

PROPERTY PERFECT PLC

No. 117/2025
21 July 2025

CORPORATES

Company Rating: B-
Issue Rating:
Hybrid C
CreditAlert: Negative

Last Review Date: 18/04/25

Company Rating History:

Date	Rating	Outlook/Alert
18/04/25	BB-	Alert Negative
25/07/24	BB	Negative
26/08/20	BB	Stable
09/08/19	BB+	Negative
20/05/15	BB+	Stable
19/06/14	BB+	Developing
06/12/13	BB+	Stable
18/11/11	BBB-	Negative
18/09/09	BBB-	Stable

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RATIONALE

TRIS Rating downgrades the company rating on Property Perfect PLC (PF) to “B-” from “BB-” and downgrades PF’s subordinated perpetual debentures (hybrid debentures) to “C” from “B-”. At the same time, we maintain the ratings on CreditAlert with a “negative” implication.

The downgrades reflect PF’s heightened default risk following its proposal to extend the maturities of 15 debenture tranches by up to two years. Although the company offers an additional 0.25% coupon, it also requests to lower interest payments to 1% for the first six months and 2% for the seventh to twenty-fourth month, with the remainder paid at maturity. TRIS Rating views the proposed amendments of terms and conditions as an indication of distressed debt restructuring as per TRIS Rating’s criteria.

The “negative” CreditAlert reflects the uncertain resolution of the forthcoming meeting of debenture holders scheduled for 29 July 2025. Should debenture holders in any tranche approve the proposed amendments, the ratings on PF and its hybrid debentures will be downgraded to “D” on the date of approval. Conversely, if the proposed changes are not approved by debenture holders, the ratings will be determined based on the company’s ability to meet its principal and interest obligations when due.

The ratings on PF continue to reflect its weak operating performance and delays in its asset divestments. The ratings also factor in the ongoing structural challenges posed by persistently high household debt levels and elevated mortgage rejection rates, which continue to weigh on housing demand despite recent relaxations of loan-to-value (LTV) regulations and reductions in transaction fees.

The rating on the hybrid debentures is notched down from PF’s company rating to reflect the deep subordination and heightened risk of interest payment deferrals for hybrid debentures issued by a non-investment grade issuer. The assigned equity credit on PF’s hybrid debentures (PF17PA) has been reduced to “nil” (0%) from “intermediate” (50%) because their effective maturity has fallen to under 20 years and following the redemption of PF18PA hybrids without replacement. Since the company does not intend to retain hybrid instruments as part of its long-term capital structure, we will no longer assign equity credit to its existing hybrid securities or to any future issuances of such instruments.

KEY RATING CONSIDERATIONS

Continued weakening of credit profile from elevated financial leverage and persistent negative FFO

PF incurred net losses in 2023 to the first quarter of 2025 (1Q25) and has continued to generate negative funds from operations (FFOs) over the past several years. PF’s overall performance during 2024 through 1Q25 fell short of expectations. This underperformance was driven primarily by declining presales and property transfers in the residential segment, coupled with high selling, general, and administrative (SG&A) expenses and rising finance costs.

Presales and transfers, which have been on a downward trend since 2023, posted a sharp year-on-year (y-o-y) drop in 1Q25 (73% for presales and 41% for transfers). PF’s cost structure remained heavy, with SG&A expenses totaling THB3.5 billion and finance costs reaching around THB2.5 billion. The

slowdown in transfers led to a significant buildup of real estate inventory, which rose to 9 times the residential cost in 1Q25 from 6 times in 2024 and 4-5 times in previous years.

In addition, PF's balance sheet remains burdened by a large amount of non-core assets, particularly in the hotel and retail property segments, with a combined book value of approximately THB11 billion. Amid ongoing operating losses and an asset-heavy balance sheet, PF has continued to carry a high debt burden, while shareholders' equity has been eroding. As a result, the company's debt to capitalization ratio remained high at 66%-68% during the period from 2022 through 1Q25. Its debt to EBITDA ratio consistently exceeded 12 times, while the FFO to debt ratio remained negative, indicating that its EBITDA was inadequate to meet interest payments.

