

# AP (THAILAND) PLC

No. 2/2021  
14 January 2021

## CORPORATES

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

**Last Review Date:** 24/08/20

### 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 THB3 billion 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 profit 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 adverse effects of the Coronavirus Disease 2019 (COVID-19) which will continue to put pressure on demand for residential properties.

AP's operating performance in the first nine months of 2020 exceeded TRIS Rating's expectations. Despite the COVID-19 pandemic, revenue rose 21% year-on-year (y-o-y) to THB22.4 billion. Thanks to AP's diversified product portfolio, revenues from the housing segment increased by 30% y-o-y to reach THB18.1 billion, contributing 81% of total revenue. The earnings before interest, tax, depreciation, and amortization (EBITDA) margin has held steady at around 19%-20% over the past three years. We expect AP to keep its EBITDA margin in this range.

In the first ten months of 2020, AP's projects (including projects under JVs) generated presales of THB27.3 billion, declining by 11% from the same period last year. Presales from condominium projects dropped dramatically by 71.5% y-o-y while landed property projects recorded growth of 33.8% y-o-y. 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 moderately high financial leverage. The debt to capitalization ratio (including 51% of the debt carried by the JV) at the end of September 2020 was 50%. We forecast the debt to capitalization ratio will stay around 50%-55% over the next three years.

We assess that AP will have sufficient liquidity over the next 12 months. At the end of September 2020, debts coming due over the following 12 months amounted to THB8.6 billion, comprising THB3.9 billion in short-term loans, THB0.1 billion in long-term loans, and THB4.6 billion in debentures. AP plans to refinance most of the maturing debentures with new debentures issues. Sources of liquidity at the end of September 2020 included cash on hand of around THB2.2 billion and available credit facilities of around THB7.0 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. We also anticipate that AP will maintain its prudent financial policies and keep its debt to capitalization ratio below 55% over the next three years, while 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 remains above 55% on a sustained basis. In contrast, the ratings could be revised upward if the company can significantly improve its profitability while lowering its debt to capitalization ratio 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>	
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-
AP248A: THB770 million senior unsecured debentures due 2024	A-
AP258A: THB850 million senior unsecured debentures due 2025	A-
Up to THB3,000 million senior unsecured debentures due within 5 years	A-
<b>Rating Outlook:</b>	Stable

## TRIS Rating Co., Ltd.

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