

LAND AND HOUSES PLC

No. 42/2023
18 April 2023

CORPORATES

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

Last Review Date: 16/11/22

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 |

Contacts:

Auyporn Vachirakanjanaporn
auyporn@trisrating.com

Hattayanee Pitakpatapee
hattayanee@trisrating.com

Jutamas Bunyawanichkul
jutamas_b@trisrating.com

Suchada Pantu, Ph.D.
suchada@trisrating.com



WWW.TRISRATING.COM

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 and fund business expansion.

The ratings reflect LH's strong brand position among residential property developers with satisfactory operating performance, diversified sources of income, and moderately high financial leverage during the prolonged Coronavirus Disease 2019 (COVID-19) pandemic. The ratings factor in the financial flexibility derived from its sizable holding in marketable securities, and our concerns over increased construction costs and interest rate hikes which could negatively impact profit margins in the short to medium term.

LH's operating performance in 2022 was in line with TRIS Rating's expectations. Revenue in 2022 rose 10.4% year-on-year (y-o-y) to THB36.3 billion. The strong recovery in the hospitality and retail businesses following Thailand's easing of COVID-19 measures helped the company's rental and service income soar 1.85 times y-o-y to THB4.8 billion from its lowest at THB1.8 billion in 2021. LH's revenue from residential property projects stabilized at THB30-THB31 billion per annum in 2021 and 2022. At the end of 2022, LH had a total backlog worth THB3.7 billion. The entire backlog is expected to be transferred within 2023.

LH's earnings before interest, taxes, depreciation, and amortization (EBITDA) and funds from operations (FFO) in 2022 were THB12.1 billion and THB9.2 billion, respectively, up 4%-5% from the same period last year. LH's EBITDA margin has been maintained in the 34%-36% range over the past three years. We expect LH to sustain its healthy operating performance and improve its EBITDA margin within this range over the next three years.

We assess LH's financial leverage as moderately high. The debt to capitalization ratio stood at 52.7% at the end of 2022, a slight decrease from 53.3% in 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 interest-bearing debt to equity ratio below 1.5 times. As of December 2022, the ratio was at 1.05 times. Thus, the company should have no problem complying with the covenants. Its priority debt to total debt ratio at the end of December 2022 was 34%. The ratio of FFO to total debt was 15.7%, while EBITDA interest coverage was 8.9 times at the end of December 2022.

We assess LH's liquidity as adequate over the next 12 months. As of December 2022, the company's liquidity sources comprised cash on hand of THB4.8 billion and unused committed credit facilities of THB12.1 billion. LH's annual FFO is projected to be THB10-THB11 billion. LH's uses of funds over the next 12 months will amount to THB18.4 billion, comprising THB8.4 billion debentures, THB5.6 billion short-term loans, THB2.5 billion project loans, and THB1.9 billion lease obligations.

LH's ability to access capital markets and its large investment portfolio also help support its liquidity, if needed. The company holds a sizable investment portfolio

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of marketable securities, with a total fair value of THB73.8 billion at the end of 2022. We acknowledge that the values of the listed securities are subject to market sentiment and volatility. However, in our view, the significant size of its investments could help enhance 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. The debt to capitalization ratio should stay around 50% or the debt to EBITDA ratio should 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, so that its interest-bearing debt to EBITDA ratio stays below 3 times on a sustainable basis while its operating performance remains strongly comparable with peers. Conversely, the ratings and/or outlook could be revised downward should LH's operating performance and/or financial position decline further from its current level.

RELATED CRITERIA

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

Land and Houses PLC (LH)

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|---|--------|
| Company Rating: | A+ |
| Issue Ratings: | |
| 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+ |
| LH240B: THB1,150 million senior unsecured debentures due 2024 | A+ |
| LH254A: THB4,700 million senior unsecured debentures due 2025 | A+ |
| LH254B: THB1,600 million senior unsecured debentures due 2025 | A+ |
| LH250A: THB4,250 million senior unsecured debentures due 2025 | A+ |
| Up to THB8,000 million senior unsecured debentures due within 5 years | A+ |
| Rating Outlook: | Stable |

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

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