

WHA PREMIUM GROWTH FREEHOLD AND LEASEHOLD REAL ESTATE INVESTMENT TRUST

No. 38/2023

31 March 2023

CORPORATES

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

Last Review Date: 31/01/23

Company Rating History:

Date	Rating	Outlook/Alert
26/01/18	A	Stable

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RATIONALE

TRIS Rating affirms the company rating on WHA Premium Growth Freehold and Leasehold Real Estate Investment Trust (WHART or “trust”) and the ratings on its existing senior unsecured debentures at “A”, with a “stable” rating outlook. At the same time, we assign the rating of “A” to WHART’s proposed issue of up to THB1 billion senior unsecured debentures due within seven years. The proceeds from the new debentures will be used to refinance debentures coming due in May 2023.

The ratings reflect the trust’s growing revenue and earnings base supported by regular new asset acquisitions, robust cash-flow protection, and moderate financial leverage. However, the ratings are partially constrained by tenant concentration risk and lease renewal risk. The ratings also take into consideration our concerns over the prospect of global economic slowdown which may put pressure on the occupancy and rental rates of industrial properties.

WHART’s operating performance was in line with our forecast. The trust maintained an average occupancy rate (OR) (with undertaking) of above 90% in 2022. WHART’s operating revenue grew consistently mainly from frequent asset enhancement with high OR. Its operating revenue in 2022 rose by 23% year-on-year (y-o-y) to THB3.2 billion. The earnings before interest, tax, depreciation, and amortization (EBITDA) margin stood at 91%. We expect the trust to maintain an OR of not less than 90% with an EBITDA margin of around 90% over the next three years.

As of December 2022, WHART had debts of THB13.6 billion, comprising THB9.1 billion debentures and THB4.5 billion long-term loans. The trust had secured debt of THB1.4 billion. As the trust’s secured debt to fair value of total assets ratio was only 2.67%, we view that WHART’s unsecured creditors are not significantly disadvantaged with respect to claims against the trust’s assets. WHART has a series of debt repayments due in the years ahead, including THB3.6 billion due in 2023, THB3.45 billion in 2024, THB2.6 billion in 2025, and THB3.95 billion due thereafter. The trust should be able to refinance its debts, given its ability to access the capital market, good relationships with financial institutions, and strong support from its sponsor.

The financial covenant on WHART’s loan obligations requires the trust to maintain its loan to fair value of total assets (LTV) ratio below 35% and an interest-bearing debt to EBITDA ratio of less than 5.5 times. The ratios at the end of December 2022 were 27.6% and 4.7 times, respectively. We expect its LTV (including lease liabilities) to remain below 30% over the next three years, based on the trust’s financial policy.

RATING OUTLOOK

The “stable” outlook reflects our expectation that WHART’s property portfolio will continue to generate steady cash flow with an average OR above 90% and an EBITDA margin above 90% over the next three years. We also expect the trust to keep its LTV ratio below 30% in accordance with the trust’s policy and its debt to EBITDA ratio at around 4-4.5 times.

RATING SENSITIVITIES

We could lower the ratings if the trust's OR drops significantly below our expectations and/or larger-than-anticipated debt-funded acquisitions cause the LTV ratio to rise above 35% and the debt to EBITDA ratio to exceed 5.5 times for a prolonged period. In contrast, a rating upward revision could occur if the trust can enlarge its cash generation and improve its capital structure meaningfully, leading to the debt to EBITDA ratio below 2.5 times on a sustained basis.

RELATED CRITERIA

- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Rating Methodology for Real Estate for Rent Companies, 15 July 2021
- Issue Rating Criteria, 15 June 2021

WHA Premium Growth Freehold and Leasehold Real Estate Investment Trust (WHART)

Company Rating:	A
Issue Ratings:	
WHART235A: THB1,000 million senior unsecured debentures due 2023	A
WHART242A: THB850 million senior unsecured debentures due 2024	A
WHART245A: THB500 million senior unsecured debentures due 2024	A
WHART245B: THB1,000 million senior unsecured debentures due 2024	A
WHART252A: THB1,700 million senior unsecured debentures due 2025	A
WHART253A: THB1,200 million senior unsecured debentures due 2025	A
WHART262A: THB300 million senior unsecured debentures due 2026	A
WHART265A: THB1,500 million senior unsecured debentures due 2026	A
WHART26DA: THB500 million senior unsecured debentures due 2026	A
WHART271A: THB950 million senior unsecured debentures due 2027	A
WHART272A: THB300 million senior unsecured debentures due 2027	A
WHART288A: THB1,000 million senior unsecured debentures due 2028	A
Up to THB1,000 million senior unsecured debentures due within 7 years	A
Rating Outlook:	Stable

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