

# AP (THAILAND) PLC

No. 65/2020  
24 August 2020

## CORPORATES

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

Last Review Date : 11/05/20

### 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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## RATIONALE

TRIS Rating affirms the company rating on AP (Thailand) PLC (AP) and the ratings on its outstanding senior unsecured debentures at "A-" with a "stable" rating outlook. At the same time, TRIS Rating assigns the rating of "A-" to AP's proposed issue of up to THB1,250 million in senior unsecured debentures due within five years. The company plans to use the proceeds from the new debentures to repay some of its existing loans and fund business expansion.

The ratings reflect AP's strong brand and market position in the residential property market, its balanced product portfolio, and the sizeable condominium backlog under its joint venture (JV) with a Japanese company, Mitsubishi Estate Co., Ltd. (MEC), which is expected to contribute a substantial amount of shared profits to the company over the next few years. The ratings also take into consideration its moderately high financial leverage, a slowdown in demand for condominiums, and concerns over the impact of Coronavirus Disease 2019 (COVID-19) pandemic which will add more pressure on the demand for residential properties.

AP's operating performance in the first half of 2020 was higher than TRIS Rating's expectation. Despite the impacts of COVID-19, revenue was up 5% year-on-year (y-o-y) to register at THB13.2 billion. Thank to AP's balanced product portfolio, revenues from the housing segment increased by 21% y-o-y to stay at THB11.3 billion, contributing 86% of total revenue. The earnings before interest, tax, depreciation, and amortization (EBITDA) margin has been maintained at around 19%-20% over the past three years. We expect AP to keep its EBITDA margin in this range.

In the first seven months of 2020, AP's projects (including presales from projects conducted through JVs) generated presales of THB18.2 billion, declining by 24.5% from the same period last year. TRIS Rating views that the economic fallout from COVID-19 will pose key challenges to property developers over the next few years. As a result, AP, like other residential property developers, should carefully manage its new project launches in order to match demand in each market segment.

AP has a moderately high financial leverage. The debt to capitalization ratio (including 51.0% of the debt carried by the JV) at the end of June 2020 was 55%. We forecast the debt to capitalization ratio will stay around 50%-55% over the next three years.

AP's liquidity should remain manageable. At the end of June 2020, debts coming due over the following 12 months amounted to THB13.2 billion, comprising THB8.6 billion in short-term loans, THB0.1 billion in long-term loans, and THB4.5 billion in debentures. AP plans to refinance most of the maturing debentures with new debentures issues. Sources of liquidity at the end of June 2020 included cash on hand of around THB3.7 billion and available credit facilities of around THB10 billion. We forecast funds from operations (FFO) over the next 12 months to be around THB3.0 billion.

## RATING OUTLOOK

The “stable” outlook reflects our expectations that AP will remain competitive in its core market segments and will rebalance its product portfolio as market conditions and customer needs change and that AP will maintain its prudent financial policies and keep its debt to capitalization ratio below 55% over the next three years. Its FFO to debt is expected to stay at around 10%.

## RATING SENSITIVITIES

The ratings and/or outlook of AP 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 significantly improve its profitability while its debt to capitalization ratio declines to the 40%-45% range on a sustained basis.

## RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

## AP (Thailand) PLC (AP)

<b>Company Rating:</b>	A-
<b>Issue Ratings:</b>	
AP20DA: THB1,000 million senior unsecured debentures due 2020	A-
AP217A: THB1,500 million senior unsecured debentures due 2021	A-
AP21DA: THB1,000 million senior unsecured debentures due 2021	A-
AP221A: THB1,500 million senior unsecured debentures due 2022	A-
AP222A: THB500 million senior unsecured debentures due 2022	A-
AP228A: THB1,500 million senior unsecured debentures due 2022	A-
AP238A: THB1,230 million senior unsecured debentures due 2023	A-
AP241A: THB2,500 million senior unsecured debentures due 2024	A-
AP248A: THB770 million senior unsecured debentures due 2024	A-
Up to THB1,250 million senior unsecured debentures due within 5 years	A-
<b>Rating Outlook:</b>	Stable

### TRIS Rating Co., Ltd.

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