

FRASERS PROPERTY (THAILAND) PLC

No. 69/2023
19 June 2023

CORPORATES

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

Last Review Date: 20/01/23

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 a rating of "A" to FPT's proposed issue of up to THB6.0 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, and growing brand recognition in the residential property market. The SACP of FPT though is weighted down by its high financial leverage and our concerns over intense competition in the residential property market as well as unfavorable market conditions driven by interest rate hikes and the reimposition of the loan-to-value (LTV) rules.

FPT's total operating revenue in the first half (H1) of fiscal year (FY) 2023 fell slightly below our expectation. The company reported a total operating revenue of THB7 billion in H1 FY2023 compared with a projected total operating revenue of THB16-THB18 billion during FY2023-FY2024. These mainly resulted from the lower-than-expected presales and transfers of residential units.

Despite lower-than-expected revenue, EBITDA and EBITDA margin were close to our expectations, with H1 FY2023 EBITDA and EBITDA margin of THB2.4 billion and 33.6%, respectively, underpinned by the better-than-expected gross profit margin from industrial properties and hospitality business. We expect FPT's EBITDA to range between THB5.0-THB6.0 billion in FY2023-FY2024, and its EBITDA margin is likely to remain above 30% over the forecast period.

FPT's financial leverage is expected to remain relatively high given its continuous business expansion. We expect capital expenditure for the residential property business to be around THB8-THB10 billion per annum and investment in the industrial estate business around THB2.5-3.5 billion per annum over the forecast period. There should be some proceeds from asset recycling but not much.

As of March 2023, FPT's adjusted debt (including guarantees on its joint ventures' debts) to capitalization ratio stood at around 60.9%. Looking forward, its debt to capitalization ratio should remain at around this level over the next two years. The adjusted debt to EBITDA is forecast to stay around 10 times in FY2023-FY2024, and the ratio of its funds from operations (FFO) to adjusted debt around 6% over the forecast period.

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 March 2023, the ratio was 1.5 times. We believe that FPT should comfortably

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comply with the financial covenants over the next 12 to 18 months. FPT's priority debt to total debt ratio was around 31% at the end of March 2023.

Liquidity of FPT is expected to be manageable over the next 12 months. As of March 2023, the company had maturing debt over the next 12 months totaling THB16.3 billion, comprising THB7.4 billion short-term loans, THB4.5 billion debentures, THB4.1 billion long-term project loans, and THB0.3 billion lease liability. Meanwhile, as of March 2023, FPT's sources of funds included THB1.9 billion of cash on hand, THB5.5 billion of undrawn uncommitted credit facilities, and THB1 billion of committed 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 THB8.1 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 could materialize if FPT delivers significantly better-than-expected operating results and/or its financial profile improves with the FFO to adjusted debt ratio of around 10% over a sustained period. Conversely, FPT's ratings and/or outlook could be revised downward if the company's FFO to adjusted debt ratio falls 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:	
FPT237A: THB1,000 million senior unsecured debentures due 2023	A
TICON238A: THB700 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
FPT262A: THB3,000 million senior unsecured debentures due 2026	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
FPT282A: THB500 million senior unsecured debentures due 2028	A
TICON283A: THB1,000 million senior unsecured debentures due 2028	A
FPT292A: THB200 million senior unsecured debentures due 2029	A
FPT301A: THB1,200 million senior unsecured debentures due 2030	A
FPT302A: THB500 million senior unsecured debentures due 2030	A
FPT305A: THB500 million senior unsecured debentures due 2030	A
Up to THB6,000 million senior unsecured debentures due within 10 years	A
Rating Outlook:	Stable

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