

AP (THAILAND) PLC

No. 22/2023
10 February 2023

CORPORATES

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

Last Review Date: 05/07/22

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

Contacts:

Auyporn Vachirakanjanaporn

auyporn@trisrating.com

Preeyaporn Kosakarn

preeyaporn@trisrating.com

Jutamas Bunyawanichkul

jutamas_b@trisrating.com

Suchada Pantu, Ph.D.

suchada@trisrating.com



WWW.TRISRATING.COM

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 THB3 billion in senior unsecured debentures due within four years. The company plans to use the proceeds from the new 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 increased construction costs and rising interest rates which could negatively impact AP's profit margins in the short to medium term.

AP demonstrated strong operating performance in 2022. Its presales (including projects under JV) peaked at THB50.4 billion, jumping 44% year-on-year (y-o-y). Revenue in the first nine months of 2022 rose 22% y-o-y to THB29.8 billion, achieving almost 85% of our full-year forecast. Around 92% of total revenues came from the landed property segment with the remainder from condominium sales and management fees and service income.

As of September 2022, AP had a total backlog (including backlog of JV) worth THB29.1 billion. Around THB8-THB9 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 has held steady at 19%-20% over the past three years. This ratio improved to 21% in the first nine months of 2022. We expect AP to keep its EBITDA margin in this range over the next three years.

AP's financial leverage has gradually declined over the past three years. The debt to capitalization ratio (including 51% of JV debts) at the end of September 2022 was 39.3%, down from 42.8% in 2021, 46.6% in 2020, and 56.5% in 2019. The debt to EBITDA ratio stood at 2.98 times while the ratio of funds from operations (FFO) to debt was 25.4% in the first nine months of 2022, improving from 3.81 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 September 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 September 2022 was also low at 6%.

We assess AP to have adequate liquidity over the next 12 months. At the end of September 2022, the company's liquidity sources comprised cash on hand of THB2 billion and available credit facilities of THB8.4 billion. AP's FFO is expected to be in the THB5.0-THB5.2 billion range. AP's uses of funds over the next 12 months will amount to THB6.2 billion, comprising repayments of THB1.5 billion for short-term loans, THB0.1 billion for financial leases, and THB4.6 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% for an extended 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

AP (Thailand) PLC (AP)

Company Rating:	A-
Issue Ratings:	
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-
AP251B: THB1,000 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-
AP267A: THB500 million senior unsecured debentures due 2026	A-
Up to THB3,000 million senior unsecured debentures due within 4 years	A-
Rating Outlook:	Positive

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

© Copyright 2023, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at www.trisrating.com/rating-information/rating-criteria