

WHA PREMIUM GROWTH FREEHOLD AND LEASEHOLD REAL ESTATE INVESTMENT TRUST

No. 63/2024
18 July 2024

CORPORATES

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

Last Review Date: 12/01/24

Issuer Rating History:

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

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RATIONALE

TRIS Rating assigns the rating of “A” to WHA Premium Growth Freehold and Leasehold Real Estate Investment Trust’s (WHART or trust) proposed issue of up to THB800 million senior unsecured debentures and an additional greenshoe portion of up to THB800 million, with a tenor of up to four years. The proceeds from the new debentures will be used to refinance debentures and bank loans maturing in August 2024. At the same time, we affirm the issuer rating on WHART and the ratings on its existing senior unsecured debentures at “A”, with a “stable” rating outlook.

The ratings reflect the good quality and locations of the trust’s assets, predictable cash flow from contract-based rental income, strong cash-flow protection, and moderate financial leverage. The ratings are partially constrained by tenant concentration and lease renewal risks. In addition, the rising supply of rental space and the economic slowdown could pressure the occupancy and rental rates of industrial properties.

WHART’s operating performance has remained in line with our forecast. The trust’s average occupancy rate (OR) (with undertaking) was above 85% in 2023 and the first quarter of 2024. Operating revenue rose by 6% year-on-year (y-o-y) to THB3.4 billion in 2023 and achieved 23% of our 2024 target in the first quarter of 2024 (1Q24). The EBITDA margin stood at 91% in 2023 and 93% in 1Q24. We expect the trust to maintain an OR of around 85%-90% with an EBITDA margin of around 90% over the next three years.

As of March 2024, WHART had debts totaling THB15.4 billion, comprising THB11.2 billion debentures, THB1.8 billion short-term loans, and THB2.4 billion long-term loans. The trust had secured debt of THB1.4 billion. As the trust’s secured debt to fair value of total assets ratio was only 5.76%, we view that WHART’s unsecured creditors are not significantly disadvantaged with respect to claims against the trust’s assets. WHART has a series of debt repayments due in the years ahead, including THB2.6 billion due during April-December 2024, THB4.6 billion in 2025, and THB3.1 billion in 2026. We forecast WHART’s EBITDA of around THB3.0-THB3.7 billion per annum. The trust should be able to refinance its debts, given its ability to access the capital market, its good relationships with financial institutions, and strong support from its sponsor. WHART’s EBITDA interest coverage is expected to remain at 7-8 times over the next three years.

The financial covenant on WHART’s bank loan obligations requires the trust to maintain a loan to value (LTV) ratio below 50% and an interest-bearing debt to EBITDA ratio of less than 6.5 times. The ratios at the end of March 2024 were 29.9% and 5.2 times, respectively. The financial covenant on WHART’s debentures requires the trust to maintain the LTV ratio (excluding lease liabilities) below 50% and a secured debt to fair value of total asset ratio below 20%. The ratios at the end of March 2024 were 27.8% and 5.8%, respectively. We expect its LTV ratio (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 WHART’s property portfolio will continue to generate steady cash flow with an EBITDA margin above 90% over the next three years. We also expect the trust to keep its LTV ratio below 35%.

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 LTV ratio to rise above 35% and/or the debt to EBITDA ratio exceeds 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 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

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

Issuer Rating:	A
Issue Ratings:	
WHART252A: THB1,700 million senior unsecured debentures due 2025	A
WHART253A: THB1,200 million senior unsecured debentures due 2025	A
WHART262A: THB300 million senior unsecured debentures due 2026	A
WHART265A: THB1,500 million senior unsecured debentures due 2026	A
WHART265B: THB800 million senior unsecured debentures due 2026	A
WHART26DA: THB500 million senior unsecured debentures due 2026	A
WHART271A: THB950 million senior unsecured debentures due 2027	A
WHART271B: THB850 million senior unsecured debentures due 2027	A
WHART272A: THB300 million senior unsecured debentures due 2027	A
WHART275A: THB200 million senior unsecured debentures due 2027	A
WHART288A: THB1,000 million senior unsecured debentures due 2028	A
Up to THB800 million senior unsecured debentures and additional greenshoe portion of up to THB800 million due within 4 years	A
Rating Outlook:	Stable

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