

GOLDEN LAND PROPERTY DEVELOPMENT PLC

No. 210/2023
25 October 2023

CORPORATES

Company Rating:	A
Issue Rating:	
Senior unsecured	A
Outlook:	Stable

Last Review Date: 20/10/22

Company Rating History:

Date	Rating	Outlook/Alert
14/10/21	A	Stable
17/09/19	A-	Stable
01/03/19	BBB+	Alert Positive
08/09/16	BBB+	Stable
02/09/15	BBB	Stable

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RATIONALE

TRIS Rating affirms the company rating on Golden Land Property Development PLC (GOLD) and the ratings on GOLD's existing senior unsecured debentures at "A", with a "stable" rating outlook. The ratings primarily reflect the company's status as a core subsidiary of Frasers Property (Thailand) PLC (FPT). The company rating on GOLD is equivalent to the company rating on FPT (rated "A/stable").

KEY RATING CONSIDERATIONS

Core subsidiary of FPT

TRIS Rating assess GOLD as a core subsidiary of FPT. The assessment is primarily based on the 99.5% ownership by FPT and its significant contribution to FPT in terms of revenue and earnings before interest, taxes, depreciation, and amortization (EBITDA). GOLD contributed around 70%-80% of FPT's total operating revenue during fiscal year (FY) 2018 to the first nine months of FY2023 (9MFY2023) while its EBITDA contribution was around 47% for 9MFY2023. In addition, GOLD's business portfolio, consisting of residential properties for sale, offices and retails for rent, and hotels, serves as an integral part of the group, supplementing FPT's inclusive real estate business portfolio.

Looking ahead, we expect GOLD to remain a major revenue contributor to the group over the forecast period. GOLD is expected to contribute around 80%-85% of FPT's total operating revenue and 50%-60% of FPT's EBITDA over the forecast period. In addition, as a core subsidiary, we expect the company to continue to receive strong business and financial supports from FPT.

Softer residential property operations but improvement anticipated

GOLD's revenues from real estate sales in 9MFY2023 were pressured by several external factors including weakened purchasing power among homebuyers, high levels of household debt, rising interest rates, and intense competition in the residential property market. Its revenue from real estate sales dropped 9% year-on-year (y-o-y) to around THB7.7 billion while its gross profit margin decreased to 29% for 9MFY2023, from 31% in the same period of last year. The weakened profitability was mainly due to the increased use of promotions to capture demand from homebuyers during a period of weak market sentiment and fierce competition.

In our base-case scenario, we project a 10% drop in GOLD's real estate sales to around THB10.8 billion for FY2023. Sales in the remaining quarter should partly be supported by backlog of around THB1.0 billion as of June 2023, all of which is expected to be recognized as revenue in FY2023. Real estate sales should then gradually recover by around 5% per annum during FY2024-FY2025 with revenue from residential property ranging from THB12-THB13 billion annually. We assume GOLD's gross profit margin on residential property sales to remain flat at around 29% in FY2023 given the current industry headwinds, and then recover to around 31%-32% during FY2024-FY2025.

Ongoing recovery of commercial property business

We anticipate the recovery in hotel performance will continue during FY2023-FY2025, driven by the return of foreign tourists. Our base-case scenario projects the average revenue per available room (RevPar) of each of GOLD's hotels to reach the pre-pandemic level by FY2025 in tandem with our expectation of tourism fully returning to normal.

However, GOLD's revenue from hotel operations could drop to around THB350-THB550 million per annum in FY2023-FY2025 following its decision to terminate the management contract of Mayfair Marriott in order to develop a new condominium project. Despite the forecast drop in hotel revenue as no replacement for Mayfair Marriott is planned, the gross profit margin for hotel operations could improve to around 40%-45% in FY2023-FY2025, surpassing the pre-pandemic level.

The office rentals segment should also improve but remain affected to a certain degree by new supply of office space and sluggish demand caused by the hybrid working model. These factors could continue to pressure both occupancy and rental rates. We expect the rental rate of FYI Center to stay flat while the occupancy rate should stay above 90% in FY2023-FY2025. After the expiry of the lease contract of "Golden Land Building" in August 2022, rental income from GOLD's new office and retail building "Silom Edge" should help maintain its rental revenue base during FY2023-FY2025. We project office and retail rental revenue to range from THB670-THB720 million per annum with an expected gross profit margin of around 40% during FY2023-FY2025.

