Press Release

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TRIS Rating Assigns "A+/Stable" Rating to Senior Unsecured Debt Worth Up to Bt7,000 Million of "LH"

TRIS Rating has assigned the rating of "A+" to the proposed issue of up to Bt7 billion in senior unsecured debentures of Land & Houses PLC (LH). At the same time, TRIS Rating has affirmed the company rating of LH and the ratings of its existing senior unsecured debentures at "A+". The outlook remains "stable". The proceeds from the new debentures will be used to refinance existing debentures maturing in April 2017 and to fund LH's business operation.

The ratings reflect LH'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 income-generating assets and marketable securities. However, the ratings are partially constrained by a moderate level of financial leverage and an aggressive dividend policy. In addition, the relatively high level of household debt nationwide, coupled with the current slowdown in the domestic economy, raise a concern over the demand for housing in the short to medium term.

The "stable" outlook reflects the expectation that LH will maintain its strong operating performance, acceptable financial position, and competitive position. Over the next three years, LH's revenue is expected to be around Bt32 billion per annum. The interest-bearing debt to equity ratio should stay below 1 times.

LH's ratings and/or outlook could be revised upward should its capital structure improve significantly from the current level and its operating performance remains strong comparable with its listed peers. On the contrary, the ratings and/or outlook could be revised downward should its operating performance or financial position significantly deteriorate from the current levels.

LH is one of Thailand's leading property developers. The company's revenue was Bt26.26 billion in 2015 and Bt29.91 billion in 2016, ranking it as one of the three largest listed property developers based on revenue. As of August 2016, the Asavabhokhin family held 31% of the company's shares, followed by the Government of Singapore Investment Corporation (GIC) at 16%. LH's core product is single detached houses (SDH), sales of which have comprised 65%-70% of total revenue annually over the past five years.

LH's strong business profile is underscored by its brand equity. Its products are perceived as premium residential properties in terms of product quality and after-sale service. The company offers several low-rise and high-rise housing brands, across a wide price range, in various locations. The company has a quite strong position in the SDH segment. Presales in the SDH segment was Bt20.04 billion in 2016, up 10% year-on-year (y-o-y). Presales from townhouse projects was around Bt2 billion per annum during the past three years. However, the company launched only one condominium project during 2015-2016. As a result, presales from condominium projects decreased to Bt4.36 billion in 2015 and Bt1.9 billion in 2016 from around Bt10 billion per year during 2013-2014.

As of December 2016, LH's backlog was around Bt17 billion. Units in the backlog worth Bt16 billion will be transferred to customers in 2017, followed by the transfers of Bt300 million in 2018 and Bt1 billion in 2019. TRIS Rating's base case scenario expects LH's revenues will be approximately Bt32 billion per annum over the next three years. LH's operating profit margin (operating income before depreciation and amortization, as a percentage of revenue) ranged from 22%-25% during 2012-2016. The operating profit margin is expected to drop slightly, due to pressures from rising land costs, market competition, and overhead expenses needed to support LH's expansion plans. However, its operating profit margin is expected to stay above 20% over the next three years.

LH's debt to capitalization ratio was 47% as of December 2015 and 48% as of December 2016. LH's bond covenant limits the interest-bearing debt to equity ratio at 1.5 times. At the end of December 2016, the ratio stood at 0.9 times. Despite its plan to invest in recurring-income assets and its aggressive dividend payments, LH's debt to capitalization ratio is expected to remain below 50%, or the interest-bearing debt to equity ratio below 1 times. LH's moderate leverage level is partly offset by its holdings of sound income-generating assets and a sizable portfolio of marketable securities. The fair value of LH's investments in listed associates was Bt55 billion as of December 2016. Equity income from investments amounted to Bt2-Bt2.4 billion per annum during 2012-2015 and increased to Bt3 billion in 2016.

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LH's liquidity profile is adequate. The company is able to access the capital market and achieve lower funding costs than its bank loan borrowings. The ratio of funds from operations (FFO) to total debt ranged from 14%-17% during 2013-2016. The EBITDA (earnings before interest, taxes, depreciation, and amortization) interest coverage ratio was 6-8 times during the past five years. Over the next three years, TRIS Rating forecasts LH's FFO to total debt ratio will stay around 15%, while the EBITDA interest coverage ratio will stay above 5 times.

Land and Houses PLC (LH)	
Company Rating:	A+
Issue Ratings:	
LH174A: Bt3,500 million senior unsecured debentures due 2017	A+
LH17OA: Bt4,000 million senior unsecured debentures due 2017	A+
LH184A: Bt7,000 million senior unsecured debentures due 2018	A+
LH18OA: Bt4,000 million senior unsecured debentures due 2018	A+
LH194A: Bt5,000 million senior unsecured debentures due 2019	A+
LH19OA: Bt1,000 million senior unsecured debentures due 2019	A+
LH19OB: Bt7,250 million senior unsecured debentures due 2019	A+
LH204A: Bt1,000 million senior unsecured debentures due 2020	A+
LH20OA: Bt1,000 million senior unsecured debentures due 2020	A+
Up to Bt7,000 million senior unsecured debentures due within 5 years	A+
Rating Outlook:	Stable

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