# FRASERS PROPERTY HOLDINGS (THAILAND) CO., LTD.

No. 230/2024
13 December 2024

## CORPORATES

**Issue Ratings:**

| | |
|---|---|
| Guaranteed | AA- |
| **Outlook:** | Stable |

**Last Review Date:** 28/12/23

**Issue Rating History:**

| Date | Rating | Outlook/Alert |
|---|---|---|
| 23/12/22 | AA- | Stable |
| 18/12/20 | AA- | Negative |
| 23/11/17 | AA- | Stable |

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## RATIONALE

TRIS Rating affirms the ratings on the outstanding guaranteed debentures of Frasers Property Holdings (Thailand) Co., Ltd. (FPHT or Issuer) at "AA-", with a "stable" rating outlook. The debentures are issued under FPHT's THB25 billion debenture program and fully guaranteed by Frasers Property Ltd. (FPL or Guarantor). FPHT is a wholly owned subsidiary of FPL. The issue ratings reflect the creditworthiness of the Guarantor (rated "AA-/Stable").

The ratings continue to reflect FPL's resilient operating performance underpinned by its well-diversified portfolio across asset classes and geographies. The ratings also reflect the company's strong industrial and logistics performance, resilient retail operations, and sound hospitality business. The ratings though are constrained by the challenging prospects for commercial and residential businesses as well as the company's relatively high financial leverage from its portfolio expansion.

Under the terms of the guarantee agreement, FPL provides an unconditional and irrevocable guarantee for all amounts due under the terms of the debentures, including the principal, accrued interest, and other related expenses. The guaranteed debentures rank pari passu with all other unsecured and unsubordinated obligations of FPL. The guarantee agreement is governed by the law of Singapore.

## KEY RATING CONSIDERATIONS

### Resilient performance from a well-diversified portfolio

FPL has demonstrated resilient operating performance, supported by its well-diversified portfolio across various asset classes and geographies. Approximately 88% of FPL's portfolio consists of recurring income asset classes, including industrial and logistics, retail, commercial and business parks, and hospitality. The remaining portion is in residential development. Geographically, FPL's property assets are primarily located in Singapore, Australia, Europe, the UK, and Thailand. This diversification provides FPL with revenue and cash flow stability, while mitigating risks associated with downturns in specific markets.

In fiscal year (FY) 2024, FPL's operating performance remained robust despite macroeconomic challenges such as high interest rates, persistent inflation, and geopolitical uncertainties. Despite these headwinds, FPL achieved a 6.8% growth in revenue to SGD4.2 billion and a 3% increase in profit before interest and taxes (PBIT) to SGD1.4 billion. Although FPL recorded net fair value losses of SGD199 million, primarily linked to commercial properties in the UK and Australia, it maintained a positive net profit of SGD520 million. This performance was driven by notable improvements in industrial and logistics operations, which benefited from e-commerce growth and supply chain optimization, and stronger contributions from residential projects in China.

### Core driver, industrial and logistics business, to further improve

FPL's industrial and logistics segment continues to be a core driver of its stable recurring income, supported by high occupancy rates, long lease expiries, and robust demand for quality industrial space. In FY2024, the segment reported a profit before interest and taxes (PBIT) of SGD409 million, representing a 16% increase from SGD353 million in FY2023. This improvement was driven by sound rental growth, sustained high occupancy rates across key markets, and strategic asset management. Occupancy levels in FY2024 remained in the 97%-98% range in Australia and Europe and 75%-90% in Thailand and Vietnam.

Looking ahead, we expect the industrial and logistics segment's performance to continue improving, supported by an anticipated decline in interest rates and capitalization rates, which should enhance asset valuations. Furthermore, FPL is set to benefit from new space added to its development pipeline and structural drivers of demand, such as the expansion of e-commerce, urbanization, and a heightened focus on supply chain resilience. We still expect FPL to prioritize its investments in industrial assets with total capital expenditure (CAPEX) of SGD0.6-SGD2.6 billion per annum slated for FY2025-FY2027.

**Satisfactory operating performance of retail and hospitality businesses**

In FY2024, FPL reported a PBIT of SGD346 million from the retail business, marking an 8.4% decrease from the previous year. This decline was primarily due to asset enhancement initiatives at Tampines 1 and the asset divestment of Changi City Point. However, this was partially offset by the full-year recognition of profits from the suburban mall, "NEX". Despite the lower contribution from the retail business, the operating performance of retail assets remained robust, with occupancy rates nearing 100%. Looking ahead, we expect the retail segment to continue benefiting from resilient shopper traffic and strong tenant performance, particularly in Singapore, where the market remains robust.

