TRIS RATING
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CreditNews ข่าวเครดิต

PRE-BUILT PLC

No. 26/2025
20 March 2025

CORPORATES

Company Rating:	BBB-
Issue Rating:	
Senior unsecured	BBB-
Outlook:	Stable

Last Review Date: 22/02/24

Company Rating History:

Date	Rating	Outlook/Alert
11/04/17	BBB	Stable
30/06/14	BBB-	Stable

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RATIONALE

TRIS Rating downgrades the company rating on Pre-Built PLC (PREB) to “BBB-” from “BBB” with a “stable” rating outlook. At the same time, TRIS Rating assigns a rating of “BBB-” to PREB’s proposed issue of up to THB500 million senior unsecured debentures due within three years. Proceeds from the new debentures will be used to repay some of the company’s existing loans and/or fund its working capital.

The rating downgrade reflects the company’s lower earnings and higher leverage than targeted. The decreased operating performance is mainly due to cost overruns on several construction projects and weak demand in the residential property market. Due to the stagnant demand, PREB intends to prioritize its construction business and scale down its residential property operations. Thus, its business scale is likely to remain modest over the next two to three years.

The ratings continue to reflect the company’s established track record in the construction of high-rise buildings and its manageable liquidity. The ratings also factor in the cyclical risks inherent in the engineering and construction (E&C) as well as residential property sectors.

KEY RATING CONSIDERATIONS

Weaker-than-expected operating performance

PREB’s operating performance in 2023-2024 fell short of TRIS Rating’s expectations. Although its revenue increased by 5% year-over-year (y-o-y) to THB5.1 billion in 2024, the overall gross margin dropped sharply to 7.7%, down from the 11.5%-13.1% range of the past three years. The decline was primarily driven by weaker margins in both the E&C and residential property segments. Meanwhile, selling and administrative expenses remained largely unchanged. As a result, PREB’s EBITDA fell to THB307 million, representing a decline of 11% from 2023 and 45% from 2022.

The gross margin of PREB’s E&C business fell to 5.4%, compared with 7.2%-9.3% in previous years, due to delays and cost overruns in several projects. The gross margin of the residential property business plunged to 11%, down from the 22%-32% range in the past three years, reflecting discount pricing strategies to drive sales. Sales of the building materials fell by over 30% y-o-y due to lower demand for precast products in housing construction. However, the gross margin for this business improved to 25.3% from around 20%, driven by increased sales of glass fibre reinforced concrete products.

Business scale to remain modest

We expect PREB’s business scale to remain modest over the next two to three years. In our base-case forecast for 2025-2027, we project PREB’s total annual revenue to range from THB5.5-THB5.8 billion. Revenue from the E&C business will continue to account for more than 80% of total revenue as the company does not plan to launch any of its own housing projects in the near term. Revenue from the E&C business will be supported by the company’s moderate backlog. At the end of 2024, the backlog stood at THB9.2 billion. This backlog will mostly be recognized as revenue over the next two years. Consequently, revenue from the construction business is expected to range from THB4.5-THB4.8 billion per annum, while revenues from the residential property and construction material businesses are forecast to be THB450-THB550 million annually for both businesses.

We expect a gradual improvement in PREB's profitability as low-margin E&C project backlog is phased out. The gross margin for the E&C business is expected to improve and stabilize at around 8%-9% over the next two to three years, while the gross margin for construction material sales is expected to remain steady at 22%-24%. Meanwhile, with a slow recovery in demand for housing, the gross margin of the residential property business is expected to be around 14%, which is still significantly lower than historical levels. Consequently, PREB's EBITDA margin is expected to sustain at 6%-7%, resulting in an EBITDA of around THB330-THB350 million and funds from operations (FFO) of THB230-THB250 million per year during the forecast period.

Established track record in high-rise building construction

PREB's business profile reflects its established track record in the construction of high-rise buildings in various segments, including residential properties, commercial properties, hotels, and industrial projects. Its construction projects mainly target the Bangkok Metropolitan Area (BMA). The company is known for its reliable and on-schedule project delivery. PREB's customer base largely comprises leading property developers, most of which are listed on the Stock Exchange of Thailand (SET).

Despite a slowdown in the residential property segment, PREB successfully secured new construction contracts worth THB5.1 billion in 2024 and THB6.7 billion in 2023, driving up backlog to THB9.2 billion by the end of 2024, a significantly increase from the low of THB5.1 billion in 2022. The company's backlog comprises projects across various sectors, including condominiums, offices, hotels, and hospitals. However, its backlog remains highly concentrated, with the top six clients accounting for 84% of the total backlog. Looking ahead, due to the ongoing recovery in the commercial property segment, PREB expects to secure new contracts worth around THB3.5-THB4.0 billion per annum over the next two to three years.

