

# AP (THAILAND) PLC

No. 50/2021  
12 July 2021

## CORPORATES

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

**Last Review Date:** 14/05/21

### 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 THB1.5 billion in senior unsecured debentures and an additional greenshoe portion of up to THB0.5 billion due within four years. The company plans to use the proceeds from the debentures issuance to repay some of its existing loans and fund business expansion.

The ratings reflect AP’s strong market position, its diverse product line, and strong operating performance resulting from revenue growth in the housing segment and a substantial amount of shared profits from joint venture (JV) projects. The ratings also take into consideration its moderate financial leverage, and the effects of the prolonged Coronavirus Disease 2019 (COVID-19) pandemic, which could add pressure on the demand for residential properties.

AP’s operating performance in the first quarter of 2021 exceeded TRIS Rating’s expectations. Despite the extended COVID-19 pandemic, revenue rose 70% year-on-year (y-o-y) to THB9.2 billion. Thanks to AP’s diversified product portfolio, revenues from the landed property segment increased by 82% y-o-y to reach THB8.1 billion, contributing 88% of total revenue. The earnings before interest, tax, depreciation, and amortization (EBITDA) margin has held steady at 19%-20% over the past three years. This ratio improved to 21.5% in the first quarter of 2021. We expect AP to keep its EBITDA margin in this range.

In the first half of 2021, AP’s projects (including projects under JVs) generated presales of THB17.8 billion, increasing by 18% from the same period last year. Presales from landed property projects contributed 92% of total presales. 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, has to carefully manage its new project launches in order to match demand in each market segment.

AP has moderately high financial leverage. The debt to capitalization ratio (including 51% of JV debts) at the end of March 2021 was 43.7%, down from 46.6% in 2020. We forecast the debt to capitalization ratio will stay below 55% over the next three years. The ratio of debt to EBITDA stood at 3.4 times while the funds from operations (FFO) to debt ratio was 22.5% in the first quarter of 2021, improving from 4.3 times and 17.9%, respectively, in 2020.

We assess AP to have adequate liquidity over the next 12 months. The company’s liquidity sources comprised cash on hand of THB3.9 billion and available credit facilities of THB11 billion as of March 2021. We forecast AP’s FFO over the next 12 months to hold above THB3.2 billion. AP’s uses of funds over the next 12 months will amount to THB7.8 billion, comprising repayments of THB3.1 billion for short-term loans, THB0.1 billion for financial leases, and THB4.6 billion for debentures.

As of 31 March 2021, AP had THB22.1 billion in total debt, of which THB1.8 billion was priority debt according to TRIS Rating “Issue Ratings” criteria. The priority debt which was secured debt at the subsidiary level, translates into a ratio of priority debt to total debt of 8.1%. As the company’s priority debt ratio

was below the threshold of 50%, we view that the company's senior unsecured creditors are not significantly disadvantaged to its priority debt holders.

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**RATING OUTLOOK**

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The "stable" outlook reflects TRIS Rating's expectations that AP will remain competitive in its core market segments and will rebalance its product portfolio as market conditions and customer needs change. The outlook is also based on our expectation 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 ratio is expected to stay at around 10%-15%.

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**RATING SENSITIVITIES**

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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% and FFO to debt ratio stays below 10% on a sustained basis. In contrast, the ratings could be revised upward if the company can improve its profitability while its debt to capitalization ratio declines to the 40%-45% range and FFO to debt ratio stays around 20% on a sustained basis.

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**RELATED CRITERIA**

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- Issue Rating Criteria, 15 June 2021
- 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>	
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-
AP238B: THB400 million senior unsecured debentures due 2023	A-
AP241A: THB2,500 million senior unsecured debentures due 2024	A-
AP247A: THB1,500 million senior unsecured debentures due 2024	A-
AP248A: THB770 million senior unsecured debentures due 2024	A-
AP258A: THB850 million senior unsecured debentures due 2025	A-
AP261A: THB1,500 million senior unsecured debentures due 2026	A-
Up to THB1,500 million senior unsecured debentures and additional greenshoe portion of up to THB500 million due within 4 years	A-
<b>Rating Outlook:</b>	Stable

**TRIS Rating Co., Ltd.**

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