

FRASERS PROPERTY (THAILAND) PLC

No. 9/2023

20 January 2023

CORPORATES

Company Rating:	A
Issue Ratings:	
Senior unsecured	A
Outlook:	Stable

Last Review Date: 20/10/22

Company Rating History:

Date	Rating	Outlook/Alert
14/10/21	A	Stable
17/09/19	A-	Stable
01/03/19	A	Alert Negative
25/05/17	A	Stable
27/04/16	A-	Stable
07/05/15	A	Negative
02/05/12	A	Stable
14/10/11	A	Alert Negative
21/11/05	A	Stable

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RATIONALE

TRIS Rating affirms the company rating on Frasers Property (Thailand) PLC (FPT) and the ratings on FPT's existing senior unsecured debentures at "A", with a "stable" rating outlook. At the same time, we assign the rating of "A" to FPT's proposed issue of up to THB5 billion senior unsecured debentures. The proceeds from the new debentures will be used for debt repayments and/or working capital.

The company rating incorporates a rating enhancement of three notches from FPT's stand-alone credit profile (SACP) to reflect the company's status as a "strategically important" member of Frasers Property Ltd. (FPL, rated "AA-/Stable"), a multinational property development company listed on the Singapore Stock Exchange. We view FPT as an investment arm of FPL's real estate business in Thailand. FPT's earnings before interest, taxes, depreciation, and amortization (EBITDA) contributed around 16% of FPL's total EBITDA on average.

FPT's SACP of "bbb" reflects its diversified real estate business portfolio, solid industrial estate for rent business, growing brand recognition in the residential property market, and high financial leverage. The SACP also incorporates our concerns over high household debt and rising inflation which could pose a challenge for the company's residential property business.

Our base-case forecast projects FPT's total operating revenue to range from THB16-THB18 billion during fiscal year 2023-2024 (FY2023-FY2024). A gradual recovery of FPT's business lines is expected to support revenue growth in FY2023-FY2024. For FY2022, the company reported a total operating revenue of THB15 billion, 2% growth from FY2021. We expect FPT's EBITDA to range THB5.0-THB6.0 billion in FY2023-FY2024, and its EBITDA margin is likely to sustain above 30% over the forecast period.

We expect revenue from the residential property business to gradually improve by 6%-10% per annum, ranging THB12-13 billion in FY2023-FY2024. This is based on our assumptions that the company will launch new projects worth THB17-THB22 billion per annum over the forecast period. As of September 2022, FPT's backlog stood at THB1.9 billion, all of which is expected to be recognized as revenue in FY2023. We also expect FPT's gross profit margin from sales of residential properties to stay around 32% in FY2023-FY2024, the same level as FY2022.

FPT's rental income from industrial properties will likely range THB1.9-THB2.1 billion in FY2023-FY2024, supported by an expected expansion of its industrial property for rent business. Our base-case forecast assumes new builds of 150,000-250,000 square meters (sq.m.) per annum over the forecast period, around 90% of which to be built-to-suit warehouses. We also expect the company to sell leasable areas amounting to THB1 billion per annum to Frasers Property Thailand Industrial Freehold and Leasehold Real Estate Investment Trust (FTREIT) over the next two years.

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.

FPT's hospitality business continues its recovery thanks to the pent-up demand and easing of travel restrictions around the world. For FY2022, the company's revenue from the hotel business improved to THB329 million, from THB163 million in FY2021. Our base case projects revenues from hotel operations to range from THB300-THB400 million per annum in FY2023-FY2024 with the gross profit margin returning to the pre-pandemic level by 2025. FPT's office rentals business has affected by sluggish demand due to the increasing adoption of hybrid working model as well as the influx of new supply expected in 2023-2024. Our base-case forecast projects office rental revenue to hover around THB600 million per annum during FY2023-FY2024. The revenue from office rentals was THB568 million in FY2022.

