

LAND AND HOUSES PLC

No. 78/2021
27 September 2021

CORPORATES

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|------------------------|--------|
| Company Rating: | A+ |
| Issue Ratings: | |
| Senior unsecured | A+ |
| Outlook: | Stable |

Last Review Date: 22/03/21

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 "A+" rating to LH's proposed issue of up to THB8 billion senior unsecured debentures due within five years. The proceeds from the new debentures are intended to be used to repay some of its existing loans.

The ratings reflect LH's leading position among property developers in Thailand, strong brand position in diversified residential product types, reliable stream of income from rental assets, and moderately high financial leverage. The ratings take into consideration the financial flexibility derived from its portfolio of marketable securities, and the effects of the prolonged Coronavirus Disease 2019 (COVID-19) pandemic, which have severely impacted its hospitality and retail businesses, and also add pressure on the demand for residential properties.

LH's operating performance in the first half of 2021 was in line with TRIS Rating's expectations. Despite the extended COVID-19 pandemic, revenue rose 20% year-on-year (y-o-y) to THB16.7 billion. Revenue from landed property projects increased by 27% y-o-y to THB14 billion and accounted for 84% of total revenue. The remainder was derived from condominium and rental and service income. As of June 2021, LH had a total backlog worth THB6.6 billion. Around 71% of the backlog is expected to be transferred in 2021 and the rest in the following years. LH's earnings before interest, tax, depreciation, and amortization (EBITDA) margin had been maintained at 36%-38% over the past five years. This ratio was 37.9% in the first half of 2021. We expect LH to keep its EBITDA margin in this range.

We assess LH's financial leverage as moderately high. The debt to capitalization ratio has held at 53% in 2020 through the end of June 2021, up from a range of 47%-48% during 2016-2019. However, we expect this ratio should stay below 50% over the next three years. 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 2021, the ratio was at 0.96 times.

We assess LH to have sufficient liquidity over the next 12 months. The ratio of funds from operations (FFO) to total debt was 15% while EBITDA interest coverage was around 8.6 times as of June 2021. In addition, LH's sizable investment portfolio of marketable securities provides some financial flexibility. The total fair value of the investment portfolio was approximately THB68 billion at the end of June 2021. 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.

As of June 2021, LH had THB61.8 billion in total debt, of which THB26 billion was priority debt according to TRIS Rating "Issue Rating Criteria". LH's priority debts, which were secured debts at the company and its subsidiary levels, translated into a ratio of priority debt to total debt of 42%. As the company's priority debt ratio was below the threshold of 50%, we view that the company's

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senior unsecured creditors are not significantly disadvantaged to its priority debt holders.

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, such that its interest-bearing debt to EBITDA ratio stays below 3 times on a sustainable basis while its operating performance remains strong compared to peers. Conversely, the ratings and/or outlook could be revised downward should LH’s operating performance and/or financial position weaken further from current level.

RELATED CRITERIA

- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

Land and Houses PLC (LH)

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|-----------------------------------------------------------------------|--------|
| Company Rating: | A+ |
| Issue Ratings: | |
| 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+ |
| LH235B: THB3,000 million senior unsecured debentures due 2023 | A+ |
| LH230A: THB3,000 million senior unsecured debentures due 2023 | A+ |
| LH244A: THB5,000 million senior unsecured debentures due 2024 | A+ |
| Up to THB8,000 million senior unsecured debentures due within 5 years | A+ |
| Rating Outlook: | Stable |

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