

FRASERS PROPERTY HOLDINGS (THAILAND) CO., LTD.

No. 76/2022
22 July 2022

CORPORATES

Issue Ratings:

Guaranteed AA-
Outlook: Negative

Last Review Date: 21/12/21

Issue Rating History:

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

Contacts:

Chanaporn Pinphithak
chanaporn@trisrating.com

Preeyaporn Kosakarn
preeyaporn@trisrating.com

Suchada Pantu, Ph.D.
suchada@trisrating.com



WWW.TRISRATING.COM

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 “negative” rating outlook. At the same time, we assign the rating to FPHT’s proposed issue of up to THB1.5 billion and an additional greenshoe portion of up to THB1 billion in guaranteed debentures at “AA-/Negative”.

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-/Negative” by TRIS Rating). The proceeds from the new issues will be used for the repayment of existing debt and/or investment, and/or financing its working capital.

Under the terms of the guarantee agreement, FPL will provide 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 will rank pari passu with all other unsecured and unsubordinated obligations of FPL. The guarantee agreement is governed by the law of Singapore.

The ratings continue to reflect FPL’s exceptional business profile, underpinned by its strong track record in the real estate business, well-diversified portfolio of quality assets across asset classes and geography, sizable recurring income base, and active management of capital. The ratings are weighed down by FPL’s high leverage as the company has been continuously expanding its portfolio.

For the first six-month of fiscal year 2022 (for the year ending September 30, 2022), FPL’s performance was in line with our expectation. FPL reported SGD1.68 billion in revenue and SGD699 million in earnings before interest, tax, depreciation, and amortization (EBITDA). Improving operating conditions, especially in the retail and hospitality businesses, as the pandemic situation gradually eases support FPL’s earnings capability.

However, looking ahead, we view FPL’s operating results as coming under downside pressure from economic headwinds. While more social and economic normalcy should continue to support operating recovery in the retail and hospitality businesses, gloomy economic conditions pose a major downside risk, in our view. FPL’s residential business will be negatively affected by weakening consumer confidence and rising interest rates. Meanwhile, recession risk in major economies could slow down the growth potential of FPL’s industrial business, seen as the most resilient among FPL’s all business segments.

At the end of March 2022, FPL’s adjusted debt, including lease obligations and perpetual securities was SGD15.3 billion. Adjusted debt to EBITDA ratio declined from 12.8 times in FY2021 to 11.1 times (annualized with the trailing 12 months) for the first half of FY2022. Such improvement in leverage aligns the company with the current rating threshold. However, with heightening operational and financial challenges, we expect FPL’s to prudently manage its balance sheet and growth appetite during this time of high uncertainty to ensure firm improvement in its credit metrics.

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 “negative” outlook reflects downside pressure on FPL’s financial metrics from economic headwinds resulting from inflationary pressure, heightening interest rates, and global recession risk.

RATING SENSITIVITIES

The issue ratings and/or outlook could change if the rating and/or outlook on the guarantor, FPL, changes. The rating outlook could be revised to “stable” if FPL demonstrates clear signs that it will be able to maintain the adjusted debt to EBITDA ratio below 12 times. The prospect of a rating upgrade is limited in the short term, considering FPL’s current financial profile. However, a rating upgrade could occur if FPL improves the leverage ratio to stay below 7 times on a sustained basis.

FPL’s rating could be downgraded if FPL’s leverage as measured by the ratio of adjusted debt to EBITDA exceeds 12 times on a sustained basis, either from sustained weak operating results or aggressive debt-funded acquisitions.

RELATED CRITERIA

- Corporate Rating Methodology , 15 July 2022
- Key Financial Ratio 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 debentures program:

- FPHT228A: THB2,300 million guaranteed debentures due 2022	AA-
- FPHT233A: THB1,000 million guaranteed debentures due 2023	AA-
- FPHT24DA: THB2,500 million guaranteed debentures due 2024	AA-
- FPHT283A: THB2,000 million guaranteed debentures due 2028	AA-
- FPHT288A: THB1,200 million guaranteed debentures due 2028	AA-
Up to THB1,500 million guaranteed debentures and additional greenshoe portion of up to THB1,000.00 million due within 5 years	AA-

Rating Outlook:

Negative

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

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