Deteriorating financial profile aggravated by slow execution of asset divestments

The delayed execution of PF's asset divestment plan has exerted further pressure on the company's financial profile. Over the past five years, PF has implemented a series of asset divestments as part of its ongoing strategy to reduce debt and enhance liquidity. Key transactions have included the sale of multiple land plots, the Kiroro Hotel in 2021, and the Hyatt Regency Bangkok Sukhumvit Hotel in 2024. These initiatives have resulted in a reduction in total debt, which declined to approximately THB25 billion as of March 2025, down from THB33 billion in 2020. However, the divestment of its 97% stake in the Royal Orchid Sheraton Hotel (ROH) is proceeding at a slower pace than initially targeted. The company was previously expected to sell its stake in ROH by 2025; however, this sale may be postponed until next year.

Despite its planned asset sales, PF's debt to capitalization ratio is expected to remain above 67%. The FFO to debt ratio will likely stay negative and EBITDA is projected to remain insufficient to fully service interest payments, with the coverage ratio staying below 1 times. The persistent cycle of weak cash flow and substantial debt servicing pressure have led the company to seek debt maturity extensions and defer part of its interest payments, reflecting the severity of its current financial distress.

Heightened liquidity risk

We assess PF to face heightened liquidity strain due to the sizable amount of debt maturing over the next 12 months while the planned asset divestment is further delayed. As of 31 March 2025, PF's debt due in the next 12 months comprised THB7.9 billion senior secured and unsecured debentures, THB1.3 billion long-term project loans, THB1.2 billion short-term borrowings, and THB0.7 billion lease liabilities. On the contrary, the company's sources of liquidity comprised THB1.1 billion cash on hand as well as THB0.7 billion unencumbered land bank at book value and THB2.4 billion remaining finished units in debt-free projects at selling price, which could potentially be pledged to secure additional funding.

PF's ongoing negative FFOs indicate its dependence on external financing to meet its debt obligations. The company's proposal to extend the maturities of 15 debenture tranches and defer a portion of the interest payments during the extension period, if approved, could address its short-term liquidity. Conversely, if debenture holders do not approve the proposal, the company could face further liquidity strain.

Debt structure

As of March 2025, PF's total debt, as per our priority debt calculation, was THB23.6 billion. Priority debt, including secured debts at the company and total debt at the subsidiaries, was THB21.3 billion. This translates to a priority debt to total debt ratio of 90%. Given that its priority debt ratio is well above our threshold of 50%, we view that PF's senior unsecured creditors are significantly disadvantaged to its priority debt holders with respect to claims against the company's assets.

BASE-CASE ASSUMPTIONS

These are our key assumptions for PF's operations in 2025-2027:

- Launches of new residential projects to be suspended.
- Land acquisition of around THB300 million over 2026-2027.
- Total operating revenue to hover in the THB5-THB7 billion range, with negative FFO.

CREDIT ALERT

The "negative" CreditAlert on the company rating and hybrid debenture rating reflects the uncertain resolution associated with the upcoming debenture holders' meeting scheduled for 29 July 2025. If any series of debenture holders approve the proposed amendments, the ratings on PF and its hybrid debentures will be downgraded to "D" on the approval date. Alternatively, if the proposed changes are not approved, the ratings will be determined based on the company's ability to meet its principal and interest obligations when due.

NOTE ON CREDIT ALERT

CreditAlert is part of TRIS Rating's monitoring of a rating when a significant event may impact the rating assigned to the issuer or the issue. Such events may include mergers and acquisitions, asset investments or divestments, and group or capital restructuring. The assigned credit rating remains unchanged due to insufficient data or uncertain developments, preventing a full assessment of the impact. CreditAlert carries one of the following designations to indicate the potential direction of a rating: "Positive", "Negative", and "Developing".