Expected improvement in financial leverage

TRIS Rating expect GOLD's financial leverage to gradually decline following an improvement in its operations. The company's adjusted net debt to EBITDA ratio is expected to range from around 7-10 times while its funds from operations (FFO) to adjusted net debt is expected to be around 7%-9% during FY2023-FY2025. Its debt to capitalization ratio is expected to decline to 48%-52% over the next two-three years, from 54% as of June 2023.

We expect the company to launch new residential projects worth THB10-THB13 billion per annum during FY2023-FY2025. The budget for land acquisition is expected to be around THB3.0-THB3.5 billion per annum during the forecast period. We project the company's total operating revenue to range from THB12-THB14 billion per annum over the next three years. GOLD's EBITDA margin is forecast to remain in the 19%-22% range during FY2023-FY2025, translating to EBITDA of THB2.3-THB3.0 billion per annum over the forecast period.

The financial covenants on its bonds and bank loans require GOLD to maintain its interest-bearing debt (excluding lease liabilities) to equity ratio below 2 times. The ratio at the end of June 2023 was around 1 times. We believe that GOLD should have no problem complying with the financial covenants over the forecast period. GOLD's priority debt to total debt ratio at the end of June 2023 was around 33%.

Negative impact from interest rate hikes and more stringent LTV rules

The Bank of Thailand (BOT) has already raised the policy rate five times this year, in January, March, May, August, and September. We view that rising interest rates will affect not only the funding costs of developers but also the debt servicing capacity of homebuyers, especially those in the middle- to low-income segments. Rising interest rates could also dampen demand from investors as their expected returns would be eroded by higher funding costs. However, we do not expect the proportion of demand from investors and/or speculative demand to increase.

The reimposition of loan-to-value (LTV) rules could also soften housing demand in the short to medium term. In our view, the LTV rules will generally have a greater impact on the middle- and high-end segments since these buyers may have more than one mortgage contract. However, the impact of LTV measures on GOLD is likely to be alleviated to some extent due to the proportion of cash sales, especially for medium and premium products.

Adequate liquidity

We assess GOLD's liquidity over the next 12 months to be adequate. As of June 2023, the company had maturing debt over the next 12 months totaling THB4.8 billion (excluding THB5.8 billion of short-term loans from the parent company). This included THB2.3 billion of short-term loans from financial institutions, THB2.3 billion of long-term loans, and THB0.2 billion of lease liability.

As of June 2023, the company's sources of funds included THB0.5 billion of cash on hand, THB1 billion of undrawn committed credit facilities, and THB3.3 billion of undrawn uncommitted credit facilities. FFO is expected to be around THB1.5-THB1.9 billion per annum. GOLD also had unencumbered land banks at book value of THB2.1 billion and remaining finished units in debt-free residential projects totaling THB3.0 billion, which can be pledged as collateral for new loans (if needed).

BASE-CASE ASSUMPTIONS

These are our key assumptions for GOLD's operations during 2023-2025:

- New residential project launches worth THB10.4-THB13.4 billion per annum
- Annual budget for land acquisition to range from THB3.0-THB3.5 billion
- Total operating revenues to increase to THB12-THB14 billion per annum
- Average gross profit margin from all businesses of around 31%-33% and EBITDA margin of 19%-22%

RATING OUTLOOK

The “stable” outlook mirrors the outlook on the parent company and reflects our expectation that GOLD will maintain its status as a core subsidiary of FPT.

RATING SENSITIVITIES

The ratings and/or outlook on GOLD hinge not only on its operating performance but also on the financial position of the group. A stronger operating result and/or financial profile of the group will enhance the ratings on GOLD. On the contrary, the credit metrics on GOLD will be negatively affected if the group operating performance and/or financial profile significantly deviates from the target level and/or the linkage with FPT weakens materially.

