

WHA PREMIUM GROWTH FREEHOLD AND LEASEHOLD REAL ESTATE INVESTMENT TRUST

No. 103/2021
30 December 2021

CORPORATES

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

Last Review Date: 30/07/21

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 THB950 million senior unsecured debentures due within seven 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 steady 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 prolonged 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 remains satisfactory with an average occupancy rate (OR) (with undertaking) of around 90% during the first nine months of 2021. Its operating revenue was at THB1.93 billion and the earnings before interest, tax, depreciation, and amortization (EBITDA) margin stood at 88% during the first nine months of 2021. We expect the trust to maintain its average OR and EBITDA margin at around 90% over the next two to three years, supported by the strategic locations of the trust’s properties and the regular acquisition of new assets.

We expect WHART 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) (including lease liabilities) not higher than 35%, as per the trust’s policy. At the beginning of December 2021, the trust acquired THB5.78 billion in new assets with 36% debt financing. As a result, the LTV ratio is expected to stay around 27% at the end of 2021. The financial covenant on WHART’s loan obligations requires the trust to maintain the LTV ratio below 35% and an interest-bearing debt to EBITDA ratio of less than 5.5 times. The ratios calculated as per covenants at the end of September 2021 were 26% and 4.9 times, respectively.

As of September 2021, WHART’s outstanding debt was THB10.16 billion, comprising debentures of THB10 billion and long-term loans of THB160 million. As the trust’s secured debt to fair value of total assets ratio was 0.38% below the threshold of 35%, 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 THB1.95 billion due in 2022, THB1.66 billion due in 2023, THB2.35 billion in 2024, and THB4.2 billion due thereafter. The trust intends to use the proceeds from the planned debenture issuance to refinance THB950 million of debentures due in February 2022 and plans to refinance the other scheduled bullet repayments with debenture issuances and/or bank borrowings. We believe the trust should be able to refinance its debts as planned, given its ability to access the capital market and the support it has received from financial institutions.

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 OUTLOOK

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

RATING SENSITIVITIES

We could lower the ratings 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 flow substantially and improve its capital structure significantly, leading to higher cash flow protection over a sustained period.

RELATED CRITERIA

- Rating Methodology for Real Estate for Rent Companies, 15 July 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
WHART222DA: 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
WHART245B: THB1,000 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
WHART288A: THB1,000 million senior unsecured debentures due 2028	A
Up to THB950 million senior unsecured debentures due within 7 years	A
Rating Outlook:	Stable

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