

WHA PREMIUM GROWTH FREEHOLD AND LEASEHOLD REAL ESTATE INVESTMENT TRUST

No. 57/2021

30 July 2021

CORPORATES

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

Last Review Date: 28/04/21

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 issue ratings on WHART’s outstanding senior unsecured debentures at “A” with a “stable” rating outlook. At the same time, TRIS Rating assigns the rating of “A” to WHART’s proposed issue of up to THB2 billion in senior unsecured debentures due within seven years. The proceeds from the new debentures will be used to refinance some of its existing debts and/or for potential future acquisitions and/or for business operation.

The ratings reflect the trust’s reliable cash flow from contract-based rental income, strong operating performance, and its moderate financial leverage. However, the ratings are constrained by the tenant concentration risk. The ratings also take into consideration our concerns over the lingering impact of the Coronavirus Disease 2019 (COVID-19) pandemic, which has been a key factor suppressing the demand and renewal rate for industrial properties.

WHART’s operating performance in the first quarter of 2021 was in line with our forecast. Its operating revenue rose by 6% year-on-year (y-o-y) to THB666 million, mainly from acquisition of new assets with high occupancy rates (OR). The earnings before interest, tax, depreciation, and amortization (EBITDA) margin as of March 2021 stood at 89%.

We expect WHART to maintain its financial leverage at a moderate level in the short- to medium-term. Under the trust’s financial policy, WHART targets to maintain its loan to value (LTV) ratio below 35%. We forecast the LTV ratio to range between 28%-30% during 2021-2022. The financial covenant on WHART’s loan obligations requires the maintenance of the LTV ratio below 35% and an interest-bearing debt to EBITDA ratio of less than 5.5 times. The ratios at the end of March 2021 were 25% and 4.6 times, respectively.

As of June 2021, WHART’s outstanding debt was THB10.16 billion, comprising debentures of THB8 billion and long-term loans of THB2.16 billion. The trust intends to use the proceeds from the new debentures to refinance some of the long-term loans. WHART has a series of debenture repayments due in the years ahead, including THB1.95 billion due in 2022, followed by THB1.5 billion due in 2023, and THB4.55 billion due thereafter. The trust plans to refinance these bullet repayments with debentures issuance and/or long-term loans. We believe the trust should have no difficulty to refinance its debts, given its ability to access financial markets.

RATING OUTLOOK

The “stable” outlook reflects our expectation that WHART’s property portfolio will continue to generate steady cash flow and a high level of OR above 90% with sound profitability during 2021-2022. In addition, we expect the trust will be able to keep the LTV below 35% in accordance with the trust’s policy and be able to comply with its financial covenants.

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

WHART's ratings and/or outlook could be revised downward if the OR drops significantly below expectations and/or the LTV ratio stays above 35% for a prolonged period. On the other hand, the ratings and/or outlook could be revised upward if WHART can enlarge its cash flows substantially and improve its capital structure noticeably, leading to higher cash flow protection over a sustained period.

RELATED CRITERIA

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

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

Company Rating:	A
Issue Ratings:	
WHART222A: THB950 million senior unsecured debentures due 2022	A
WHART22DA: THB1,000 million senior unsecured debentures due 2022	A
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
WHART253A: THB1,200 million senior unsecured debentures due 2025	A
WHART265A: THB1,500 million senior unsecured debentures due 2026	A
WHART26DA: THB500 million senior unsecured debentures due 2026	A
Up to THB2,000 million senior unsecured debentures due within 7 years	A
Rating Outlook:	Stable

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