

WHA PREMIUM GROWTH FREEHOLD AND LEASEHOLD REAL ESTATE INVESTMENT TRUST

No. 23/2018

8 March 2018

CORPORATES

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

Company Rating History:

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

Contacts:

Hattayanee Pitakpatapee
hattayanee@trisrating.com

Nauwarut Temwattanangkul
nauwarut@trisrating.com

Rungrat Suntornpagasit
rungrat@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating of WHA Premium Growth Freehold and Leasehold Real Estate Investment Trust (WHART) at "A". At the same time, TRIS Rating assigns the rating of "A" to WHART's proposed issue of up to Bt4,200 million in senior unsecured debentures due within seven years. The trust plans to use the proceeds from these debentures to repay some of its existing loans.

The ratings of WHART and its debentures reflect WHART's predictable income stream from medium- to long-term rental contracts with well-recognized tenants, high occupancy rate (OR) of rental warehouse, as well as limited development risk. The ratings are also supported by the growth prospects from asset injection from the trust's sponsor, WHA Corporation PLC (WHA). The strengths are partially offset by tenant concentration, and renewal rates of tenants, which are sensitive to economic conditions.

WHART's investment property portfolio rose from Bt13,083 million at the end of 2016 to Bt25,949 million as of December 2017, with leasable area of warehouse totaling 971,578 square meters (sq.m.). The trust achieved a high OR of 95%, or 97% if the undertaking from the sponsor is included. The 10 largest tenants occupied around 61% of the total leasable area.

WHART's rental and service income experienced strong growth from Bt709 million in 2016 to Bt1,002 million in 2017, or 52% year-on-year (y-o-y), due to new asset acquisition and its merger with WHA Premium Factory and Warehouse Fund (WHAPF).

The profitability of WHART remains very healthy. The operating margin (operating income before depreciation and amortization as a percentage of revenue) was relatively high at 84% in 2017. Similarly, the margin of earnings before interest, tax, depreciation and amortization (EBITDA) of the trust as a percentage of revenue was also high at 95% in 2017. The interest-bearing debt to total asset ratio (LTV) was 28% in 2017, slightly dropping from 29% in 2016. The adjusted debt to capitalization ratio slightly declined to 31% in 2017, compared to 32% in the previous year. The funds from operations (FFO) to total debt ratio was 10% in 2017, dropping from 12% in 2016, as only one-month income from the new assets was consolidated in 2017.

RATING OUTLOOK

The "stable" outlook reflects the expectation that WHART's property portfolio will generate reliable cash flows and can sustain high level of OR above 90% with sound profitability.

Under TRIS Rating's base case scenario, we assume that WHART's assets will increase by Bt3,000 million per year and the OR will maintain at approximately 95%, including the undertaking from WHA. Operating margin will stay around 80%. The trust is expected to keep its interest-bearing debt to total assets ratio below 35% as per the trust's policy. The EBITDA interest coverage ratio should range between 4-6 times in 2018-2020 and the FFO to total debt ratio will hover in the range of 10%-15%.

RATING SENSITIVITIES

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.

The credit rating of WHART could be under downward pressure if the OR notably drops below expectations and/or the interest-bearing debt to total assets ratio stays above 35% for a prolonged period. On the other hand, the rating could be revised upward if WHART's capital structure improves significantly, leading to higher cash flow protection over an extended period.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Bt million

	----- Year Ended 31 December -----			
	2017	2016	2015	2014
Revenue	1,079	709	332	14
Gross interest expense	176	121	62	3
Net income from operations	728	475	217	7
Funds from operations (FFO)	845	544	253	15
Investment in properties at fair value	25,949	13,083	8,971	4,406
Total assets	27,814	13,923	9,595	4,613
Total debts	7,714	3,970	2,720	1,323
Net asset value	19,099	9,541	6,542	3,115
Operating income before depreciation and amortization as % of sales	87.0	86.9	87.9	66.8
Pretax return on permanent capital (%)	4.6	5.3	4.2	0.7
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	4.5	4.5	4.0	1.8
FFO/total debt (%)	9.7	12.2	8.4	1.0
Total debt/capitalization (%)	31.4	31.8	31.5	32.8

Notes: All ratios have been adjusted by operating leases.

Total debt means interest-bearing debt.

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

Company Rating:	A
Issue Rating:	
Up to Bt4,200 million senior unsecured debentures due within 7 years	A
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 0-2098-3000

© Copyright 2018, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution, or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at www.trisrating.com/rating-information/rating-criteria