

# LAND AND HOUSES PLC

No. 76/2020  
1 October 2020

## CORPORATES

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

**Last Review Date:** 20/03/20

### Company Rating History:

Date	Rating	Outlook/Alert
03/09/14	A+	Stable
01/06/10	A	Stable
03/07/09	A	Negative
27/06/08	A	Stable
04/07/07	A	Negative
28/04/06	A	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Land & Houses PLC (LH) and the ratings on LH's existing senior unsecured debentures at "A+" with a "stable" rating outlook. At the same time, TRIS Rating assigns the rating to LH's proposed issue of up to THB3 billion in senior unsecured debentures due within three years at "A+". The proceeds from the new debentures will be used to repay some of its existing loans.

The ratings reflect LH's leading market position in the residential property development industry, strong brand positions in diversified residential product types, reliable stream of income from rental assets, and moderate level of financial leverage. The ratings also take into account the financial flexibility the company derives from its sizable marketable securities on hand and concerns over the impact of Coronavirus Disease 2019 (COVID-19) pandemic which will add more pressure on the demand for residential properties.

As one of the leading property developers in Thailand, LH ranks in the top three in terms of revenue. LH's operating revenues hovered in the range of THB26-THB35 billion over the past five years. However, LH's operating performance in the first half of 2020 was lower than TRIS Rating's expectation. Revenue was down 7% year-on-year (y-o-y) to THB13.9 billion, due to the impacts of the COVID-19. Revenue from landed property projects accounted for 80% of total revenue with the rest derived from condominium and rental and service income. As of June 2020, LH had a total backlog worth THB9.4 billion. Around 59% of the backlog is expected to be transferred in 2020 and the remainder in the following years.

LH's earnings before interest, tax, depreciation, and amortization (EBITDA) margin had been maintained above 37% during 2016-2019. This ratio dropped to 35% in the first half of 2020. Going forward, LH's profitability might soften due to rising land costs and intense competition in both the landed property and condominium segments. However, we expect the EBITDA margin to remain around 35% during 2020-2022.

We assess LH's financial leverage as moderate. The debt to capitalization ratio was 54% at the end of June 2020, up from a range of 47%-48% during 2016-2019. The debt to EBITDA ratio was 4.5 times in the first half of 2020. LH's debentures have a key financial covenant stipulating that the company maintain its net interest-bearing debt to equity ratio below 1.5 times. As of June 2020, the ratio was below the limit at 1.05 times.

We view that LH will have sufficient liquidity over the next 12 months. The ratio of funds from operations (FFO) to total debt was 17% while EBITDA interest coverage was around 7 times in the first half of 2020. In addition, LH's sizable investment portfolio of marketable securities provides some financial flexibility. The total fair value of the investment portfolio was approximately THB72 billion as of June 2020. LH receives around THB2 billion per annum in dividends from these investments. We note that the value of the listed securities is subject to market sentiment and volatility. However, in our view, the holdings still provide a considerable cushion for LH's ability to service its debts.

## RATING OUTLOOK

The “stable” outlook on LH’s ratings reflects our expectation that the company will be able to maintain its strong market position, achieve steady presale performance and decent operating performance, and also maintain acceptable financial leverage. We also expect the debt to capitalization ratio to stay below 50% or the debt to EBITDA ratio to stay below 5 times.

## RATING SENSITIVITIES

LH’s ratings and/or outlook could be revised upward should its capital structure improve significantly from the current level, so that its interest-bearing debt to EBITDA ratio should stay below 3 times on a sustainable basis while its operating performance remains strong comparable with peers. On the contrary, the ratings and/or outlook could be revised downward should LH’s operating performance and/or financial position deviate significantly from the projections.

## RELATED CRITERIA

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

## Land and Houses PLC (LH)

<b>Company Rating:</b>	A+
<b>Issue Ratings:</b>	
LH200A: THB1,000 million senior unsecured debentures due 2020	A+
LH200B: THB6,000 million senior unsecured debentures due 2020	A+
LH215A: THB6,000 million senior unsecured debentures due 2021	A+
LH210A: THB5,000 million senior unsecured debentures due 2021	A+
LH224A: THB6,000 million senior unsecured debentures due 2022	A+
LH225A: THB3,000 million senior unsecured debentures due 2022	A+
LH220A: THB7,000 million senior unsecured debentures due 2022	A+
LH235A: THB2,400 million senior unsecured debentures due 2023	A+
Up to THB3,000 million senior unsecured debentures due within 3 years	A+
<b>Rating Outlook:</b>	Stable

## TRIS Rating Co., Ltd.

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