The hospitality segment of FPL showed notable improvement in FY2024, benefiting from the continued recovery of international tourism, leading to higher occupancy and room rates across FPL's portfolio. The segment reported a PBIT of SGD132 million, up from SGD129 million in FY2023, demonstrating the ongoing recovery of the hospitality sector. The hospitality business also exceeded pre-pandemic performance levels, with room rates and occupancy rates surpassing those seen in FY2019. Looking forward, we anticipate continued growth in the hospitality segment, driven by the ongoing recovery of international tourism, with further improvements in occupancy rates and room rates expected.

**Commercial and residential assets face challenges**

FPL's commercial assets, which primarily consist of office and business park properties, have faced challenges in recent years due to economic uncertainties, high interest rates, and shifts in work patterns. In FY2024, the commercial portfolio showed mixed results across key markets. Singapore continued to perform well, with occupancy rates of around 90%, though slightly impacted by increased supply in the market. In Thailand, despite the introduction of new supply, the commercial properties benefited from active property management, with occupancy rates remaining stable at around 92%-93%. However, performance in the Australia and UK segments was weaker. Average occupancy rates hovered around 50% in Australia, primarily due to FPL's voluntary non-renewal for the development of "Central Place Sydney." In the UK, occupancy rates remained stable at 89%. However, high interest rates and reduced demand for office space, influenced by hybrid work trends, continued to impact leasing activity. We anticipate that the commercial segments in Australia and the UK will continue to face challenges due to economic uncertainties and reduced leasing activity caused by ongoing hybrid work models.

For the residential property business, revenues increased slightly in FY2024 to SGD1.9 billion, compared with SGD1.7 billion in FY2023, driven primarily by contributions from Australia, Singapore, and China. The residential segment has faced a challenging environment in recent years, particularly in Thailand, where interest rate hikes, high loan rejection rates, and sluggish housing demand have impacted performance. FPL expects to reduce its residential exposure over the next three years by lowering its inventory and focusing on more selective developments. We project residential sales to range from SGD0.8-SGD1.7 billion per annum during FY2025-FY2027. This takes into consideration the development pipeline in all operating markets, with more than 17,000 units and unrecognized revenue of SGD1.1 billion as of September 2024.

**Relatively high financial leverage**

FPL's financial leverage remained elevated in FY2024 due to its continued expansion and diversification across both geographies and asset classes. The company's adjusted debt, including lease obligations and perpetual securities, stood at SGD15.7 billion in FY2024, slightly higher than SGD15.5 billion in FY2023. The adjusted debt-to-EBITDA ratio remained stable at 10.4 times in FY2024. We project this ratio to range between 10.6-11.8 times during FY2025-FY2027, based on a revenue forecast of SGD2.8-SGD4.2 billion per annum during the forecast period. EBITDA margins are expected to hover at around 30%-47%, supported by strong performance in industrial and logistics, stable retail, and sound hospitality, translating to EBITDA of SGD1.2-SGD1.6 billion per annum during FY2025-FY2027.

Given FPL's expansion plans, its adjusted debt is expected to remain in the range of SGD14-SGD18 billion over the forecast period. However, we expect the company to manage its financial leverage and capital structure in line with our targets through asset recycling and capital partnerships. The company typically monetizes its investment properties through its real estate investment trusts (REITs) or by divesting them to third parties. Under FPL's financial policy, the company aims to keep its net debt-to-equity ratio below 0.8 times. As of September 2024, this ratio was slightly above the target at 0.83 times. We expect the company to manage its net debt-to-equity ratio to align with its policy targets moving forward.

FPL's debt profile remained resilient, with an average debt maturity of 2.5 years and an average cost of debt of 3.9% in FY2024, up from 3.5% in FY2023. The average cost of debt is expected to range from around 3.8%-3.9% over the forecast period, considering the high proportion of fixed-rate debt. The EBITDA interest coverage ratio is projected to remain in the 2-3 times range during FY2025-FY2027.

