

# NOBLE DEVELOPMENT PLC

No. 21/2023  
3 February 2023

## CORPORATES

<b>Company Rating:</b>	BBB
<b>Issue Ratings:</b>	
Senior unsecured	BBB
<b>Outlook:</b>	Stable

**Last Review Date:** 23/11/22

### Company Rating History:

Date	Rating	Outlook/Alert
19/10/20	BBB	Stable
01/03/19	BBB	Negative
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) and the ratings on NOBLE's existing senior unsecured debentures at "BBB", with a "stable" rating outlook. At the same time, we assign the rating of "BBB" to NOBLE's proposed issue of up to THB2.5 billion senior unsecured debentures. The proceeds from the new debentures will be used to refinance outstanding debts.

The ratings reflect NOBLE's relatively strong market position in the affordable-to high-end condominium segment and its large backlog, which will partly secure future revenue stream. The ratings are, however, constrained by an expected softening profit margin and high financial leverage from the company's aggressive business expansion. The ratings also incorporate our concerns over the persistently high household debt level and rising inflation which could impact the purchasing power of homebuyers in the short to medium term while pushing up development and funding costs for developers.

Following sizable new residential project launches in 2022, NOBLE's net presales from its own and joint-venture (JV) projects reached a record high of THB16.4 billion in 2022 from the THB4-THB6 billion level in 2019-2021. NOBLE reported annual transfers from its own residential projects of THB6.9 billion in 2022, which is in line with our forecast. Revenue from turnkey constructions and marketing services provided to JVs was THB1.1 billion in the first nine months of 2022, achieving around 70% of our full-year forecast. We project NOBLE's total operating revenue to revive to THB9 billion in 2022, up from THB7.4 billion in 2021.

With ongoing aggressive project expansions plus a large backlog to be recognized over the next three years, we expect NOBLE's revenue to jump to THB11-THB13 billion in 2023-2025, with revenue from sales of real estate in the THB7-THB10 billion range. Revenue from turnkey contracts provided to its JVs should increase to the THB2.5-THB4.5 billion level. Its earnings before interest, taxes, depreciation, and amortization (EBITDA) should improve to around THB2-THB3 billion per annum during 2023-2025.

As of December 2022, NOBLE's backlog stood at THB19.6 billion. Around 45% of its total backlog was from its own projects while the remainder was under JV projects. NOBLE also had total unsold project value (including built and unbuilt units) worth THB30.4 billion. Around one-third of the value was made up of completed inventory units, which can be recognized as revenue immediately after sale.

We expect NOBLE's debt to capitalization ratio to remain relatively high at 72% at the end of 2022 and its funds from operations (FFO) to total debt ratio to stay below 5% in 2022. However, NOBLE's expected higher income and earnings recognition should dial back financial leverage in 2023-2025. We forecast NOBLE's debt to capitalization ratio to improve to a level below 70% and its FFO to total debt ratio to rise above 5% from 2023 onwards. As of September 2022, NOBLE's own debts stood at THB13.2 billion. NOBLE's priority debt, including secured debt at the company and total debts at its subsidiaries, was THB6.3 billion. This translates to a priority debt to total debt ratio of 47.5%.

We assess NOBLE's liquidity to be tight but manageable over the next 12 months. As of September 2022, NOBLE's sources of liquidity included cash and

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Credit Updates are part of TRIS Rating's monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

cash equivalents of THB1.2 billion, undrawn unconditional credit facilities of around THB700 million, and expected FFO in 2023 of around THB1 billion. In addition, NOBLE had remaining finished units in debt-free projects with a selling price totaling THB688 million, which can be pledged as collateral for bank loans, if needed. The company had debts of THB4.6 billion coming due in the next 12 months, comprising THB1.7 billion maturing debentures, THB2.2 billion long-term project loans, THB538 million bridge loans, and THB200 million bill of exchange (B/Es). We estimate investments in affiliates of around THB600 million to THB1 billion per annum during 2022-2025 and dividend payments of around 40% of net profit.

The financial covenants on NOBLE's debentures and bank loans require the company to maintain its net interest-bearing debt to equity ratio below 2.5 times. As of September 2022, the ratio was 2.1 times. We expect the company to carefully manage its financial ratios to comply with the financial covenants.

### **RATING OUTLOOK**

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The "stable" outlook reflects our expectation that NOBLE should be able to deliver operating performance and improve its financial profile in line with our targets. We expect NOBLE's debt to capitalization ratio to stay below 70% and its FFO to total debt ratio to remain above 5% from 2023 onwards.

### **RATING SENSITIVITIES**

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The ratings and/or outlook could be revised downward should the company's operating results and/or financial profile deteriorate considerably from our expectations. On the contrary, a credit upside would materialize if NOBLE's business scale enlarges and its financial position improves significantly from the target level, such that the debt to capitalization ratio remains below 60% and FFO to total debt ratio keeps in the 10%-15% range for a sustained period.

### **RELATED CRITERIA**

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

## Noble Development PLC (NOBLE)

<b>Company Rating:</b>	BBB
<b>Issue Ratings:</b>	
NOBLE230A: THB700 million senior unsecured debentures due 2023	BBB
NOBLE242A: THB1,800 million senior unsecured debentures due 2024	BBB
NOBLE251A: THB1,800 million senior unsecured debentures due 2025	BBB
NOBLE256A: THB1,200 million senior unsecured debentures due 2025	BBB
Up to THB2,500 million senior unsecured debentures due within 3 years	BBB
<b>Rating Outlook:</b>	Stable

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