

# FRASERS PROPERTY THAILAND INDUSTRIAL FREEHOLD AND LEASEHOLD REIT

No. 52/2019

22 July 2019

## CORPORATES

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

Last Review Date : 03/05/19

### 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) and the issue ratings on FTREIT's outstanding senior unsecured debentures at "A". At the same time, TRIS Rating assigns the rating of "A" to FTREIT's proposed issue of up to Bt1,000 million in senior unsecured debentures due within seven years. The trust plans to use the proceeds from these debentures to refinance some existing bank loans.

The ratings reflect the trust's reliable stream of cash flow from contract-based rental income and large portfolio of industrial property for rent with geographical diversification. However, the ratings are partially offset by the volatile nature of the industrial property for rent business, which is sensitive to economic conditions and market competition. The ratings also incorporate FTREIT's rising leverage to support its investment plans.

At present, FTREIT is one of the leaders in the warehouse and factory rental business in Thailand. As of March 2019, FTREIT managed 1,631,171 square meters (sq.m.) of industrial estate space, located in key industrial estates and along strategic logistics routes, including the Eastern Economic Corridor (EEC, 60%), eastern Bangkok (14%), and north of Bangkok (26%). The majority or 73% of the investment properties are freehold while the remainder are leasehold. The trust was able to maintain a satisfactory average occupancy rate (OR) of 83%.

FTREIT's property portfolio has expanded continually, climbing from Bt4,228 million at its inception to Bt35,736 million as of March 2019. The rise in asset size boosted revenue and operating cash flow. Rental and service income experienced strong growth to Bt1,363 million, up 65% year-on-year (y-o-y). In addition, the trust was able to maintain its profitability. The operating margin (operating income as a percentage of total operating revenues) was staying at 74%.

FTREIT's loan to fair value of total assets ratio (LTV) at the end of March 2019 was 22.9%, increasing from 19.6% at the end of fiscal year (FY) 2018. We expect this ratio will rise to around 24% at the end of FY2019 as a result of its investment plan.

FTREIT has a number of bullet debt repayments due in the years ahead. Debentures worth Bt1,100 million will come due in FY2019, followed by Bt800 million due in FY2020, and Bt2,100 million due in FY2021. Given its market access capability and abundant unencumbered assets, TRIS Rating believes its refinancing risk is manageable. FTREIT plans to refinance these bullet repayments by using the proceeds from new debentures and/or long-term loans. In addition, FTREIT intends to engage credit facilities with financial institutions in order to be used as back-up facilities for bullet repayments each year.

## RATING OUTLOOK

The "stable" outlook reflects our expectation that FTREIT's property portfolio will generate reliable cash flows and can maintain the level of OR around 80%, and the operating margin will stay around 70%. In addition, TRIS Rating expects

the trust will be able to keep the LTV below 30% as per the trust's policy and will be able to comply with its financial covenant.

#### RATING SENSITIVITIES

TRIS Rating would revise FTREIT's ratings and/or outlook downward if the OR significantly drops below expectations and/or larger than expected debt-funded expansion for a prolonged period. In contrast, we would revise the ratings upward if FTREIT increases its cash flow generation or strengthens its balance sheet noticeably, which will lead to higher cash flow protection over an extended period.

#### RELATED CRITERIA

- Key Financial Ratios and Adjustments, 5 September 2018
- Real Estate Investment Trust, 12 October 2016

#### Frasers Property Thailand Industrial Freehold and Leasehold REIT (FTREIT)

<b>Company Rating:</b>	A
<b>Issue Ratings:</b>	
TREIT204A: Bt800 million senior unsecured debentures due 2020	A
TREIT216A: Bt1,800 million senior unsecured debentures due 2021	A
TREIT226A: Bt300 million senior unsecured debentures due 2022	A
TREIT244A: Bt1,000 million senior unsecured debentures due 2024	A
TREIT256A: Bt380 million senior unsecured debentures due 2025	A
TREIT286A: Bt1,260 million senior unsecured debentures due 2028	A
TREIT20DA: Bt300 million senior unsecured debentures due 2020	A
TREIT21DA: Bt1,000 million senior unsecured debentures due 2021	A
TREIT28DA: Bt600 million senior unsecured debentures due 2028	A
Up to Bt1,000 million senior unsecured debentures due within 7 years	A
<b>Rating Outlook:</b>	Stable

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