**High levels of priority debt mitigated by well-diversified portfolio**

As of September 2024, FPL had a total of SGD17.6 billion of interest-bearing debt (including perpetual securities). Of this, SGD1.2 billion was secured debt and SGD16.1 billion was unsecured debt at the subsidiary's level. The relatively higher proportion of subsidiary's debt is because the majority of its assets are held by overseas subsidiaries. FPL hedges most of foreign currency exposure of its overseas assets by borrowing overseas in the local currencies. The ratio of priority debt to total debt was 75%, exceeding our 50% threshold that generally indicates a disadvantaged position of unsecured creditors to priority debtholders. However, FPL has multiple operating entities which are independent of each other with no single unit contributing more than 50% of total earnings or cash flow, which in our view meaningfully mitigates the subordination risk of its unsecured creditors. We therefore rate FPL's guarantee obligations at the same level as the issuer rating on FPL at "AA-".

**Manageable liquidity**

We assess FPL's liquidity to be manageable over the 12-month period from the end of September 2024. Primary uses of funds include scheduled debt repayments of SGD3.6 billion, a dividend payment estimated at around 50% of its core earnings per annum, as well as CAPEX and investments of around SGD1.2 billion in FY2025. Sources of funds are cash and cash equivalents of SGD2.7 billion at the end of September 2024, funds from operations (FFO) estimated at SGD350-SGD660 million, and some unused bank facilities. With its capability to access capital markets, the company is poised to easily refinance its debts. Also, the company could recycle some of its investment properties, if required.

## BASE-CASE ASSUMPTIONS

- Revenues to range from SGD2.9-SGD4.2 billion per annum during FY2025-FY2027.
- EBITDA of SGD1.2-SGD1.6 billion per annum during FY2025-FY2027.
- CAPEX of SGD1.2-SGD4.9 billion per annum during FY2025-FY2027.

## RATING OUTLOOK

The "stable" outlook reflects our expectation that FPL will deliver operating performance as targeted. We further expect resilient operating results for the company's industrial and logistics assets to help cushion against economic headwinds and safeguard earnings.

## RATING SENSITIVITIES

The issue ratings and/or outlook could change if the rating and/or outlook on the guarantor, FPL, changes. FPL's rating could be downgraded if its leverage, as measured by the adjusted debt to EBITDA ratio, exceeds 12 times for an extended period, either from deteriorating operating results or aggressive debt-funded acquisitions. A rating upgrade could occur if FPL improves its leverage such that the adjusted debt to EBITDA ratio stays below 7 times on a sustained basis.

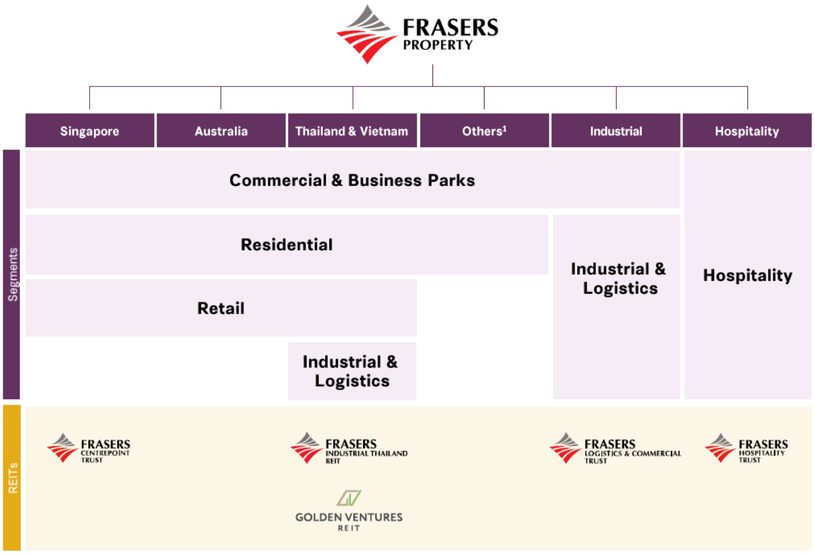
## COMPANY OVERVIEW

FPL, the guarantor, is an integrated international real estate company based in Singapore. It was listed on the Mainboard of the Singapore Exchange Securities Trading Ltd. (SGX-ST) in 2014. Thai Charoen Corporation Group (TCC Group) is the major shareholder, holding around 87% of FPL's outstanding shares. FPL has four strategic business units (SBUs) including Singapore, Australia, Industrial & Logistics, and Hospitality, and two business units including Thailand & Vietnam and Others (UK and China). The Singapore SBU and Australia SBU focus on residential development as well as commercial property development and investment, including retail malls and offices. The Industrial & Logistics SBU focuses on industrial and logistics platforms in Australia and Europe, plus commercial properties under Frasers Logistics & Commercial Trust (FLCT). The Hospitality SBU operates over 21,200 serviced residences and hotel rooms in more than 70 cities across Asia, Australia, Europe, and the Middle East. The Thailand & Vietnam Business Unit engages in residential development as well as industrial and logistics properties. The Others Business Unit engages mainly in residential development in China as well as residential and commercial businesses in the UK.

