

AP (THAILAND) PLC

No. 69/2022
5 July 2022

CORPORATES

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|------------------------|----------|
| Company Rating: | A- |
| Issue Ratings: | |
| Senior unsecured | A- |
| Outlook: | Positive |

Last Review Date: 13/05/22

Company Rating History:

| Date | Rating | Outlook/Alert |
|----------|--------|---------------|
| 13/05/22 | A- | Positive |
| 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 AP's outstanding senior unsecured debentures at "A-" with a "positive" 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 due within four years. The company plans to use the proceeds from the debenture issuance to repay some of its existing loans and fund business expansion.

The ratings reflect AP's strong market position and the expectation that the company will sustain its revenues and earnings growth momentum, as well as its large and diverse product lines and substantial shared profits from joint-venture (JV) projects. The ratings also take into consideration our concerns over the relatively high household debt level and rising inflation rates which could impact the purchasing power of homebuyers in the short to medium term.

AP continued to deliver strong operating performance in the first quarter of 2022. Its revenue in the first quarter of 2022 rose 17.7% year-on-year (y-o-y) to THB10.8 billion. Revenues from the landed property segment increased by 21% y-o-y to THB9.8 billion, contributing 91% of total revenue. The remainder was derived from condominium sales and management fees and service income.

During the first quarter of 2022, AP's projects (including projects under JV) generated presales of THB12.9 billion, increasing by 62.7% from the same period in 2021. Presales from landed property projects contributed 83% of total presales. As of March 2022, AP had a total backlog (including JV) worth THB28.7 billion. Around THB12 billion of the backlog is expected to be transferred in the remainder of 2022 and the rest in the next two years. The earnings before interest, taxes, depreciation, and amortization (EBITDA) margin have held steady at 19%-20% over the past three years. This ratio improved to 21.5% in the first quarter of 2022. We expect AP to keep its EBITDA margin in this range over the next three years.

AP's financial leverage has gradually improved over the past three years. The debt to capitalization ratio (including 51% of JV debts) at the end of March 2022 was 38.5%, down from 42.8% in 2021, 46.6% in 2020, and 56.5% in 2019. The debt to EBITDA ratio stood at 3.2 times while the ratio of funds from operations (FFO) to debt was 23.7% in the first quarter of 2022, improving from 3.8 times and 19.9%, respectively, in 2021.

The financial covenants on bank loans and debentures require AP to keep its net interest-bearing debt to equity ratio below 2 times. The ratio at the end of March 2022 was 0.5 times. Thus, the company should have no problem complying with the covenants. Its priority debt to total debt ratio as of March 2022 was also low at 5%.

We assess AP to have adequate liquidity over the next 12 months. At the end of March 2022, the company's liquidity sources comprised cash on hand of THB2.8 billion and available credit facilities of THB7.5 billion. AP's FFO is expected to be in the THB4.8-THB5.0 billion range. AP's uses of funds over the next 12 months will amount to THB2.6 billion, comprising repayments of THB0.1 billion for financial leases and THB2.5 billion for maturing debentures.

CreditUpdate, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company's current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been "upgraded," "downgraded," "affirmed" or "cancelled." The update includes information to supplement the previously published ratings.

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.

RATING OUTLOOK

The “positive” outlook reflects our expectation that AP will maintain its strong market position in both the landed property and condominium segments. The company is expected to sustain its revenues and earnings growth momentum while its debt to capitalization ratio should remain at around 45%.

RATING SENSITIVITIES

The ratings and/or outlook could be revised upward should AP’s financial profile improve such that its debt to capitalization ratio declines to the 40%-45% range and FFO to debt ratio improves to around 20% on a sustained basis. In contrast, the ratings could be revised downward should the company’s financial profile deteriorate significantly from the current level, causing its debt to capitalization ratio to stay above 55% and FFO to debt ratio to drop below 10% on a sustained basis.

RELATED CRITERIA

- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019

AP (Thailand) PLC (AP)

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|---|----------|
| Company Rating: | A- |
| Issue Ratings: | |
| 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- |
| AP251A: THB2,000 million senior unsecured debentures due 2025 | A- |
| AP257A: THB2,000 million senior unsecured debentures due 2025 | 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 due within 4 years | A- |
| Rating Outlook: | Positive |

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