

Press Release

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TRIS Rating Assigns "BBB-/Negative" Rating to Senior Unsecured Debt Worth Up to Bt1,500 Million of "NOBLE"

TRIS Rating has assigned the rating of "BBB-" to the proposed issue of up to Bt1,500 million in senior unsecured debentures of Noble Development PLC (NOBLE). At the same time, TRIS Rating has affirmed the company rating of NOBLE at "BBB" with "negative" outlook, and has also affirmed the existing ratings of NOBLE's senior unsecured debentures at "BBB-". The proceeds from the new debentures will be used to refinance existing debentures maturing in May 2017.

The ratings reflect NOBLE's well-accepted brand name in the middle- to high-end segments of the condominium market, as well as its product differentiation strategy, and its large backlog which partly secures its future revenue stream. These strengths are partially offset by NOBLE's weak financial profile and its business concentration risk as NOBLE has a huge investment in a single large condominium project, Noble Ploenchit. The Noble Ploenchit project is valued at Bt19,000 million or 37% of NOBLE's total project portfolio. A huge investment in this project caused its financial profile to drop sharply from the past. However, NOBLE's financial profile is expected to recover once the company transfers a significant amount of backlog in the Noble Ploenchit project in 2017. The ratings are also constrained by a slowdown in the domestic economy, which may impact the demand in the high-end residential property segment in the short to medium term.

TRIS Rating maintains the "negative" outlook for NOBLE's ratings. The "negative" outlook reflects NOBLE's weak financial profile resulting from its relatively high financial leverage. The ratings could be downgraded if the company could not deliver its large backlog as scheduled, causing its net interest-bearing debt to equity ratio to be over the covenant limit in the beginning of 2017. The outlook could be revised back to "stable" should NOBLE's operating performance and financial profile improve while the debt to capitalization ratio is kept at around 60%-65% from 2017 onwards. The credit upside is unlikely in the near 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. The company offers unique designs for its products. As of December 2016, NOBLE had 15 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 Bt18,000 million. The total backlog was valued at Bt18,000 million. Around 40% of the backlog comes from the Noble Ploenchit project.

NOBLE's presales during 2015-2016 was in the range of Bt2,700-Bt2,800 million per annum, sharply decreasing from Bt5,136 million in 2014. The drop was due to slower presales of new projects launched during these two years than the past. Revenue in 2016 improved significantly to Bt4,503 million from only Bt373 million in 2015. A transfer of some backlog in the Noble Ploenchit in the last quarter of 2016 pushed a revenue growth. NOBLE's revenue in 2017 will reach a record high as most of the backlog units in the Noble Ploenchit, Noble Revolve Ratchada, and Noble Revo Silom projects are scheduled for delivery. Revenue during the next three years is partly secured by the backlog worth Bt7,800 million.

NOBLE's gross profit margin increased to 43% of total revenue in 2016 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 from -114% in 2015 and 14% in 2014. Over the next three years, NOBLE's operating profit margin is expected to stay at least 20% of total revenue as a large amount of the backlog will be recognized from 2017 onwards.

The debt to capitalization ratio of NOBLE improved to 76% as of December 2016 from 79% as of December 2015. The net interest-bearing debt to equity ratio was 3.43 times at the end of 2015 and 3 times at the end of 2016. However, NOBLE received an approval from its bondholders to waive the financial covenant during 2015 and 2016. NOBLE's financial leverage is expected to improve significantly from 2017 onwards once the company is able to transfer a number of finished backlog units as scheduled. TRIS Rating expects NOBLE's debt to capitalization ratio to stay at around 60%-65% from 2017 onwards in order to satisfy the current credit ratings.

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Due to higher profitability and lower financial leverage, NOBLE’s ratio of funds from operations (FFO) to total debt increased. The ratio was 6.9% in 2016, up from -3.6% in 2015 and 1.7% in 2014. NOBLE’s liquidity is still adequate. The company’s financial flexibility as of December 2016 consisted of cash on hand of Bt1,022 million and undrawn unconditional project loans of Bt2,300 million. NOBLE also required customers to make down payments of 15%-30% of the selling prices. The company has Bt6,578 million in debt due in the next 12 months, comprising the bills of exchange (B/E) of Bt1,723 million, the debentures of Bt1,499 million, and the long-term project loan of Bt3,356 million. The debentures will be refinanced by the new issue. The project loan will be repaid by cash received from the transfer of units in the Noble Ploenchit, Noble Revolve Ratchada, and Noble Revo Silom projects.

Noble Development PLC (NOBLE)

Company Rating:	BBB
Issue Ratings:	
NOBLE175A: Bt1,500 million senior unsecured debentures due 2017	BBB-
NOBLE187A: Bt1,500 million senior unsecured debentures due 2018	BBB-
NOBLE196A: Bt1,500 million senior unsecured debentures due 2019	BBB-
Up to Bt1,500 million senior unsecured debentures due within 3 years	BBB-
Rating Outlook:	Negative

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