FPL is also a sponsor of three REITs listed on the SGX-ST including Frasers Centrepoint Trust (FCT) – a retail trust in which FPL holds 39.6%, FLCT – an industrial, logistics, office, and business park trust in which FPL holds 22.9%, and Frasers Hospitality Trust (FHT) – a hotel and serviced residence trust in which FPL holds 25.7%. Also, FPL has two REITs listed on the Stock Exchange of Thailand (SET) including Frasers Property Thailand Industrial Freehold & Leasehold REIT (FTREIT) which focuses on industrial & logistics properties in Thailand in which Frasers Property (Thailand) PLC (FPT), FPL's subsidiary, holds 26.8%, and Golden Ventures Leasehold Real Estate Investment Trust (GVREIT) which focuses on commercial properties in Thailand in which FPT holds 25.8%.

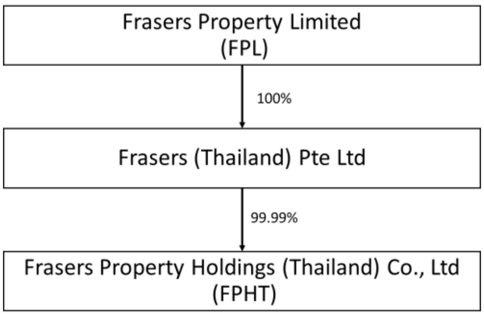
## KEY OPERATING PERFORMANCE

**Chart 1: FPL Group Structure**



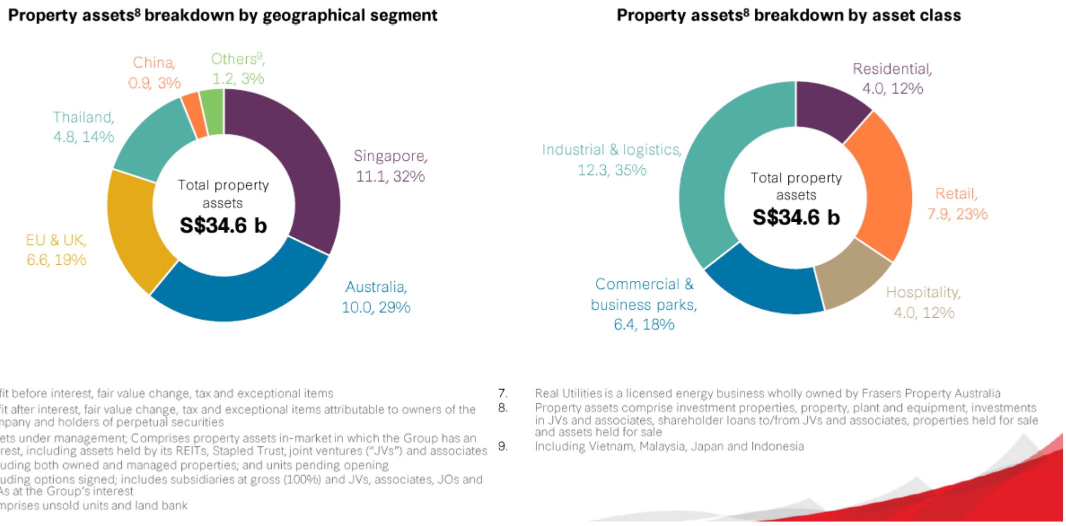

*Source: FPL*

**Chart 2: FPHT Group Structure**



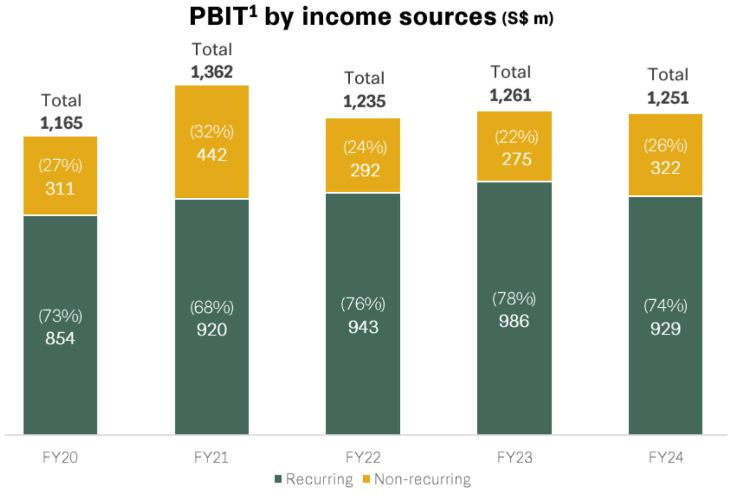

*Source: FPL*

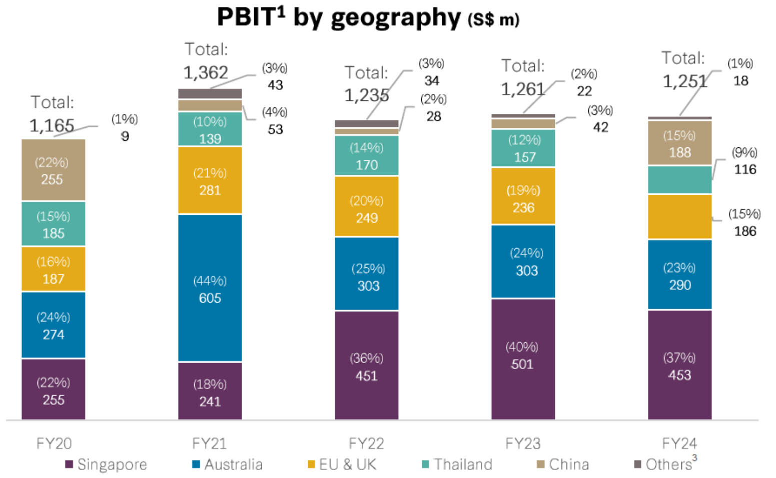
**Chart 3: Assets by Segment**




*Source: FPL*

**Chart 4: PBIT Breakdown**




*Source: FPL*

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

*Unit: Mil. SGD*

| | ------------------ | Year Ended 30 September | ---------------- | |
|---|---|---|---|---|---|
| | 2024 | 2023 | 2022 | 2021 | 2020 |
| Total operating revenues | 4,215 | 3,947 | 3,877 | 3,764 | 3,597 |
| Earnings before interest and taxes (EBIT) | 1,585 | 1,427 | 1,438 | 1,213 | 1,436 |
| Earnings before interest, taxes, depreciation, and amortization (EBITDA) | 1,508 | 1,482 | 1,636 | 1,229 | 1,552 |