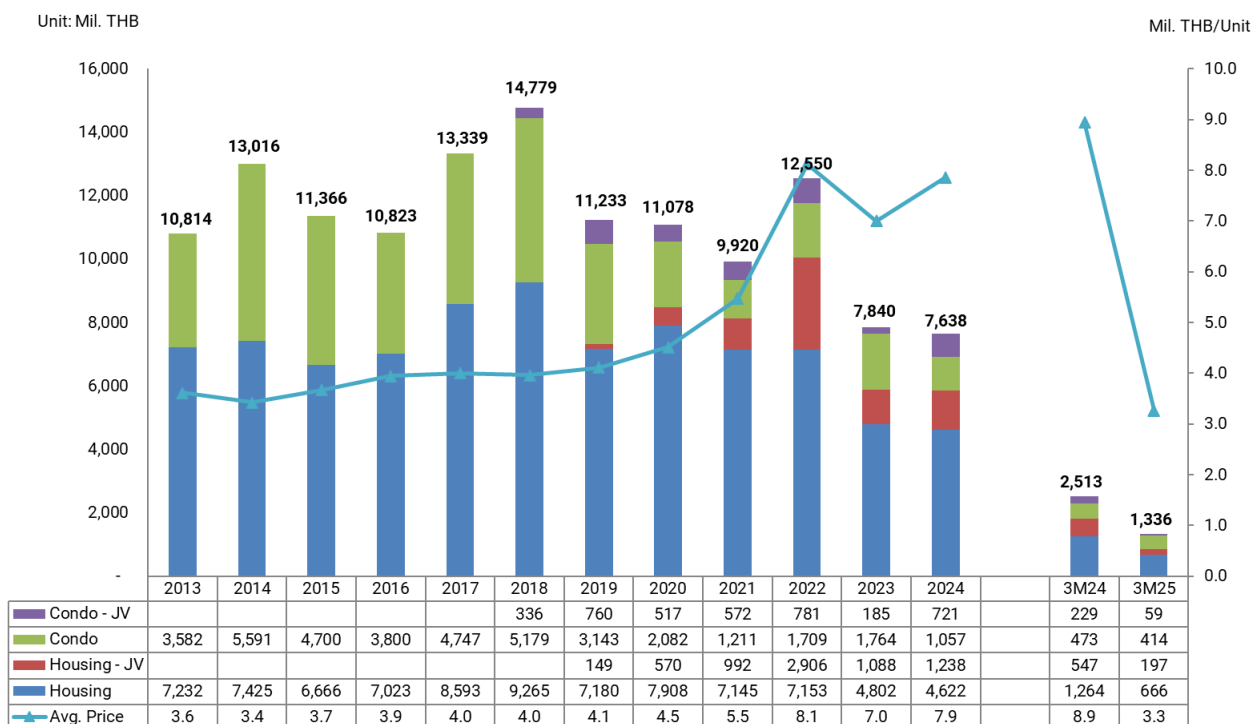
COMPANY OVERVIEW

PF was founded in 1985 by Mr. Sanith Adhyanasakul and listed on the Stock Exchange of Thailand (SET) in 1993. The company focuses on the middle- to high-income segments of the residential property market in the Bangkok suburbs. PF offers landed property units under the Lake Legend, Penton, Vavila, Perfect Masterpiece, Perfect Residence, Perfect Place, Perfect Park, Modi Villa, and The Metro brands. Its landed property products range in price from THB2 million to THB150 million per unit. Condominium units are sold under the Hyde, Yu Kiroro, The Sky, Metro Sky, Metro Luxe, Metro Park, Bella Costa, I Condo, and Yu Ruay brands, with selling prices ranging from THB40,000 to THB420,000 per square meter (sq.m.). In 2018, PF set up several joint ventures (JVs) with partners; HKL Thai Development Co., Ltd., Sekisui Chemical Co., Ltd., and Sumitomo Forestry Co., Ltd., to enlarge its residential portfolio. Apart from its core business, PF currently operates four hotels in Thailand, and one community mall. The company has also diversified its investments through JVs in the wind and solar energy businesses, as well as in the manufacturing and sale of nitrile rubber gloves.

Revenue from the residential property business (including landed properties, condominiums, and land plot sales) contributed 70%-80% of its total revenue from sales and services in 2022-2024 before decreasing to around 50% in 1Q25. The revenue contribution from hotel operations increased to 12%-22% in the past three years from 7% in 2021, following the gradual recovery of tourist arrivals in Thailand after the pandemic. The revenue contribution from rental and service properties remained negligible.

