

FRASERS PROPERTY THAILAND INDUSTRIAL FREEHOLD AND LEASEHOLD REIT

No. 100/2021
3 December 2021

CORPORATES

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

Last Review Date: 31/05/21

Company Rating History:

Date	Rating	Outlook/Alert
23/04/18	A	Stable

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RATIONALE

TRIS Rating affirms the company rating on Frasers Property Thailand Industrial Freehold and Leasehold REIT (FTREIT or trust) and the issue ratings on FTREIT's outstanding senior unsecured debentures at "A" with a "stable" rating outlook. At the same time, TRIS Rating assigns the rating of "A" to FTREIT's proposed issue of up to THB1 billion senior unsecured debentures due within 10 years. The proceeds from the new debentures will be used to refinance some of the trust's existing debts.

The ratings reflect the trust's strong market position, well-diversified portfolio, solid cash flow protection, and moderate financial leverage. The ratings also take into consideration our concerns over the trust's relatively short lease terms with tenants and the prolonged Coronavirus Disease 2019 (COVID-19) pandemic, which may put pressure on the demand and renewal rate for industrial properties.

FTREIT's operating performance in fiscal year (FY) 2021 was in line with our forecast. Despite the impact of the COVID-19 pandemic, the trust was able to maintain a satisfactory average occupancy rate (OR) (with undertaking) of 85.4% during FY2021. Operating revenue rose by 12% year-on-year (y-o-y) to THB3.41 billion, mainly from the acquisition of new assets with high OR. The earnings before interest, tax, depreciation, and amortization (EBITDA) margin stood at 79%. We expect the trust to maintain its OR above 80% with an EBITDA margin of not less than 70% over the next couple of years.

We expect FTREIT to maintain its financial leverage at a moderate level over the next few years, with a loan to fair value of total assets ratio (LTV) not higher than 30%, based on the trust's policy. The trust recently acquired THB800 million in new assets in September 2021 with 100% debt funding. As a result, the LTV ratio stood at 25% at the end of FY2021. The financial covenant on FTREIT's debt obligations requires the trust to keep its LTV ratio below 60% and its EBITDA interest coverage ratio above 5 times. The ratios at the end of September 2021 were 25% and 7 times, respectively.

As of September 2021, FTREIT's outstanding debt was THB11.58 billion, comprising debentures of THB9.04 billion, long-term loans of THB1.74 billion, and short-term borrowings of THB800 million. All debts were unsecured debts. FTREIT has a series of debt repayments due in the years ahead, including THB2.1 billion in FY2022, THB500 million in FY2023, THB1.85 billion in FY2024 and THB7.13 billion thereafter. The trust intends to use the proceeds from these new debentures to refinance THB1 billion of bonds due in December 2021 and plans to refinance these remaining bullet repayments with debentures issuance and/or bank borrowings. We believe the trust should be able to refinance its debts, given its ability to access the capital market, good relationship with financial institutions, and strong support from its sponsor.

RATING OUTLOOK

The "stable" outlook reflects our expectation that FTREIT's property portfolio will continue to generate stable cash flows and maintain the level of OR above 80% with an EBITDA margin above 70% over the next three years. TRIS Rating also expects the trust to keep the LTV ratio below 30% and the debt to EBITDA ratio at around 4.5-5.5 times.

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.

RATING SENSITIVITIES

We could lower the ratings if the OR drops significantly below expectations and/or larger-than-anticipated debt-funded acquisitions cause the debt to EBITDA ratio to stay above 6 times for a prolonged period. On the contrary, we would consider an upgrade on the ratings if FTREIT increases its cash flow generation or improves its capital structure meaningfully, causing its debt to EBITDA ratio to stay below 3 times on a sustained basis.

RELATED CRITERIA

- Rating Methodology for Real Estate for Rent Companies, 15 July 2021
- Key Financial Ratios and Adjustments, 5 September 2018

Frasers Property Thailand Industrial Freehold and Leasehold REIT (FTREIT)

Company Rating:	A
Issue Ratings:	
TREIT21DA: THB1,000 million senior unsecured debentures due 2021	A
TREIT226A: THB300 million senior unsecured debentures due 2022	A
FTREIT238A: THB500 million senior unsecured debentures due 2023	A
TREIT244A: THB1,000 million senior unsecured debentures due 2024	A
FTREIT246A: THB850 million senior unsecured debentures due 2024	A
TREIT256A: THB380 million senior unsecured debentures due 2025	A
FTREIT266A: THB700 million senior unsecured debentures due 2026	A
FTREIT268A: THB500 million senior unsecured debentures due 2026	A
FTREIT274A: THB450 million senior unsecured debentures due 2027	A
TREIT286A: THB1,260 million senior unsecured debentures due 2028	A
FTREIT286A: THB700 million senior unsecured debentures due 2028	A
TREIT28DA: THB600 million senior unsecured debentures due 2028	A
FTREIT304A: THB550 million senior unsecured debentures due 2030	A
FTREIT316A: THB250 million senior unsecured debentures due 2031	A
Up to THB1,000 million senior unsecured debentures due within 10 years	A
Rating Outlook:	Stable

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