COMPANY OVERVIEW

GOLD was founded in 1978 by the Srivikorn family and listed on the Stock Exchange of Thailand (SET) in 1994. GOLD’s major shareholders and key executives have changed several times during the past decades. In late 2012, Univentures PLC (UV) acquired a 50.64% stake in GOLD and became the major shareholder. At the beginning of 2016, GOLD increased its capital under a private placement to Frasers Property Holdings (Thailand) Co., Ltd. (FPHT). In August 2019, FPT acquired a 94.5% stake in GOLD and became the company’s major shareholder. Currently, FPT holds a 99.48% stake in GOLD. GOLD was delisted from the SET in August 2020.

GOLD has become a core subsidiary of FPT, undertaking the residential property for sale and commercial property for rent businesses. GOLD’s residential portfolio covers single detached house (SDH), semi-detached house, and townhouse units, covering all segments with unit prices ranging from THB2 million to more than THB60 million. Its existing commercial property assets include three office and retail buildings; FYI Center, Silom Edge, and Samyan Mitrtown, as well as three hotels; Mayfair Marriott, The Ascott Sathorn, and Modena.

Landed properties for sale have contributed around 90% of GOLD’s total operating revenues during the past five years. The revenue contribution from commercial property was 10% while revenues from other businesses remained negligible.

KEY OPERATING PERFORMANCE

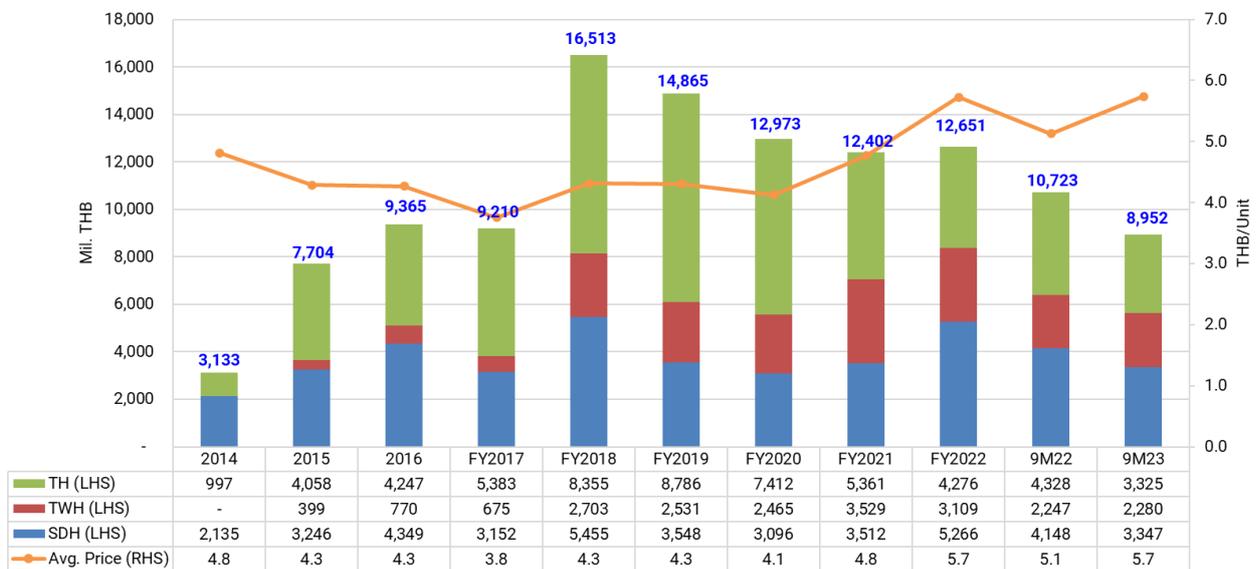
Table 1: Revenue Contribution by Business

Unit: % of total operating revenue

Revenue Contribution	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	Oct 2021- Jun 2022
Real estate sales	87	89	89	90	92	91	88
Office building for rent	7	6	6	6	4	4	6
Hotel operation	4	4	3	2	1	3	5
Management fee income	1	1	1	1	2	2	1
Other operating revenue	1		1	1	1		
Total operating revenue	100	100	100	100	100	100	100
Total operating revenue (mil. THB)	9,252	15,747	17,384	16,360	12,454	12,594	8,774

