

FRASERS PROPERTY THAILAND INDUSTRIAL FREEHOLD AND LEASEHOLD REIT

No. 46/2022
27 April 2022

CORPORATES

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

Last Review Date: 03/12/21

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 THB1.6 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 lingering impact of the Coronavirus Disease 2019 (COVID-19) pandemic that has weighed the demand and renewal rate for industrial properties.

FTREIT's operating performance during the first quarter of fiscal year (FY) 2022 was in line with our previous forecast. Despite the impact of COVID-19, the trust achieved a satisfactory average occupancy rate (OR) (with undertaking) of 87.1%, slightly up from 86.4% at the end of FY2021. During the first three months of FY2022, the trust's operating revenue increased by 12% year-on-year (y-o-y) to THB905 million, mainly from the acquisition of new assets with high OR. The earnings before interest, tax, depreciation, and amortization (EBITDA) margin stood at 81%. We expect the trust to maintain its OR above 80% with an EBITDA margin not less than 70% over the next couple of years.

We expect FTREIT to maintain its prudent financial policy with a loan to fair value of total assets ratio (LTV) (including lease liabilities) below 30% over the next three years. As of December 2021, FTREIT had debts of THB11.18 billion, comprising THB9.04 billion debentures, THB1.74 billion long-term loan, and THB400 million short-term borrowings. All debts were unsecured debts. The trust has a series of debt repayments due in the years ahead, including THB700 million during the rest of FY2022, THB500 million in FY2023, THB1.85 billion in FY2024 and THB8.13 billion thereafter. 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.

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 December 2021 were 25% and 8 times, respectively.

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.

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. Conversely, we would consider an upgrade on the ratings if FTREIT significantly increases its cash generation or improves its capital structure meaningfully, causing its debt to EBITDA ratio to stay below 3 times on a sustained basis.

RELATED CRITERIA

- Key Financial Ratio 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

Frasers Property Thailand Industrial Freehold and Leasehold REIT (FTREIT)

Company Rating:	A
Issue Ratings:	
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
FTREIT24DA: THB1,000 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 THB1,600 million senior unsecured debentures due within 10 years	A
Rating Outlook:	Stable

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