Moderate financial leverage

We forecast PREB's debt to capitalization ratio, including joint venture (JV) debts on a proportionate basis, will range between 25%-35% over the next three years. At the end of December 2024, the ratio stood at 35.3%, down from 41.8% in 2023. The debt to capitalization ratio decreased after the company sold a land plot on Sukhumvit 24 Road for THB1.2 billion to a JV in 2024. PREB holds 40% in the JV while Elysian Park Co., Ltd. (ELYSIAN) holds the rest. PREB has no plans to launch new landed property projects in 2025, while condominium projects will be developed under JVs.

Due to its weaker-than-expected performance, PREB's debt to EBITDA ratio was 4.5 times in 2024 and 5.3 times in 2023, exceeding our threshold of 3.5 times for a rating downgrade. We expect PREB's debt to EBITDA ratio to remain above 3.5 times for at least the next two years, considering the company's proportionate debt of 40% from the JV with ELYSIAN.

Under PREB's bank loan covenants, the company must maintain its total liability to equity ratio below 2.5 times. As of December 2024, this ratio was 1.4 times. For new debentures, the covenant requires an interest-bearing debt to equity ratio below 2 times. The ratio was 0.5 times at the end of 2024. We believe the company should have no difficulty complying with the financial covenants on its debt obligations over the next 12-18 months.

Manageable liquidity

We assess PREB's liquidity as manageable over the next 12 months. PREB's liquidity uses over the next 12 months will include bond repayments amounting to THB437.2 million, bank loans of THB175 million, capital expenditures of THB40-THB60 million, working capital requirements of THB300-THB350 million, and dividend payments of around THB62 million.

As of 31 December 2024, PREB's sources of funds included THB491 million in cash on hand, plus undrawn committed credit facilities from banks of THB230 million. FFOs over the next 12 months are forecast at THB230 million. In addition, the company plans to refinance its matured debentures with new bond issuances.

Debt structure

As of December 2024, PREB's consolidated debt, excluding lease liabilities, amounted to THB1.3 billion. Of this, THB0.3 billion was priority debt, comprising secured debt held by PREB and all borrowings undertaken by its subsidiaries. The priority debt to total debt ratio was 23%.

BASE-CASE ASSUMPTIONS

- New signed construction contracts worth THB3.5-THB4.0 billion per year during 2025-2027.
- Total revenues in the range of THB5.5-THB5.8 billion yearly.
- Residential property sales projected at THB450-THB550 million annually for 2025-2027.
- Construction material sales of THB500 million per year.
- EBITDA margin in the range of 6%-7%.

- No budget for land acquisition in 2025-2027.

RATING OUTLOOK

The “stable” rating outlook reflects our expectation that PREB will maintain its competitive position in the E&C business. We anticipate that PREB’s operating performance and financial leverage will align with our forecast, with its debt to EBITDA ratio staying below 5 times for the next three years.

RATING SENSITIVITIES

A rating upgrade is unlikely in the near term. However, a significant improvement in revenue and profitability, together with prudent leverage management, could positively impact PREB’s ratings. Conversely, the ratings and/or outlook could be revised downward if PREB’s operating performance weakens significantly and/or the company invests heavily in residential property projects, causing its debt to EBITDA ratio to rise above 5 times on a sustained basis.

COMPANY OVERVIEW

PREB was established in 1995 by the Charoentra Family, AP (Thailand) PLC (AP), and the Quest Capital Group. The company is a general contractor focusing on the construction of high-rise buildings for private-sector clients. PREB was listed on the SET in 2005. As of May 2024, the founding Charoentra Family was the company’s largest group of shareholders, owning 26.3% of the total shares.

PREB also has the capability to build industrial plants and public works (infrastructure projects) as well as take on system and design work. However, the company remains focused on the construction of residential property projects. PREB’s customer base largely comprises reputable property developers, most of which are listed on the SET.

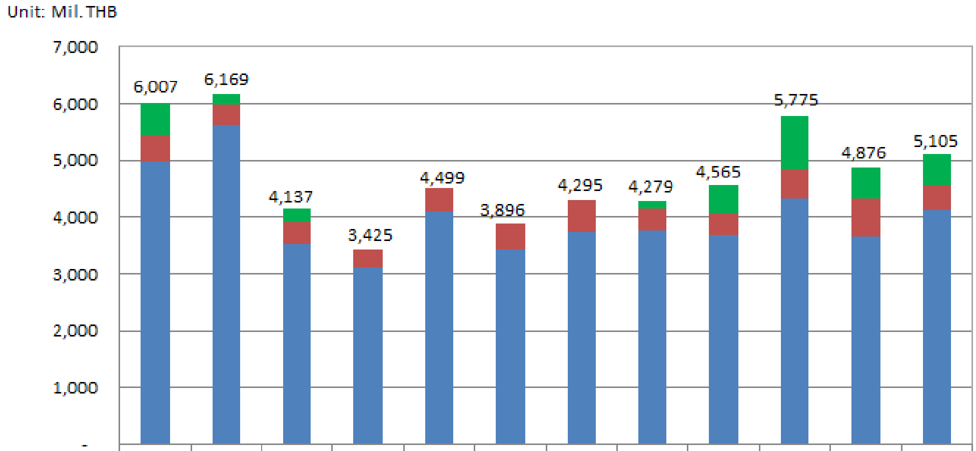
PREB expanded into the production and distribution of construction materials in 2004, through a wholly-owned subsidiary, PCM Construction Material Co., Ltd. (PCM), under the “PCM” brand. PCM produces precast concrete. In 2009, PREB established a wholly-owned subsidiary, Built Land Co., Ltd., to develop residential properties including condominium and townhouse projects. PREB’s expansion into the property development segment was a strategic move aimed at ramping up revenue and profitability.