We view FPT's leverage will likely remain relatively high, given the continuous business expansion and gradual recovery of operating results. As of September 2022, FPT's adjusted debt (including guarantees on its joint ventures' debts) to capitalization ratio stood at around 60%. Looking ahead, its debt to capitalization ratio should maintain at around this level over the next two years. The adjusted debt to EBITDA ratio is therefore, forecast to stay around 10 times in FY2023-FY2024, and the ratio of its funds from operations (FFO) to adjusted debt to be around 6% over the forecast period. This is based on our assumptions that capital expenditure for the residential property business will be around THB8-THB10 billion per annum while investment in the industrial estate business to be around THB2.5-3.5 billion per annum over the forecast period. There should be some proceeds from asset recycling but not much.

The financial covenants on FPT's debentures require maintenance of an interest-bearing debt (excluding lease liability) to equity ratio below 3 times. As of September 2022, the ratio was 1.4 times. We believe FPT should have no problems complying with the financial covenants over the next 12 to 18 months. FPT's priority debt to total debt ratio was 36% at the end of September 2022.

We assess FPT to have adequate liquidity over the next 12 months. As of September 2022, the company had maturing debt over the next 12 months totaling THB17.8 billion, comprising THB12 billion debentures, THB3.8 billion short-term loans, THB1.8 billion long-term project loans, and THB0.2 billion lease liability. As of September 2022, FPT's sources of funds included THB1.1 billion of cash on hand, THB3.4 billion of undrawn committed credit facilities, and THB8.7 billion of undrawn uncommitted credit facilities. FFO is estimated to be around THB3.1-THB3.5 billion per annum in FY2023-FY2024. FPT also had unencumbered land banks at book value of THB9.6 billion and remaining finished units in debt-free residential projects totaling THB4.0 billion.

RATING OUTLOOK

The "stable" outlook reflects our expectation that FPT should be able to maintain its market position and deliver operating performance as targeted and will keep its FFO to total debt ratio above 5%. We also expect FPT to remain a strategically important member of FPL.

RATING SENSITIVITIES

A credit upside would materialize if FPT delivers significantly better-than-expected operating results and/or its financial profile improves with an FFO to adjusted debt ratio of around 10% for a sustained period. On the contrary, FPT's ratings and/or outlook could be revised downward if we expect the company's FFO to adjusted debt ratio to fall below 5% for a prolonged period, either from weakening operating performance or aggressive debt-funded business expansion. A change in the company's linkage with FPL could also impact the company rating on FPT.

RELATED CRITERIA

- Homebuilders and Real Estate Developers Rating Methodology, 12 January 2023
- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

Frasers Property (Thailand) PLC (FPT)

Company Rating:	A
Issue Ratings:	
TICON233A: THB2,500 million senior unsecured debentures due 2023	A
TICON235A: THB2,300 million senior unsecured debentures due 2023	A
TICON238A: THB700 million senior unsecured debentures due 2023	A
TICON283A: THB1,000 million senior unsecured debentures due 2028	A
FPT237A: THB1,000 million senior unsecured debentures due 2023	A
FPT242A: THB500 million senior unsecured debentures due 2024	A
FPT251A: THB1,800 million senior unsecured debentures due 2025	A
FPT256A: THB1,000 million senior unsecured debentures due 2025	A
FPT25NA: THB971 million senior unsecured debentures due 2025	A
FPT271A: THB500 million senior unsecured debentures due 2027	A
FPT275A: THB500 million senior unsecured debentures due 2027	A
FPT276A: THB2,000 million senior unsecured debentures due 2027	A
FPT27NA: THB689 million senior unsecured debentures due 2027	A
FPT292A: THB200 million senior unsecured debentures due 2029	A
FPT301A: THB1,200 million senior unsecured debentures due 2030	A
FPT305A: THB500 million senior unsecured debentures due 2030	A
Up to THB5,000 million senior unsecured debentures due within 10 years	A
Rating Outlook:	Stable

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