

Press Release

No. 4/2017
6 January 2017

TRIS Rating Assigns "A-/Stable" Rating to Senior Unsecured Debt Worth Up to Bt1,500 Million of "AP"

TRIS Rating has assigned a rating of "A-" to the proposed issue of up to Bt1,500 million in senior unsecured debentures of AP (Thailand) PLC (AP). At the same time, TRIS Rating has affirmed the company rating of AP and the ratings of the outstanding senior unsecured debentures at "A-". The outlook remains "stable". The company plans to use the proceeds from the new debentures to repay some of its existing loans. The ratings reflect AP's proven track record in the residential property development industry, strong business profile, diverse range of products, and moderate backlog which secures a portion of its future revenues. These strengths are partially offset by the cyclical nature of the property development industry, AP's moderate use of financial leverage, concerns over the relatively high household debt level, and the slowdown in the domestic economy.

The "stable" outlook reflects the expectation that AP will remain competitive in its core market segments and will rebalance its product portfolio as market conditions and customer needs change. The outlook is also based on the expectation that AP will continue to follow prudent financial policies and keep its debt to capitalization ratio below 55% in the medium term.

The company's ratings and/or outlook could be revised downward should its financial profile deteriorate significantly from the current level or the company's debt to capitalization ratio stays above 55% on a sustainable basis. On the contrary, the ratings could be revised upward if the company can improve its profitability while its debt to capitalization ratio declines to 40%-45% on a sustainable basis.

AP was established in 1990 by Mr. Anuphong Assavabhokhin and Mr. Pichet Vipavasuphakorn. The company was listed on the Stock Exchange of Thailand (SET) in 2000. As of May 2016, AP's major shareholder was Mr. Anuphong Assavabhokhin, owning 21.3% of the company's shares. Over the past five years, AP's revenue base has ranked fourth among property developers listed on the SET. AP's products cover almost all of the key segments in the residential property market. Each product segment has generated strong presales and AP has captured a respectable market share in each of these segments. The company's track record is particularly strong in the middle- to high-end townhouse and condominium segments. AP offers its products primarily within the Greater Bangkok area.

In 2013, AP started to jointly develop condominium projects with a subsidiary of Mitsubishi Estate Co., Ltd. (MEC), the largest property developer in Japan. AP held a 51% stake of the joint venture (JV) while MEC's subsidiary held 49%. In the first nine months of 2016, AP's owned projects generated presales of Bt15,014 million. In addition, the company also had Bt4,139 million of presales generated from eight condominium projects under the JV. As of September 2016, the value of AP's condominium backlog stood at Bt9,486 million and is expected to be recognized as revenue of around Bt4,000 million in 2016, Bt2,600 million in 2017, Bt1,800 million in 2018, and Bt1,100 million in 2019, while the backlog under the JV, worth Bt23,318 million, will be recognized from 2016 onwards.

AP's financial profile during the past 12 months was slightly lower than TRIS Rating's expectation. Revenue in the first nine months of 2016 stood at Bt13,050 million, down 19% compared with the same period in 2015. The operating margin (operating income before depreciation and amortization as a percentage of revenue) during 2015 through the first nine months of 2016 was around 15%-16%. The total debt to capitalization ratio (including 51% of the debt from the JV) at the end of September 2016 was 52.6%, increasing from 48.9% at the end of 2015.

During 2016-2019, TRIS Rating's base-case expects AP's revenue will range from Bt20,000-Bt25,000 million per annum, supported by its sizable condominium backlog and increasing number of low-rise housing projects. The operating margin is expected to hold at 13%-15%. Under TRIS Rating's base-case, AP's debt to capitalization ratio is expected to stay around 50%-55% over the next three years, or the net debt to equity ratio of around 1-1.2 times.

AP's liquidity profile is acceptable. The company had Bt674 million in cash plus undrawn long-term credit lines of Bt7,886 million at the end of September 2016. Debts due over the next 12 months is around Bt3,450 million. AP typically matches the maturities of its short-term debts with the cash it expects to receive from transferring finished condominiums to its customers. AP plans to refinance most of the maturing bonds with new bond issues. The maturing bonds are backed up by AP's undrawn bank credit lines. Over the next three years, TRIS Rating expects the company's funds from operations (FFO) will be

(Continue on page 2)

Bt2,500-Bt3,000 million per annum. The FFO to total debt ratio is expected to stay at around 10%-15%, while the EBITDA (earnings before interest, tax, depreciation, and amortization) interest coverage ratio is expected to stay above 4 times.

AP (Thailand) PLC (AP)

Company Rating:

A-

Issue Ratings:

AP171A: Bt1,150 million senior unsecured debentures due 2017

A-

AP177A: Bt500 million senior unsecured debentures due 2017

A-

AP179A: Bt1,000 million senior unsecured debentures due 2017

A-

AP17DA: Bt1,000 million senior unsecured debentures due 2017

A-

AP181A: Bt1,250 million senior unsecured debentures due 2018

A-

AP181B: Bt500 million senior unsecured debentures due 2018

A-

AP188A: Bt1,250 million senior unsecured debentures due 2018

A-

AP191A: Bt350 million senior unsecured debentures due 2019

A-

AP191B: Bt1,000 million senior unsecured debentures due 2019

A-

AP197A: Bt1,000 million senior unsecured debentures due 2019

A-

AP197B: Bt1,000 million senior unsecured debentures due 2019

A-

AP201A: Bt1,500 million senior unsecured debentures due 2020

A-

Up to Bt1,500 million senior unsecured debentures due within 2020

A-

Rating Outlook:

Stable

TRIS Rating Co., Ltd./www.trisrating.com

Contact: santaya@trisrating.com, Tel: 0-2231-3011 ext 500/Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand

© Copyright 2017, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution, or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at <http://www.trisrating.com/en/rating-information/rating-criteria.html>.