

# FRASERS PROPERTY THAILAND INDUSTRIAL FREEHOLD AND LEASEHOLD REIT

No. 26/2023

23 February 2023

## CORPORATES

<b>Company Rating:</b>	A
<b>Issue Ratings:</b>	
Senior unsecured	A
<b>Outlook:</b>	Stable

**Last Review Date:** 31/05/22

### Company Rating History:

Date	Rating	Outlook/Alert
23/04/18	A	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Frasers Property Thailand Industrial Freehold and Leasehold REIT (FTREIT or trust) and the ratings on FTREIT's existing senior unsecured debentures at "A" with a "stable" rating outlook. At the same time, we assign the rating of "A" to FTREIT's proposed issue of up to THB1.5 billion senior unsecured debentures due within 10 years. The proceeds from the new debentures will be used to refinance some of the trust's outstanding debts.

The ratings reflect the trust's strong market position, well-diversified portfolio, solid cash flow protection, and moderate financial leverage. The ratings also take into consideration our concerns over the trust's relatively short lease terms with tenants and the prospect of a global economic slowdown which may pressure the occupancy and rental rates of industrial properties.

FTREIT's operating performance was in line with our forecast. The trust has maintained an average occupancy rate (OR) (with undertaking) above 85% from the fiscal year (FY) 2022 through present. As of December 2022, its OR stood at 85.2%. FTREIT's operating revenue grew consistently mainly from frequent asset enhancement with high OR. Its operating revenue during the first quarter of FY2023 rose by 3% year-on-year (y-o-y) to THB932 million. The earnings before interest, tax, depreciation, and amortization (EBITDA) margin stood at 79%. We expect the trust to maintain an OR above 80% with an EBITDA margin not less than 70% over the next three years.

As of December 2022, FTREIT had debts of THB11.88 billion, comprising THB10.34 billion debentures and THB1.54 billion short-term borrowings. All debts were unsecured debts. The trust has a series of debt repayments due in the years ahead, including THB1.91 billion in FY2023, THB1.98 billion in FY2024, THB2.38 billion in FY2025 and THB5.61 billion thereafter. The trust should be able to refinance its debts, given its ability to access the capital market, good relationship with financial institutions, and strong support from its sponsor.

The financial covenant on FTREIT's debt obligations requires the trust to maintain its loan to fair value of total assets (LTV) ratio below 60%. The ratio at the end of December 2022 was 26%. We expect its LTV (including lease liabilities) to remain below 30% over the next three years, based on the trust's financial policy.

## RATING OUTLOOK

The "stable" outlook reflects our expectation that FTREIT's property portfolio will continue to generate steady cash flows with average OR above 80% and EBITDA margin above 70% over the next three years. We also expect the trust to keep the LTV ratio below 30% in accordance with the trust's policy and the debt to EBITDA ratio at around 4-4.5 times.

## RATING SENSITIVITIES

We could lower the ratings if the trust's OR drops significantly below our expectations and/or larger-than-anticipated debt-funded acquisitions cause the debt to EBITDA ratio to rise above 5.5 times for a prolonged period. On the other hand, a rating upward revision could occur if FTREIT enlarges its cash generation and/or improves its capital structure meaningfully, leading to a debt to EBITDA ratio below 2.5 times on a sustained basis.

## RELATED CRITERIA

- 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 Thailand Industrial Freehold and Leasehold REIT (FTREIT)

<b>Company Rating:</b>	A
<b>Issue Ratings:</b>	
FTREIT238A: THB500 million senior unsecured debentures due 2023	A
TREIT244A: THB1,000 million senior unsecured debentures due 2024	A
FTREIT246A: THB850 million senior unsecured debentures due 2024	A
FTREIT24DA: THB1,000 million senior unsecured debentures due 2024	A
FTREIT255A: THB1,000 million senior unsecured debentures due 2025	A
TREIT256A: THB380 million senior unsecured debentures due 2025	A
FTREIT266A: THB700 million senior unsecured debentures due 2026	A
FTREIT268A: THB500 million senior unsecured debentures due 2026	A
FTREIT274A: THB450 million senior unsecured debentures due 2027	A
FTREIT275A: THB600 million senior unsecured debentures due 2027	A
TREIT286A: THB1,260 million senior unsecured debentures due 2028	A
FTREIT286A: THB700 million senior unsecured debentures due 2028	A
TREIT28DA: THB600 million senior unsecured debentures due 2028	A
FTREIT304A: THB550 million senior unsecured debentures due 2030	A
FTREIT316A: THB250 million senior unsecured debentures due 2031	A
Up to THB1,500 million senior unsecured debentures due within 10 years	A
<b>Rating Outlook:</b>	Stable

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