

FRASERS PROPERTY THAILAND INDUSTRIAL FREEHOLD AND LEASEHOLD REIT

No. 22/2024

14 March 2024

CORPORATES

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

Last Review Date: 31/05/23

Issuer Rating History:

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

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RATIONALE

TRIS Rating affirms the issuer 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 THB2.0 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 continue to reflect the trust's growing revenue and earnings base supported by regular new asset acquisitions, well-diversified portfolio, acceptable cash flow protection, and moderate financial leverage. The ratings also take into consideration our concerns over the prospect of a global economic slowdown which are likely to weigh on the occupancy rates (OR), rental rates, and renewal rates of industrial properties.

FTREIT's operating performance was in line with our forecast. Its operating revenue during the first quarter of fiscal year (FY) 2024 rose by 6.2% year-on-year (y-o-y) to THB989 million. The growth was primarily driven by an increase in leasable area resulting from its ongoing asset investments and a slight improvement in average OR. The leasable area has expanded by approximately 6% to 2,264,640 square meters (sq.m.) since the end of September 2023. The overall property portfolio maintained a rather stable average OR (including undertaking) of above 85% during FY2021 until present. As of December 2023, its OR stood at 85.7%. The trust reported earnings before interest, taxes, depreciation, and amortization (EBITDA) during the first quarter of FY2024 of around THB760 million with an EBITDA margin of 77%. We expect the trust to maintain an OR of around 85% with an EBITDA margin of around 75%-80% over the next two years.

As of December 2023, FTREIT had total reported debts of THB12.82 billion, comprising THB11.34 billion debentures, THB1.31 billion short-term borrowings, and THB0.2 billion lease liabilities. All debts were unsecured debts. The trust will have a series of debt repayments (excluding lease liabilities) due in the years ahead, including THB3.2 billion in FY2024, THB2.4 billion in FY2025, THB2.2 billion in FY2026, and THB4.9 billion thereafter. The trust should be able to refinance its debts, given its ability to access the capital market, good relationships with financial institutions, and strong support from its sponsor.

The financial covenant on FTREIT's debt obligations requires the trust to maintain the ratio of its loan to fair value (LTV) of total assets below 60%. The ratio at the end of December 2023 was around 26%. We expect its LTV ratio (including lease liabilities) to remain below 30% over the next two years, based on the trust's financial discipline.

RATING OUTLOOK

The "stable" outlook reflects our expectation that FTREIT will be able to deliver operating performance as targeted with an average OR above 80% and an EBITDA margin above 70% over the next three years. We also expect the trust to keep its LTV ratio below 30% in accordance with its policy.

RATING SENSITIVITIES

We could lower the ratings if the trust's OR drops significantly below our expectations and/or the larger-than-anticipated debt-funded acquisitions cause the debt to EBITDA ratio to exceed 5.5 times for a prolonged period. In contrast, a rating upward revision could occur if the trust can enlarge its cash generation and improve its capital structure meaningfully, leading to a debt to EBITDA ratio of below 2.5 times on a sustained basis.

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 Thailand Industrial Freehold and Leasehold REIT (FTREIT)

Issuer Rating:	A
Issue Ratings:	
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
FTREIT263A: THB1,000 million senior unsecured debentures due 2026	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
FTREIT283A: THB150 million senior unsecured debentures due 2028	A
FTREIT286A: THB700 million senior unsecured debentures due 2028	A
TREIT286A: THB1,260 million senior unsecured debentures due 2028	A
TREIT28DA: THB600 million senior unsecured debentures due 2028	A
FTREIT303A: THB350 million senior unsecured debentures due 2030	A
FTREIT304A: THB550 million senior unsecured debentures due 2030	A
FTREIT316A: THB250 million senior unsecured debentures due 2031	A
Up to THB2,000 million senior unsecured debentures due within 10 years	A
Rating Outlook:	Stable

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