

# NOBLE DEVELOPMENT PLC

No. 93/2023  
25 August 2023

## CORPORATES

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

**Last Review Date:** 03/02/23

### 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 a rating of "BBB" to NOBLE's proposed issue of up to THB700 million senior unsecured debentures. The proceeds from the new debentures will be used for business operation.

The ratings reflect NOBLE's relatively strong market position in the affordable-to high-end condominium segment and its relatively large backlog, which will partly secure future revenue streams. 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 the negative impacts from the reimposition of the loan-to-value (LTV) rules and interest rate hikes, which could dampen housing demand in the short to medium term.

NOBLE's operating results in the first half of 2023 (1H2023) fell short of our expectation. Its operating revenues and earnings before interest, taxes, depreciation, and amortization (EBITDA) achieved around 35% of our full-year targets. This was because no condominium projects were completed and ready for transfer in this period, while landed property sales were inert.

Nonetheless, we expect NOBLE's revenue and earnings to pick up in 2H2023, driven by expected transfers of backlog worth THB3.5 billion from its own and joint-venture (JV) projects. We view that NOBLE's revenue and earnings for the full year of 2023 will largely hinge on its ability to generate new sales from completed condominium units and to-be-launched landed property projects. However, the company also stands to record a gain of around THB250-THB300 million from its planned divestment of shares in two JV projects to Proud Real Estate PLC (PROUD), as well as around THB450 million in income from related fees in the third quarter of 2023. We expect that the proceeds from the transaction of THB1.4 billion should improve the company's liquidity and alleviate its debt funding need.

Our base-case scenario projects NOBLE's total operating revenue to hover around THB11-THB13 billion in 2023-2025, with an EBITDA margin of above 15%. As of June 2023, NOBLE's backlog stood at THB16.7 billion. Around 55% of its total backlog was from its own projects. NOBLE also had total unsold project value (including built and unbuilt units) worth THB29.7 billion. Around one-third of this amount was made up of completed inventory units, which can be recognized as revenue immediately after sale.

NOBLE's debt to capitalization ratio remained high at 75% as of June 2023. Its funds from operations (FFO) to debt ratio was 4% in 1H2023. Based on our expectation of higher income and earnings recognition in 2H2023, NOBLE's financial leverage and cash flow should improve. We project NOBLE's debt to capitalization ratio to stay below 70% and its FFO to debt ratio to rise above 5% from the end of 2023 onwards. As of June 2023, NOBLE's own debts stood at THB13.5 billion. NOBLE's priority debt, including secured debt at the company and total debts at its subsidiaries, was THB5.3 billion. This translates to a priority debt to total debt ratio of 39%.

We assess NOBLE's liquidity as manageable over the next 12 months. As of June 2023, NOBLE's sources of liquidity included cash and cash equivalents of

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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.

THB865 million, undrawn credit facilities of THB3.6 billion, and expected FFO in the next 12 months of THB1 billion. In addition, NOBLE had remaining finished units in debt-free projects with a selling price totaling THB2.2 billion, which could be pledged as collateral for bank loans, if needed. The company had debts of THB3.9 billion coming due in the next 12 months, comprising THB2.5 billion debentures, THB0.6 billion long-term project loans, and THB0.8 billion short-term bridge loans.

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 June 2023, the ratio was 2.2 times. We expect the company to carefully manage its financial ratios to comply with the financial covenants.

#### RATING OUTLOOK

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

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

- 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
NOBLE264A: THB2,500 million senior unsecured debentures due 2026	BBB
Up to THB700 million senior unsecured debentures due within 1 year	BBB
<b>Rating Outlook:</b>	Stable

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