

# BRITANIA PLC

No. 67/2023  
24 April 2023

## CORPORATES

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

Last Review Date: 16/09/22

### Rating History:

Date	Rating	Outlook/Alert
20/07/22	BBB	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Britania PLC (BRI) and the ratings on its senior unsecured debentures at “BBB” with a “stable” rating outlook. The ratings incorporate a stand-alone credit profile (SACP) of BRI at “bbb-” and a rating uplift of one notch to reflect BRI’s status as a highly strategic subsidiary of Origin Property PLC (ORI, rated “BBB+/stable”).

BRI’s SACP reflects the company’s evolving brand recognition as well as its growing revenue in the landed property market. These strengths are partly offset by the company’s short track record, limited scope of business, and high financial leverage caused by the company’s aggressive expansion. The ratings also take into consideration our concerns over the reimposition of the loan-to-value (LTV) rules and interest rate hikes which could negatively impact demand for housing in the short to medium term.

## KEY RATING CONSIDERATIONS

### Highly strategic subsidiary of ORI

TRIS Rating assesses BRI as a highly strategic subsidiary of ORI. BRI was set up in 2016 as a wholly owned subsidiary of ORI to develop landed property projects. Since the initial public offering (IPO) in December 2021, ORI has maintained a 70% stake in BRI. ORI has no plan to reduce its shareholding in BRI in the short to medium term.

Despite its relatively limited scope of business, BRI’s products are in line with and complement the residential property business of the group. Under ORI’s strategy, BRI will act as the flagship for the group’s landed property development business while ORI will focus on condominiums and other property-related businesses.

BRI has contributed significant revenues and earnings to ORI. Its revenues were THB5.9 billion in 2022, accounting for 40% of ORI’s total revenues. Its earnings before interest, taxes, depreciation, and amortization (EBITDA) accounted for 35% of ORI’s EBITDA in 2022.

### Growing brand recognition

BRI’s market position in the landed property segment has improved rapidly despite its rather short presence in the market, compared with other rated developers. Revenues have grown steadily from less than THB1 billion in 2018 to THB5.9 billion in 2022. Its products cover various pricing segments, ranging from entry level to luxurious. Its housing brands like “Brighton” and “Britania” target the entry to mid-price segments while the “Grand Britania” and “Belgravia” brands target the high to luxury price segments.

Since its inception, the company has developed 25 owned projects and five projects under joint ventures (JVs), worth THB36.4 billion in total. At the end of 2022, BRI had total units available for sale (both built and un-built) worth around THB20 billion. Based on the remaining units available for sale and the sizable value of new landed property projects in the pipeline, BRI’s revenue is forecast to grow to THB7.5 billion in 2023 and increase to THB8.5 billion per annum in 2024 and 2025. With this growth trajectory, we expect BRI to remain a major earnings contributor to ORI in the short to medium term.

### Aggressive expansion may lead to higher financial leverage

BRI launched nine projects worth THB12 billion in 2022, including five projects

worth THB8.9 billion being developed under the JVs. Its JV partners include landowners and foreign investors including Nomura Real Estate Development Co., Ltd. (NRED) and Lofis (Thailand) Co., Ltd. BRI holds a 51% stake in the JV projects while partners hold 49%. In our view, developing projects under JVs helps BRI enlarge its portfolio without a substantial requirement for capital. The company also gains from the sale of shares to its partners and earns recurring income from project management fees.

Looking ahead, we assume that BRI will continue to pursue its aggressive growth path. In our base-case forecast, we assume that BRI will launch landed property projects worth THB22.5 billion in 2023 and THB11-THB13 billion per annum in 2024-2025. The budget for land acquisition is projected to be THB4.0-THB4.5 billion per annum during 2023-2025. Construction costs are expected to make up around 40%-45% of the project value. We assume that more than 80% of new projects will be developed under BRI. Thus, BRI's debt to capitalization ratio could rise from 51.9% at the end of 2022 to around 55%-60% over the next three years. The financial covenants on its bank loans and debentures require BRI to maintain its net interest-bearing debt to equity ratio below 2.5 times. The ratio at the end of 2022 was 1.03 times. We believe the company should have no problem complying with the financial covenants over the next 12 to 18 months. Its funds from operations (FFO) to debt ratio is expected to range from 10%-15% while its debt to EBITDA ratio should range from around 3.5-4.5 times over the forecast period.

At the end of 2022, BRI's debt stood at THB6 billion, comprising THB2 billion of bank loans, THB1.5 billion of debentures, and THB2.5 billion of short-term loans from ORI. Proportionated debts from JVs were THB593 million. Its priority debt, mainly secured debt at the company, was THB2 billion. BRI's priority debt to total debt ratio at the end of 2022 was 33%.

