

# LAND AND HOUSES PLC

No. 62/2018

27 August 2018

## CORPORATES

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

### 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+". At the same time, TRIS Rating assigns the rating of "A+" to LH's proposed issue of up to Bt5,000 million in senior unsecured debentures. The proceeds from the new debentures will be used to finance the company's land acquisition and fund its business operation.

The ratings on LH reflect the company's leading position in the residential property development market, supported by its strong brand franchise and proven operational track record. The ratings also take into consideration the financial flexibility LH derives from its portfolio of recurring income assets and marketable securities. However, the ratings are partially constrained by a moderate level of financial leverage and an aggressive dividend policy. The ratings also take into consideration the cyclicity and competitive environment in the residential property development business and concern over the high level of Thailand's household debt which impacts the affordability of homebuyers, especially in the middle- to low-income segments.

LH's revenue was Bt34,922 million in 2017 and Bt17,376 million in the first six months of 2018, ranking it one of the top three listed property developers. As of June 2018, LH had around 70 existing projects with total remaining project value of around Bt66,000 million (including built and un-built units). Landed property projects comprised around 70% of total unsold value, while condominium projects accounted for the rest. The total backlog was valued at around Bt9,900 million and is expected to be delivered to customers during the remainder of 2018 through 2021.

The operating profit margin (operating income before depreciation and amortization, as a percentage of revenue) was 22%-23% during 2014 through the first half of 2018. Going forwards, LH's profitability may be threatened by rising land costs and more intense competition in both landed property and condominium markets. However, TRIS Rating expects LH's operating profit margin to stay above 20% during 2018-2020.

LH's debt to capitalization ratio was 49% as of December 2017 and as of June 2018. The ratio of interest-bearing debt to earnings before interest, tax, depreciation, and amortization (EBITDA) was 3-4 times during 2014 through the first six months of 2018. LH's bond covenant limits net interest-bearing debt to equity ratio at 1.5 times. At the end of June 2018, the ratio stood at 0.86 times.

LH's liquidity profile is adequate. The ratio of funds from operations (FFO) to total debt ranged from 19% to 22% during the past three years. The EBITDA interest coverage ratio had been 8-9 times during 2014-2016 and increased to 11-12 times during 2017 through the first half of 2018. LH holds a sizable portfolio of marketable securities. The fair value of LH's investments in listed associates was Bt68,679 million as of June 2018. Equity income from these investments was around Bt3,000 million per annum during 2016-2017.

## RATING OUTLOOK

The “stable” outlook reflects the expectation that LH will maintain its strong operating performance, acceptable financial position, and competitive market position. TRIS Rating expects LH’s revenue to be Bt30,000-Bt33,000 million per annum during 2018-2020. The interest-bearing 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 should keep below 3 times on a sustainable basis, while its operating performance remains strong comparable with peers. On the contrary, the ratings and/or outlook could be revised downward should LH’s operating performance and/or financial position deviate significantly from the projections.

## Land and Houses PLC (LH)

<b>Company Rating:</b>	A+
<b>Issue Ratings:</b>	
LH180A: Bt4,000 million senior unsecured debentures due 2018	A+
LH194A: Bt5,000 million senior unsecured debentures due 2019	A+
LH194B: Bt1,000 million senior unsecured debentures due 2019	A+
LH190A: Bt1,000 million senior unsecured debentures due 2019	A+
LH190B: Bt7,250 million senior unsecured debentures due 2019	A+
LH204A: Bt1,000 million senior unsecured debentures due 2020	A+
LH204B: Bt6,000 million senior unsecured debentures due 2020	A+
LH200A: Bt1,000 million senior unsecured debentures due 2020	A+
LH200B: Bt6,000 million senior unsecured debentures due 2020	A+
LH215A: Bt6,000 million senior unsecured debentures due 2021	A+
Up to Bt5,000 million senior unsecured debentures due within 3 years	A+
<b>Rating Outlook:</b>	Stable

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