| Funds from operations (FFO) | 726 | 800 | 1,074 | 612 | 732 |
| Adjusted interest expense | 671 | 576 | 451 | 498 | 592 |
| Capital expenditures | 1,068 | 1,056 | 1,035 | 1,040 | 384 |
| Total assets | 39,637 | 39,781 | 40,165 | 40,257 | 38,748 |
| Adjusted debt | 15,706 | 15,492 | 14,652 | 15,676 | 18,003 |
| Adjusted equity | 17,172 | 17,304 | 18,134 | 17,086 | 13,823 |
| **Adjusted Ratios** | | | | | |
| EBITDA margin (%) | 35.8 | 37.5 | 42.2 | 32.7 | 43.1 |
| Pretax return on permanent capital (%) | 4.5 | 4.0 | 4.0 | 3.4 | 4.2 |
| EBITDA interest coverage (times) | 2.2 | 2.6 | 3.6 | 2.5 | 2.6 |
| Debt to EBITDA (times) | 10.4 | 10.5 | 9.0 | 12.7 | 11.6 |
| FFO to debt (%) | 4.6 | 5.2 | 7.3 | 3.9 | 4.1 |
| Debt to capitalization (%) | 47.8 | 47.2 | 44.7 | 47.8 | 56.6 |

* *The fiscal year is the 12-month period beginning 1 October and ending 30 September of the following year.*

## RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios 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 Holdings (Thailand) Co., Ltd. (FPHT)

| **Issue Ratings:** | |
|---|---|
| THB25,000 million guaranteed debenture program: | |
| - FPHT24DA: THB2,500 million guaranteed debentures due 2024 | AA- |
| - FPHT258A: THB500 million guaranteed debentures due 2025 | AA- |
| - FPHT278A: THB2,000 million guaranteed debentures due 2027 | AA- |
| - FPHT283A: THB2,000 million guaranteed debentures due 2028 | AA- |
| - FPHT288A: THB1,200 million guaranteed debentures due 2028 | AA- |
| **Rating Outlook:** | Stable |

**TRIS Rating Co., Ltd.**
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