### **Reimposition of LTV rules and interest rate hikes could negatively impact housing demand**

The reimposition of LTV rules and rising interest rates could dampen housing demand in the short to medium term. From January 2023, banks need to cap LTV at 80%-90% for second mortgage contracts and at 70% for third mortgage contracts. In our view, the LTV rules will have greater impact on the mid- to high-end housing segments since these buyers may have more than one mortgage contract. On the other hand, rising interest rates will have a greater impact on the debt servicing capacity of homebuyers, especially those in the lower-income segment. Interest rate hikes will also affect the funding costs of developers. However, given the easing pressure from both foreign exchange and inflation, we expect the Bank of Thailand (BOT) to raise the policy rate by only 50 basis points (bps) in 2023. The BOT has already raised the policy rate twice this year, by 25 bps in January 2023 and by another 25 bps in March 2023.

### **Manageable liquidity**

We assess BRI's liquidity as manageable. BRI's sources of funds comprised cash on hand of THB984 million at the end of December 2022. We forecast FFO over the next 12 months at THB1.1-THB1.2 billion. Debt due over the next 12 months includes project loans amounting to THB1.3 billion and short-term loans amounting to THB2.5 billion from ORI. We expect the project loans to be repaid with internally generated cash from the transfers of residential units. Short-term loans from the parent company are in the form of unsecured loans and payable at call. In our view, ORI will continue to provide financial support to BRI if necessary.

### **BASE-CASE ASSUMPTIONS**

- BRI will launch landed property projects in 2023 worth THB22.5 billion, comprising its own projects worth THB19.4 billion and JV projects worth THB3.1 billion. The company will launch new landed property projects worth THB11-THB13 billion per annum in 2024 and 2025.
- Revenue will be THB7.5-THB8.5 billion per annum during 2023-2025. Shared profits from JV projects will remain small in 2023-2024 but increase to around THB120 million in 2025.
- Gross profit margin to be 30%-31% and EBITDA margin to be 23%-25%.
- Land acquisition, including land for JV projects, is budgeted at THB4.0-THB4.5 billion yearly over the next three years.

### **RATING OUTLOOK**

The "stable" outlook reflects our expectation that BRI will maintain its group status as a highly strategic subsidiary of ORI. Despite its aggressive expansion plan, we expect BRI to maintain good operating performance, keeping its debt to capitalization ratio below 60%, and its FFO to debt ratio in the 10%-15% range over the next three years.

### **RATING SENSITIVITIES**

Due to its group status as a highly strategic subsidiary of ORI, the ratings on BRI are capped by the company rating on ORI. The ratings could be upgraded should the company rating on ORI be upgraded or the company rating on BRI is revised upward by more than one notch. On the contrary, the ratings could be downgraded should the company rating on ORI be

revised down by more than two notches. In addition, the ratings could be revised upward/downward should its group status as a subsidiary of ORI change.

## COMPANY OVERVIEW

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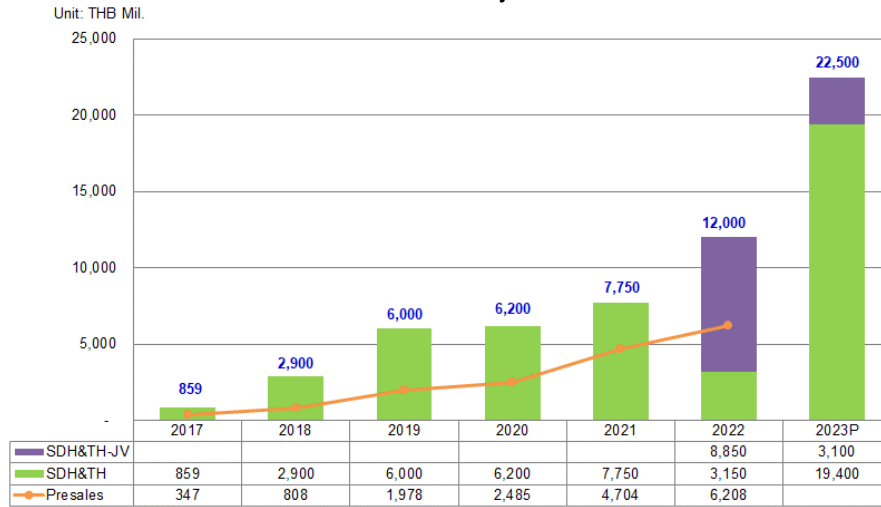
BRI is a residential property developer, focusing on developing landed property projects. BRI was set up in 2016 by Origin Property PLC (ORI). The company became a public company in July 2021 and was listed on the Stock Exchange of Thailand (SET) in December 2021. After the initial public offering, ORI continued to be BRI's largest shareholder, holding a 70% stake in the company as of March 2023.

BRI focuses on the landed property development business. The company's housing projects are developed under the "Britania", "Grand Britania", and "Belgravia" brands, with unit prices from THB4-THB50 million. Its townhouse projects are developed under brand names like "Brighton", with selling prices of THB2.5-THB4.0 million per unit. Most of its landed property projects are located in Bangkok and its vicinity. The company recently expanded to upcountry markets such as Chonburi, Rayong, Khon Kaen, Udon Thani, Samut Prakan, and Ayutthaya.

BRI has increased its launches of landed property projects by joining hands with strategic partners in JVs. By the end of 2022, BRI had developed eight projects under JVs with a total project value of THB12 billion. The major partners are Nomura Real Estate Development Co., Ltd. (NRED), a Japanese property developer, and Lofis (Thailand) Co., Ltd., a Hong Kong-based investment firm. BRI holds a 51% stake in the JV projects while partners hold 49%.

