

LAND AND HOUSES PLC

No. 90/2022
25 August 2022

CORPORATES

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

Last Review Date: 08/04/22

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 in 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 our concerns over the relatively high household debt level coupled with rising inflation rates, which will potentially impact the purchasing power of homebuyers and the development costs of property developers in the short to medium term.

LH's operating performance in the first half of 2022 was in line with TRIS Rating's expectations. Given growth in the landed property market and recovery in the hospitality and retail businesses, LH's revenue in the first half of 2022 rose 3.3% year-on-year (y-o-y) to THB17.2 billion, mostly contributed from landed property sales. Revenue from landed property projects accounted for 80% of LH's total revenue. The remainder was derived from condominium as well as rental and service income.

As of June 2022, LH had a total backlog worth THB4.1 billion. The entire backlog is expected to be transferred within the remainder of 2022. LH's earnings before interest, taxes, depreciation, and amortization (EBITDA) and funds from operations (FFO) in the first half of 2022 were THB6.4 billion and THB4.9 billion, respectively, a slight increase from the same period last year. LH's EBITDA margin has 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% at the end of June 2022, being constant from 2021. 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 should maintain its net interest-bearing debt to equity ratio below 1.5 times. As of June 2022, the ratio was at 0.97 times. Thus, the company should have no problem complying with the covenants. Its priority debt to total debt ratio at the end of June 2022 was 29%. The ratio of FFO to total debt was 15.2%, while EBITDA interest coverage was 9.2 times at the end of June 2022.

We expect LH to have adequate liquidity over the next 12 months. As of June 2022, the company's liquidity sources comprised cash on hand of THB5 billion and unused committed credit facilities of THB14 billion. LH's annual FFO is projected to be THB9-THB10 billion. LH's debt due over the next 12 months will be around THB16.8 billion. The company also holds a sizable investment portfolio of marketable securities. The total fair value of the investment portfolio was approximately THB62.4 billion at the end of June 2022. 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

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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.

our view, the holdings still provide a considerable cushion for LH’s debt servicing ability.

RATING OUTLOOK

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 do not expect the company’s debt to capitalization ratio to rise significantly higher than 50% and 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 with 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.

RELATED CRITERIA

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

Land and Houses PLC (LH)

Company Rating:	A+
Issue Ratings:	
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+
LH244B: THB2,000 million senior unsecured debentures due 2024	A+
LH240A: THB8,000 million senior unsecured debentures due 2024	A+
LH254A: THB4,700 million senior unsecured debentures due 2025	A+
Up to THB8,000 million senior unsecured debentures due within 5 years	A+
Rating Outlook:	Stable

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