

# AP (THAILAND) PLC

No. 4/2024  
8 January 2024

## CORPORATES

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

**Last Review Date:** 14/07/23

### Company Rating History:

Date	Rating	Outlook/Alert
22/05/23	A	Stable
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 "stable" rating outlook. At the same time, TRIS Rating assigns the rating of "A" to AP's proposed issue of up to THB3.5 billion senior unsecured debentures due within three years. The company plans to use the proceeds from the new debenture issuance to repay some of its existing loans and/or fund business expansion.

The ratings reflect AP's strong market position, its large and diverse product portfolio, as well as the substantial shared profits from joint-venture (JV) projects. However, the ratings are weighed down by the cyclical nature of the residential property industry, along with our concerns over the reimposition of loan-to-value (LTV) rules and interest rate hikes which could negatively impact demand for housing in the short to medium term.

AP's operating revenues in the first nine months of 2023 (9M23) stood at THB28.9 billion, accounting for 68% of our full-year forecast. Around 87% of the total revenues came from the landed property segment, 10% from condominium sales, and the rest from management fees and service income. The earnings before interest, taxes, depreciation, and amortization (EBITDA) margin increased to 22.4%, up from 20.6% in 2022 and surpassing our target of 17.5%.

During 9M23, AP's projects (including projects under JV) generated presales of THB35.3 billion, down 6% from the same period in 2022. Presales from landed property projects contributed 72% of total presales. As of September 2023, AP's total backlog (including backlog of JV) amounted to THB29 billion. Around THB15-THB16 billion of the backlog is expected to be transferred within the remainder of 2023 with the remaining portion scheduled for transfer over the next three years.

In 9M23, AP aggressively launched new projects and acquired additional land plots for its upcoming landed property projects. This resulted in AP's debt to capitalization ratio, including 51% of the debt carried by JV projects, increasing to 47.1% by the end of September 2023, up from 41.2% at the end of 2022. The debt to EBITDA ratio (annualized with trailing 12 months) stood at 4.26 times, increasing from 3.24 times in 2022 while the ratio of funds from operations (FFO) to debt (annualized with trailing 12 months) was 17.3%, decreasing from 23.6% in 2022.

The financial covenants on bank loans and debentures require AP to maintain a net interest-bearing debt to equity ratio below 2 times. At the end of September 2023, the ratio stood at 0.79 times. We believe that AP should have no problem complying with its financial covenants over the next 12 to 18 months. Its priority debt to total debt ratio as of September 2023 was 22.4%.

We assess AP to have adequate liquidity for the next 12 months. At the end of September 2023, the company's liquidity sources comprised cash on hand of THB1.9 billion and available credit facilities of THB9.6 billion. TRIS Rating projects AP's FFO to range between THB5.5-THB5.7 billion per annum. We expect AP's uses of funds over the next 12 months to amount to THB13.1 billion, including THB7.7 billion for short-term loan repayments, THB5.3 billion for debenture redemption, and the remaining for project loans and financial leases. Short-term loans primarily serve as working capital and bridging loans for land purchases

**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.

which are expected to be converted to project loans over time. Maturing debentures are typically refinanced with new debenture issuances.

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**RATING OUTLOOK**

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The “stable” 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 according to its plans. Despite its aggressive expansion plan, we anticipate that AP will maintain its debt to capitalization ratio within the 40%-45% range, while keeping its FFO to debt ratio above 20% over the next three years.

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**RATING SENSITIVITIES**

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The ratings could be revised upward if the company’s operating performance and financial profile improve significantly, such that its EBITDA stays above THB10 billion and/or FFO to debt ratio stays above 40% on a sustained basis. Conversely, 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 45% and FFO to debt ratio to drop below 20% for an extended period.

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**RELATED CRITERIA**

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- 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)**

<b>Company Rating:</b>	A
<b>Issue Ratings:</b>	
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
AP262A: THB1,500 million senior unsecured debentures due 2026	A
AP267A: THB500 million senior unsecured debentures due 2026	A
AP267B: THB1,500 million senior unsecured debentures due 2026	A
AP26DA: THB1,500 million senior unsecured debentures due 2026	A
AP277A: THB2,500 million senior unsecured debentures due 2027	A
Up to THB3,500 million senior unsecured debentures due within 3 years	A
<b>Rating Outlook:</b>	Stable

**TRIS Rating Co., Ltd.**

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