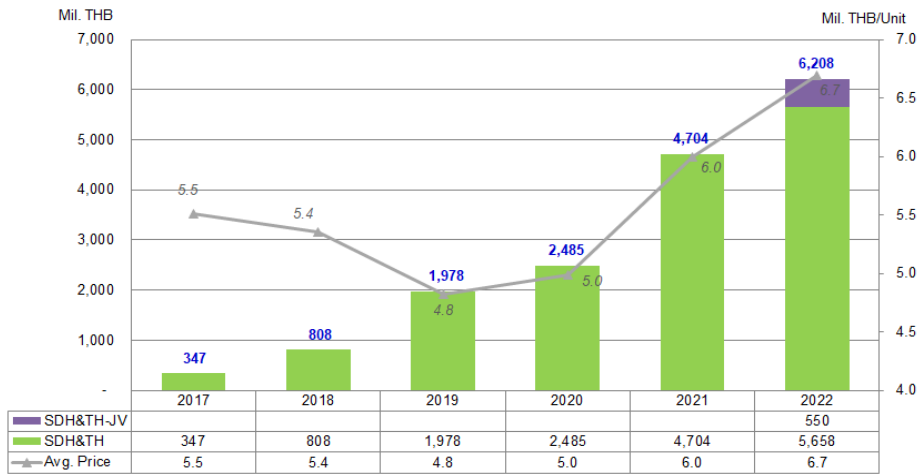
**KEY OPERATING PERFORMANCE**

**Chart 1: Residential Project Launches**



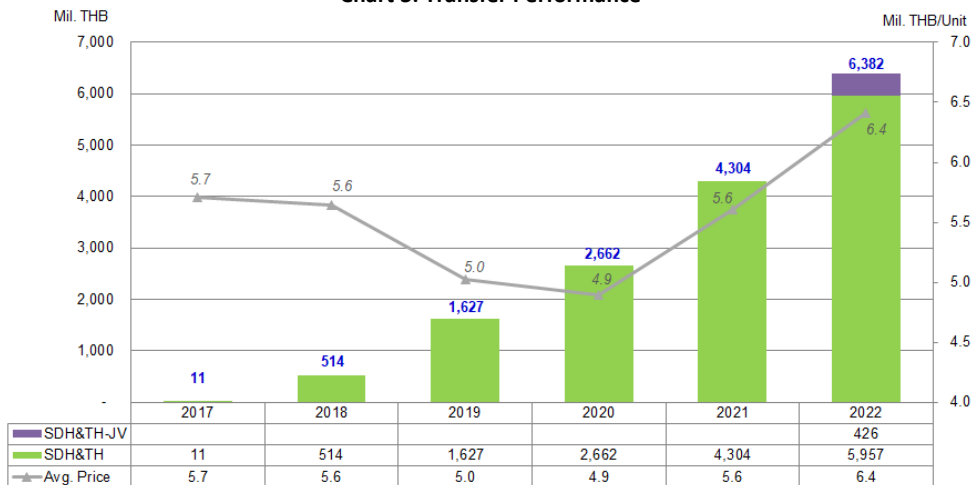
Source: BRI

**Chart 2: Presales Performance**



Source: BRI

**Chart 3: Transfer Performance**



Source: BRI

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\*

Unit: Mil. THB

	-----Year Ended 31 December -----				
	2022	2021	2020	2019	2018
Total operating revenues	5,874	3,815	2,342	1,561	515
Earnings before interest and taxes (EBIT)	2,101	924	524	310	109
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	2,110	930	529	311	109
Funds from operations (FFO)	1,462	573	245	142	91
Adjusted interest expense	177	208	193	114	0
Real estate development investments	9,049	7,905	6,758	4,982	1,268
Total assets	12,843	9,116	7,035	5,252	1,568
Adjusted debt	5,239	3,830	4,644	3,834	1,011
Adjusted equity	4,863	3,386	928	478	189
<b>Adjusted Ratios</b>					
EBITDA margin (%)	35.92	24.39	22.61	19.94	21.16
Pretax return on permanent capital (%)	21.65	13.56	10.41	10.93	12.58
EBITDA interest coverage (times)	11.94	4.48	2.74	2.74	1,558.09
Debt to EBITDA (times)	2.48	4.12	8.77	12.32	9.27
FFO to debt (%)	27.92	14.96	5.28	3.71	8.98
Debt to capitalization (%)	51.86	53.07	83.35	88.91	84.25

\* Consolidated financial statements

## 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

**Britania PLC (BRI)**

<b>Company Rating:</b>	BBB
<b>Issue Ratings:</b>	
BRI24NA: THB505.1 million senior unsecured debentures due 2024	BBB
BRI25NA: THB994.9 million senior unsecured debentures due 2025	BBB
Up to THB1,500 million senior unsecured debentures due within 3 years	BBB
<b>Rating Outlook:</b>	Stable

**TRIS Rating Co., Ltd.**

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