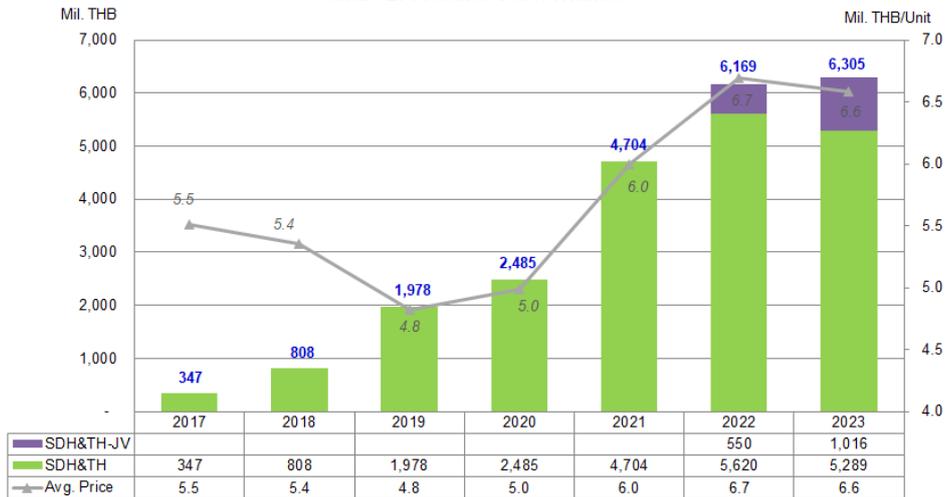
KEY OPERATING PERFORMANCE

Chart 1: Residential Project Launches



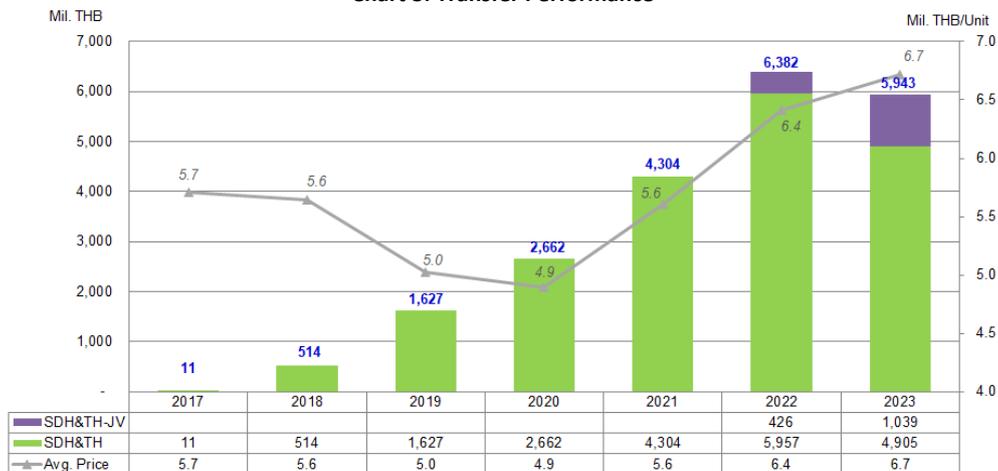
Source: BRI

Chart 2: Presales Performance



Source: BRI

Chart 3: Transfer Performance



Source: BRI

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	-----Year Ended 31 December -----				
	2023	2022	2021	2020	2019
Total operating revenues	5,734	5,874	3,815	2,342	1,561
Earnings before interest and taxes (EBIT)	1,865	2,101	924	524	310
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	1,877	2,110	930	529	311
Funds from operations (FFO)	1,068	1,462	573	245	142
Adjusted interest expense	347	177	208	193	114
Real estate development investments	15,193	9,049	7,905	6,758	4,982
Total assets	19,908	12,843	9,116	7,035	5,252
Adjusted debt	11,352	5,239	3,830	4,644	3,834
Adjusted equity	5,347	4,863	3,386	928	478
Adjusted Ratios					
EBITDA margin (%)	32.7	35.9	24.4	22.6	19.9
Pretax return on permanent capital (%)	12.9	21.6	13.6	10.4	10.9
EBITDA interest coverage (times)	5.4	11.9	4.5	2.7	2.7
Debt to EBITDA (times)	6.0	2.5	4.1	8.8	12.3
FFO to debt (%)	9.4	27.9	15.0	5.3	3.7
Debt to capitalization (%)	68.0	51.9	53.1	83.3	88.9

* Consolidated financial statements

RELATED CRITERIA

- Homebuilders and Real Estate Developers Rating Methodology, 12 January 2023
- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

Britania PLC (BRI)

Company Rating:	BBB
Issue Ratings:	
BRI24NA: THB505.1 million senior unsecured debentures due 2024	BBB
BRI255A: THB379.7 million senior unsecured debentures due 2025	BBB
BRI25NA: THB994.9 million senior unsecured debentures due 2025	BBB
BRI265A: THB1,083.8 million senior unsecured debentures due 2026	BBB
Up to THB1,500 million senior unsecured debentures due within 3 years	BBB
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

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