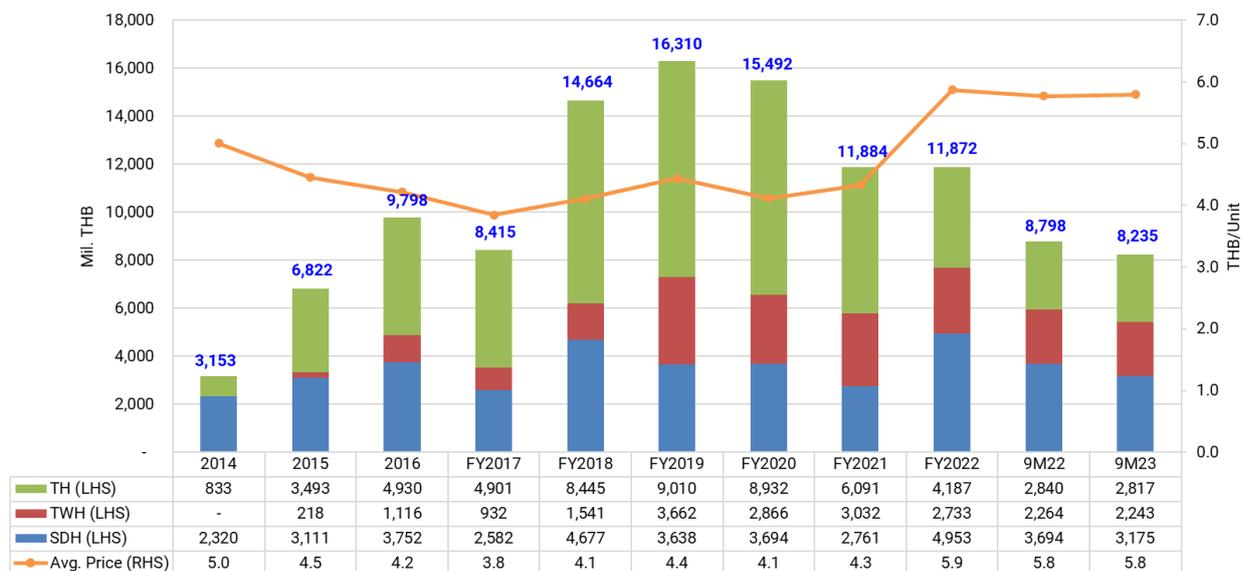
Source: GOLD

Chart 1: Presales



Source: GOLD

Chart 2: Transfers



Source: GOLD

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	Oct2022- Jun2023	-----Year Ended 30 September -----			
		FY2022	FY2021	FY2020	FY2019
Total operating revenues	8,774	12,594	12,454	16,360	17,384
Earnings before interest and taxes (EBIT)	1,350	2,222	1,327	2,286	2,837
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	1,742	2,803	2,218	3,333	3,621
Funds from operations (FFO)	1,044	1,659	1,381	1,949	2,325
Adjusted interest expense	498	676	509	805	641
Real estate development investments	34,497	33,661	32,359	32,878	31,078
Total assets	49,180	49,164	46,145	46,993	47,198
Adjusted debt	24,076	22,893	22,073	20,250	19,495
Adjusted equity	20,275	20,828	19,459	17,487	16,991
Adjusted Ratios					
EBITDA margin (%)	19.85	22.26	17.81	20.38	20.83
Pretax return on permanent capital (%)	4.49 **	5.15	3.29	5.98	8.38
EBITDA interest coverage (times)	3.50	4.14	4.35	4.14	5.65
Debt to EBITDA (times)	9.54 **	8.17	9.95	6.07	5.38
FFO to debt (%)	6.14 **	7.25	6.26	9.62	11.93
Debt to capitalization (%)	54.29	52.36	53.15	53.66	53.43

* Consolidated financial statements

** Annualized with trailing 12 months

RELATED CRITERIA

- Homebuilders and Real Estate Developers Rating Methodology, 12 January 2023
- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

Golden Land Property Development PLC (GOLD)

Company Rating:	A
Issue Rating:	
GOLD252A: THB1,500 million senior unsecured debentures due 2025	A
Rating Outlook:	Stable

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