

GOLDEN VENTURES LEASEHOLD REAL ESTATE INVESTMENT TRUST

No. 28/2018

30 March 2018

CORPORATES

Issuer Rating:	A-
Issue Rating:	
Senior unsecured	A-
Outlook:	Stable

Issuer Rating History:

Date	Rating	Outlook/Alert
15/12/17	A-	Stable

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RATIONALE

TRIS Rating affirms the issuer rating of Golden Ventures Leasehold Real Estate Investment Trust (GVREIT) at “A-”. At the same time, TRIS Rating assigns the rating of “A-” to GVREIT’s proposed issue of up to Bt2,000 million in senior unsecured debentures. The proceeds from the debentures will be used to repay the trust’s Bt2,000 million outstanding bank loans.

The ratings reflect the trust’s high quality assets located in prime areas of Bangkok, the reliable cash flows received from contract-based rental income, and the conservative financial leverage policy. The ratings also take into consideration the future growth opportunities of the trust, supported by assets from its major sponsors. However, the ratings are partially constrained by portfolio concentration on two assets and top-10 tenant concentration in terms of leasable area and revenue contribution.

The property portfolio of the trust concentrates on two office buildings, Park Ventures Ecoplex (PKV) and Sathorn Square (SSQ), sponsored by Univentures PLC (UV) and Golden Land Property Development PLC (GOLD). As of December 2017, GVREIT managed 100,600 square meters (sq.m.) of office space, worth about Bt9,800 million at fair value. Both buildings have achieved high occupancy rates (OR) and rental rates. At the end of December 2017, the average ORs of PKV and SSQ were 97.7% and 96.7%, respectively. The average rental rates for overall tenants in PKV and SSQ were Bt1,000 per sq.m. per month and Bt803 per sq.m. per month, respectively. The 10 largest tenants occupy around 40% of the total leasable area.

Rental and service income of the trust was Bt276 million during the first quarter of 2018 (October-December 2017), a 3% year-on-year (y-o-y) growth. Rental and service income from the top-10 tenants constituted around 30% of the total. TRIS Rating’s base case scenario assumes the two buildings will generate Bt1,000 million in rental income annually over the next three years.

The margin of earnings before interest, tax, depreciation and amortization (EBITDA) of the trust as a percentage of revenue was quite high at 83% in 2016, 79% in 2017, and 93% in the first quarter of 2018, supported by high ORs and rental rates. The interest-bearing debt to EBITDA ratio was 2.6 times as of December 2017. The debt to capitalization ratio has held at 24% since GVREIT was founded. The trust’s liquidity is adequate, as the ratio of funds from operations (FFO) to total debt was 30%-31% during fiscal year 2016 (FY2016) through the first quarter of 2018. The EBITDA interest coverage ratio has held steady at 4-7 times.

RATING OUTLOOK

The “stable” outlook reflects the expectation that GVREIT’s property portfolio will generate reliable streams of cash flow over the next three years. TRIS Rating assumes the two office buildings to sustain high ORs and achieve favorable rental rates as targeted. Over the next three years, GVREIT’s financial profile will remain strong as the interest-bearing debt to EBITDA ratio should remain below 3.5 times and the debt to capitalization ratio should stay below

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.

30%.

RATING SENSITIVITIES

GVREIT's ratings and/or outlook could be revised downward if the interest-bearing debt to EBITDA ratio increases above 4 times for a prolonged period. In contrast, GVREIT's future ratings and/or outlook could be revised upward if the trust acquires more properties and can diversify the tenant base in its portfolio, while maintaining a strong financial profile.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Bt million

	--Year Ended 30 September--		
	Oct-Dec 2017	2017	2016
Rental and service income	276	1,082	534
Gross interest expense	17	66	33
Net income from operations	179	647	244
Funds from operations (FFO)	240	791	412
Investment in leasehold properties at fair value	9,756	9,756	9,814
Total assets	10,621	10,562	10,538
Total debts	2,648	2,657	2,665
Net asset value	8,268	8,216	8,224
Operating income before depreciation and amortization as % of revenue	92.91	78.25	82.36
Earnings before interest, tax, depreciation, and amortization (EBITDA) margin (%)	93.37	79.29	83.47
Pretax return on permanent capital (%)	7.66 **	7.61	7.89
EBITDA interest coverage (times)	3.50	6.67	4.77
FFO/total debt (%)	30.10 **	29.78	30.93
Total debt/capitalization (%)	24.25	24.43	24.47
Total debt/EBITDA (times)	2.57	3.10	2.99
Loan to fair value of total assets (%)	18.83	18.94	18.98

Note: All ratios are operating lease adjusted.

* Consolidated financial statements

** Annualized with trailing 12 months

Golden Ventures Leasehold Real Estate Investment Trust (GVREIT)

Issuer Rating:	A-
Issue Rating:	
Up to Bt2,000 million senior unsecured debentures due within 10 years	A-
Rating Outlook:	Stable

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