

# LAND AND HOUSES PLC

No. 34/2022  
8 April 2022

## CORPORATES

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

Last Review Date: 29/10/21

### 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 and 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 to be used to repay some of its existing loans.

The ratings reflect LH's leading position among residential property developers in Thailand, diversified sources of income, and moderately high financial leverage. The ratings take into consideration the financial flexibility derived from its sizable holding in 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 added pressure on demand for condominiums in the short to medium term.

LH's operating performance in 2021 was in line with TRIS Rating's expectations. Despite the resurgence of COVID-19, revenue rose 7.9% year-on-year (y-o-y) to THB32.9 billion, driven by strong growth in landed property sales. Revenue from landed property projects increased by 12.6% y-o-y to THB27.8 billion and accounted for 84% of total revenue. The remainder was derived from condominium and rental and service income. LH's earnings before interest, tax, depreciation, and amortization (EBITDA) and funds from operations (FFO) in 2021 recovered from its trough in 2020. Its EBITDA in 2021 was THB11.7 billion, up from THB10.8 billion in 2020 while its FFO increased to THB8.7 billion in 2021 from THB8 billion in 2020. LH's EBITDA margin had been maintained in the 35%-38% range over the past five years. We expect LH to keep healthy operating performance and maintain its EBITDA margin in this range over the next three years.

We assess LH's financial leverage as moderately high. The debt to capitalization ratio stood at 53% during 2020-2021, up from a range of 47%-48% during 2016-2019. However, we expect this ratio to improve to 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 December 2021, the ratio was at 0.96 times. Its priority debt to total debt ratio at the end of 2021 was 33%.

We assess LH to have sufficient liquidity over the next 12 months. The ratio of FFO to total debt was 15% while EBITDA interest coverage was 7.8 times at the end of 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 THB70.3 billion at the end of December 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.

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**RATING OUTLOOK**

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The “stable” outlook on LH’s ratings reflects our expectation that the company will maintain its strong market position, achieve steady presales performance and decent operating performance, and maintain acceptable financial leverage. We expect the debt to capitalization ratio not to rise significantly higher than 50% and the debt to EBITDA ratio to stay below 5 times.

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**RATING SENSITIVITIES**

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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 deteriorate materially from its current level.

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**RELATED CRITERIA**

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- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019

**Land and Houses PLC (LH)**

|   |        |
|---|--------|
| <b>Company Rating:</b>  | A+     |
| <b>Issue Ratings:</b>   |        |
| 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+     |
| LH240A: THB8,000 million senior unsecured debentures due 2024         | A+     |
| Up to THB8,000 million senior unsecured debentures due within 5 years | A+     |
| <b>Rating Outlook:</b>  | Stable |

**TRIS Rating Co., Ltd.**

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