

FRASERS PROPERTY THAILAND INDUSTRIAL FREEHOLD AND LEASEHOLD REIT

No. 14/2020

18 March 2020

CORPORATES

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

Last Review Date : 22/07/19

Company Rating History:

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

Contacts:

Hattayanee Pitakpatapee
hattayanee@trisrating.com

Jutamas Bunyawanchikul
jutamas@trisrating.com

Wajee Pitakpaibulkij
wajee@trisrating.com

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



WWW.TRISRATING.COM

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 Bt1.40 billion in senior unsecured debentures due within ten years. The proceeds from the new debentures will be used to refinance some of its existing debts and for potential future acquisitions.

The ratings reflect the trust's reliable cash stream from contract-based rental income and its large portfolio of geographically diverse industrial property for rent. However, the ratings also take into consideration the sluggish domestic economy which could constrain FTREIT's ability to raise its rental rates over the next one-two years. The ratings also take into account FTREIT's rising leverage to support its investment plans.

During the first quarter of fiscal year (FY) 2020, FTREIT was able to achieve a satisfactory average occupancy rate (OR) of 85%. The weighted average lease life stood at 2.2 years as of December 2019. FTREIT has recorded strong growth in revenue supported by regular asset enhancement. Its revenue rose to Bt2.79 billion in FY2019 (the period of financial year was from 1 October to 30 September) from Bt1.94 billion in FY2018. During the first three months of FY2020, total revenue stood at Bt759 million, up 13% year-on-year (y-o-y). The trust was able to maintain its profitability. The earnings before interest, tax, depreciation, and amortization (EBITDA) margin was 74% in FY2019 and 77% in the first quarter of FY2020.

Following FTREIT's latest investment using 100% debt financing in November 2019, the loan to fair value of total assets ratio (LTV) at the end of December 2019 was 28.9%, rising from 25.3% at the end of FY2019. However, in January 2020, FTREIT issued new equity to repay almost all of the aforementioned bridge loans. As a result, the ratio suddenly dropped to around 21%. Following FTREIT's investment plans, TRIS Rating expects the LTV to increase from the current level yet remain below 30% as per the trust's policy.

FTREIT has a number of bullet debt repayments due in the years ahead. Debentures worth Bt1.10 billion will come due in 2020, followed by Bt2.80 billion due in 2021, and Bt4.5 billion due thereafter. FTREIT plans to refinance these bullet repayments with the proceeds from new debentures and/or long-term loans. Given its market access capability and largely unencumbered assets, TRIS Rating believes its refinancing risk is manageable.

RATING OUTLOOK

The "stable" outlook reflects our expectation that FTREIT's property portfolio will generate reliable cash flows and the trust will be able to maintain its OR at around 80% and the operating margin at around 70%. In addition, TRIS Rating expects the trust to be able to keep the LTV below 30% as per the trust's policy and to be able to comply with its financial covenant.

RATING SENSITIVITIES

FTREIT's ratings and/or outlook could be revised downward if the OR significantly drops below expectations and/or the trust undertakes larger-than-expected debt-funded expansion for a prolonged period. On the contrary, the ratings and/or outlook could be revised upward if FTREIT increases its cash flow generation or strengthens its balance sheet considerably, leading 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)

Company Rating:	A
Issue Ratings:	
TREIT204A: Bt800 million senior unsecured debentures due 2020	A
TREIT20DA: Bt300 million senior unsecured debentures due 2020	A
TREIT216A: Bt1,800 million senior unsecured debentures due 2021	A
TREIT21DA: Bt1,000 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
TREIT28DA: Bt600 million senior unsecured debentures due 2028	A
FTREIT238A: Bt500 million senior unsecured debentures due 2023	A
FTREIT268A: Bt500 million senior unsecured debentures due 2026	A
Up to Bt1,400 million senior unsecured debentures due within 10 years	A
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 0-2098-3000

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