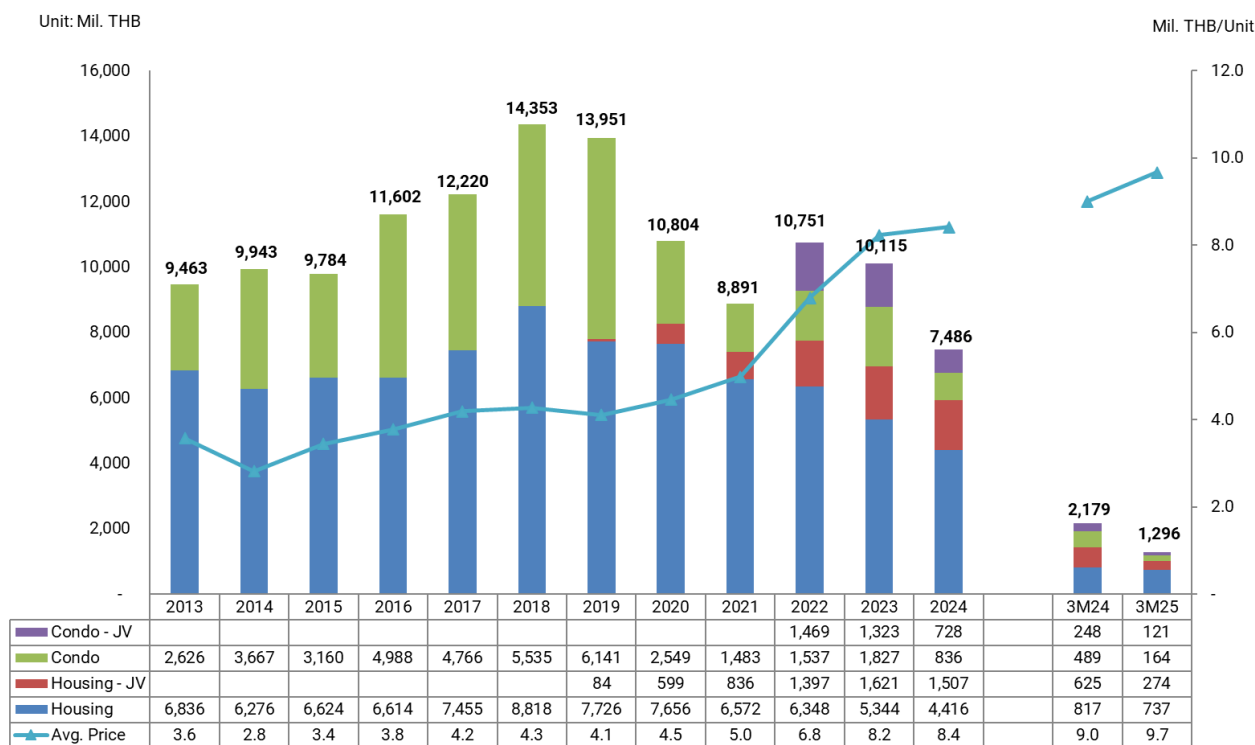
KEY OPERATING PERFORMANCE

Chart 1: Presales



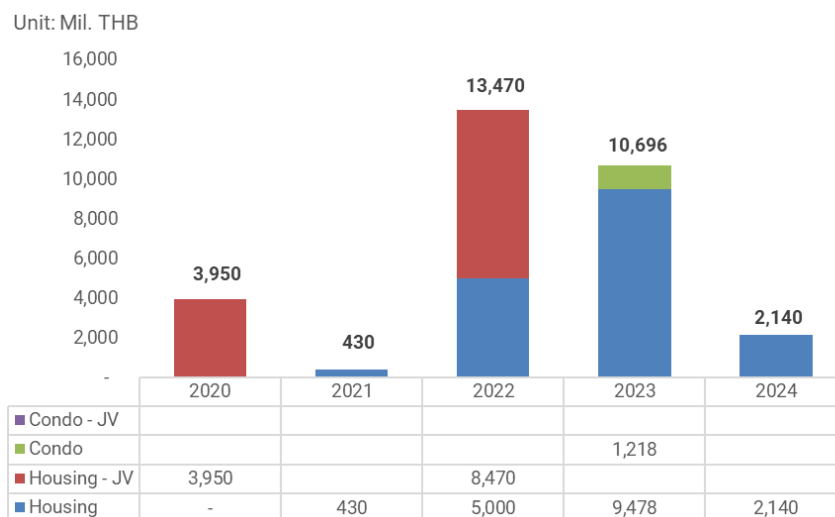
Source: PF

Chart 2: Transfers

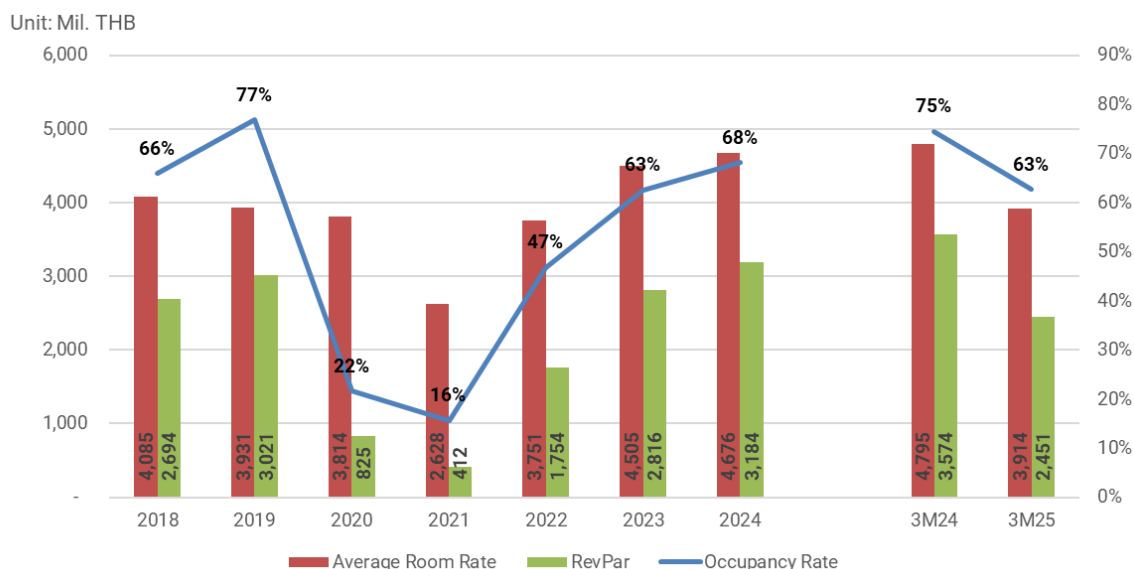


Source: PF

Chart 3: New Project Launches



Source: PF

Chart 4: Hotel Performance


Source: PF

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS *

Unit: Mil. THB

	Jan-Mar 2025	-----Year Ended 31 December -----			
		2024	2023	2022	2021
Total operating revenues	1,691	9,140	11,099	10,607	9,895
Earnings before interest and taxes (EBIT)	151	793	1,502	1,790	1,635
Earnings before interest, taxes, depreciation, and amortization (EBITDA)***	268	1,360	2,151	2,562	2,623
Funds from operations (FFO)	(318)	(1,305)	(602)	(145)	30
Adjusted interest expense	543	2,588	2,551	2,565	2,356
Real estate development investments	23,251	23,602	25,551	26,516	27,429
Total assets	44,654	45,516	53,222	54,348	52,023
Adjusted debt	25,616	25,809	30,316	30,172	31,657
Adjusted equity	12,387	12,719	14,537	15,459	13,321
Adjusted Ratios					
EBITDA margin (%)	15.8	14.9	19.4	24.2	26.5
Pretax return on permanent capital (%)	1.2 **	1.8	3.0	3.6	3.3
EBITDA interest coverage (times)	0.5	0.5	0.8	1.0	1.1
Debt to EBITDA (times)	24.3 **	19.0	14.1	11.8	12.1
FFO to debt (%)	(5.8) **	(5.1)	(2.0)	(0.5)	0.1
Debt to capitalization (%)	67.4	67.0	67.6	66.1	70.4

* Consolidated financial statements

** Annualized with trailing 12 months

*** EBITDA for 2021-2022 included gains on hotel disposal

RELATED CRITERIA

- Issue Rating Criteria, 26 December 2024
- Hybrid Securities: Equity Content and Credit Rating Criteria , 20 December 2024
- 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

Property Perfect PLC (PF)

Company Rating:	B-
Issue Rating:	
PF17PA: THB447.7 million subordinated capital debentures	C
CreditAlert:	Negative

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