In 2017, PREB made a significant change in strategy by divesting Built Land for around THB900 million. PREB recorded a gain of THB289 million from the divestiture, leaving the company with a debt-free balance sheet and a considerable amount of cash.

PREB re-entered the property development business in March 2017 with the establishment of Pre-Built Holding Co., Ltd. (PBH), a wholly-owned investment vehicle. PBH develops residential property projects through JVs with other property developers. PBH started developing residential property projects in mid-2017. In the meantime, PREB has set up Prebuilt Development Co., Ltd. (PBD) to develop its own property projects. PBD’s current projects comprise one condominium project in the Sukhumvit area and four landed property projects, with a combined value of around THB3.0-THB3.5 billion. The construction segment has contributed 75%-80% of PREB’s total revenue over the past five years.

KEY OPERATING PERFORMANCE

Chart 1: Revenue Breakdown

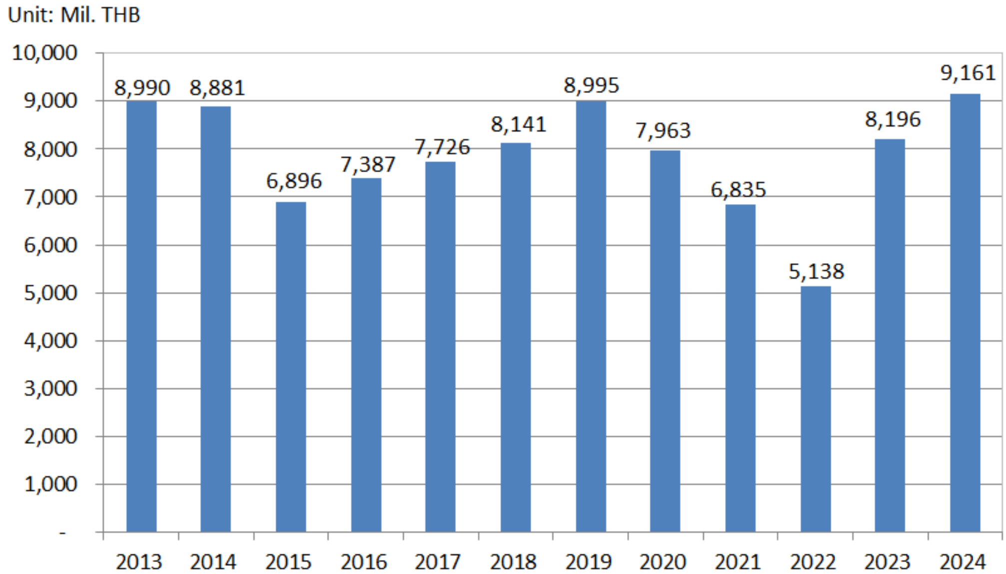


	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Residential property	577	194	234	0	0	0	0	128	489	918	548	536
Sales of construction materials	451	357	366	309	408	469	559	392	389	520	663	443
Construction	4,979	5,618	3,538	3,117	4,091	3,427	3,736	3,759	3,687	4,337	3,665	4,126

Source: PREB

Note: Restated in 2016 and 2017

Chart 2: Backlog as of Dec 2024



Source: PREB

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

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	2024	**2023**	**2022**	**2021**	**2020**
Total operating revenues	5,112	4,883	5,789	4,580	4,294
Earnings before interest and taxes (EBIT)	232	272	472	362	242
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	307	345	554	460	350
Funds from operations (FFO)	171	199	409	311	248
Adjusted interest expense	95	102	60	53	60
Capital expenditures	31	25	44	25	35
Total assets	6,199	6,949	6,330	6,191	5,936
Adjusted debt	1,388	1,822	1,524	841	895
Adjusted equity	2,543	2,534	2,519	2,309	2,191
Adjusted Ratios					
EBITDA margin (%)	6.0	7.1	9.6	10.0	8.2
Pretax return on permanent capital (%)	4.8	5.5	10.6	8.3	5.6
EBITDA interest coverage (times)	3.2	3.4	9.2	8.7	5.8
Debt to EBITDA (times)	4.5	5.3	2.8	1.8	2.6
FFO to debt (%)	12.3	10.9	26.8	37.0	27.7
Debt to capitalization (%)	35.3	41.8	37.7	26.7	29.0

* *Consolidated financial statements*

RELATED CRITERIA

- Issue Rating Criteria, 26 December 2024
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

Pre-Built PLC (PREB)

Company Rating:	BBB-
Issue Rating:	
Up to THB500 million senior unsecured debentures due within 3 years	BBB-
Rating Outlook:	Stable

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