

# AP (THAILAND) PLC

No. 2/2022

11 January 2022

## CORPORATES

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

**Last Review Date:** 12/07/21

### Company Rating History:

Date	Rating	Outlook/Alert
21/06/11	A-	Stable
12/07/10	BBB+	Positive
28/06/07	BBB+	Stable

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## RATIONALE

TRIS Rating affirms the company rating on AP (Thailand) PLC (AP) and the ratings on its outstanding senior unsecured debentures at “A-” with a “stable” rating outlook. At the same time, TRIS Rating assigns the rating of “A-” to AP’s proposed issue of up to THB1.5 billion senior unsecured debentures and an additional greenshoe portion of up to THB0.5 billion due within three years. The company plans to use the proceeds from the debenture issuance to repay some of its existing loans and fund business expansion.

The ratings reflect AP’s strong market position, its diverse product line, and strong operating performance resulting from revenue growth in the housing segment and substantial shared profits from joint-venture (JV) projects. The ratings also take into consideration the company’s moderate financial leverage, and the effects of the prolonged Coronavirus Disease 2019 (COVID-19) pandemic, which could lead to weakening demand for residential properties.

AP recorded strong operating performance in the first nine months of 2021 despite a resurgence of the COVID-19 pandemic. AP’s revenue rose 9.2% year-on-year (y-o-y) to THB24.5 billion. Given its wide-ranging product portfolio, revenues from the landed property segment increased by 22% y-o-y to reach THB22.5 billion, contributing 92% of total revenue. The remainder was derived from condominium sales and management fee and service income.

During the first ten months of 2021, AP’s projects (including projects under JV) generated presales of THB31.2 billion, increasing by 14.4% from the same period in 2020. Presales from landed property projects contributed 92% of total presales. As of October 2021, AP had a total backlog (including JV) worth THB34.5 billion. Around THB12 billion of the backlog is expected to be transferred in the remainder of 2021 and the rest in the next two years. The earnings before interest, tax, depreciation, and amortization (EBITDA) margin has held steady at 19%-20% over the past three years. We expect AP to keep its EBITDA margin in this range.

AP has moderately high financial leverage. The debt to capitalization ratio (including 51% of JV debts) at the end of September 2021 was 41.2%, down from 46.6% in 2020. The ratio of debt to EBITDA stood at 3.2 times while the funds from operations (FFO) to debt ratio was 23.3% in the first nine months of 2021, improving from 4.3 times and 17.6%, respectively, in 2020.

We assess AP to have adequate liquidity over the next 12 months. At the end of September 2021, the company’s liquidity sources comprised cash on hand of THB3.5 billion and available credit facilities of THB7.5 billion. AP’s FFO is expected to be in the THB3.2-THB3.5 billion range. AP’s uses of funds over the next 12 months will amount to THB5.6 billion, comprising repayments of THB0.1 billion for financial leases and THB5.5 billion for maturing debentures.

As of September 2021, AP had THB20.5 billion in total debt, of which THB1.2 billion was priority debt according to TRIS Rating’s “Issue Rating Criteria”. AP’s priority debts, which were secured debts at the company and subsidiary levels, translated into a ratio of priority debt to total debt of 6%. As the company’s priority debt ratio was below the threshold of 50%, we view that the company’s senior unsecured creditors are not significantly disadvantaged to its priority debt holders.

**CreditUpdate**, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company’s current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been “upgraded,” “downgraded,” “affirmed” or “cancelled.” The update includes information to supplement the previously published ratings.

Credit Updates are part of TRIS Rating’s monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

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**RATING OUTLOOK**

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The “stable” outlook reflects TRIS Rating’s expectations 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 our expectation that AP will maintain its prudent financial policies and keep its debt to capitalization ratio below 55% over the next three years. Its FFO to debt ratio is expected to stay at around 10%-15%.

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**RATING SENSITIVITIES**

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The ratings and/or outlook of AP could be revised downward should its financial profile deteriorate significantly from the current level or if the debt to capitalization ratio stays above 55% and FFO to debt ratio stays below 10% on a sustained basis. In contrast, the ratings could be revised upward if the company can improve its profitability while its debt to capitalization ratio declines to the 40%-45% range and FFO to debt ratio stays around 20% on a sustained basis.

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**RELATED CRITERIA**

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- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

**AP (Thailand) PLC (AP)**

<b>Company Rating:</b>	A-
<b>Issue Ratings:</b>	
AP221A: THB1,500 million senior unsecured debentures due 2022	A-
AP222A: THB500 million senior unsecured debentures due 2022	A-
AP228A: THB1,500 million senior unsecured debentures due 2022	A-
AP238A: THB1,230 million senior unsecured debentures due 2023	A-
AP238B: THB400 million senior unsecured debentures due 2023	A-
AP241A: THB2,500 million senior unsecured debentures due 2024	A-
AP247A: THB1,500 million senior unsecured debentures due 2024	A-
AP248A: THB770 million senior unsecured debentures due 2024	A-
AP257A: THB2,000 million senior unsecured debentures due 2025	A-
AP258A: THB850 million senior unsecured debentures due 2025	A-
AP261A: THB1,500 million senior unsecured debentures due 2026	A-
Up to THB1,500 million senior unsecured debentures and additional greenshoe portion of up to THB500 million due within 3 years	A-
<b>Rating Outlook:</b>	Stable

**TRIS Rating Co., Ltd.**

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