

# AP (THAILAND) PLC

No. 79/2023  
14 July 2023

## CORPORATES

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

**Last Review Date:** 03/07/23

### 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 a rating of "A" to AP's proposed issue of up to THB4 billion senior unsecured debentures due within four years. The new issue rating replaces the issue rating previously assigned on 3 July 2023, following AP's request to increase the issue size to up to THB4 billion from up to THB3.5 billion. 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 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 performance in the first quarter of 2023 was in line with TRIS Rating's expectations. Revenue reached THB9.4 billion, achieving almost 25% of our full-year forecast. Approximately 90% of the total revenues came from the landed property segment, with the remainder derived from condominium sales, management fees, and service income. The earnings before interest, taxes, depreciation, and amortization (EBITDA) margin was 20.5%, in line with our target.

During the first quarter of 2023, AP's projects (including projects under JV) generated presales of THB11 billion, down 15% from the same period in 2022. Presales from landed property projects contributed 74% of total presales. As of March 2023, AP's total backlog (including backlog of JV) amounted to THB29.7 billion. Some THB19-THB20 billion of the backlog is expected to be transferred within the remainder of 2023 with the remaining portion scheduled for transfer over the next two years.

Despite strong growth over the past three years, AP has been able to maintain its financial metrics at satisfactory levels and in line with our targets. Its debt to capitalization ratio (including 51% of the debt carried by JV projects) has dropped below 50% since 2020. At the end of March 2023, the ratio stood at 43.5%. The debt to EBITDA ratio stood at 3.87 times while the ratio of funds from operations (FFO) to debt was 19.6% in the first quarter of 2023, close to the same period of last year.

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 March 2023, the ratio stood at 0.7 times. We believe that AP should have no problem complying with its financial covenants over the next 12 to 18 months. Furthermore, the majority of AP's debts are unsecured debts at the company level, with a very low level of priority debt.

We assess AP to have adequate liquidity for the next 12 months. At the end of March 2023, the company's liquidity sources comprised cash on hand of THB2.9 billion and available credit facilities of THB11.3 billion. AP's FFO is projected to range THB5.5-THB5.7 billion per annum. AP's uses of funds over the next 12 months is expected to amount to THB12.6 billion, which includes THB5.0 billion

**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.

short-term loan repayments, THB7.1 billion debentures redemption, and the rest for repayments of project loans and financial leases. Short-term loans primarily serve as working capital and bridging loans for land purchases which are expected to be converted to project loans over time. Maturing debentures are typically refinanced with new debenture issues.

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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>	
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
AP262A: THB1,500 million senior unsecured debentures due 2026	A
AP267A: THB500 million senior unsecured debentures due 2026	A
AP26DA: THB1,500 million senior unsecured debentures due 2026	A
Up to THB4,000 million senior unsecured debentures due within 4 years	A
<b>Rating Outlook:</b>	Stable

**TRIS Rating Co., Ltd.**

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