

WHA PREMIUM GROWTH FREEHOLD AND LEASEHOLD REAL ESTATE INVESTMENT TRUST

No. 80/2019

14 November 2019

CORPORATES

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

Last Review Date : 22/01/19

Company Rating History:

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

Contacts:

Hattayanee Pitakpatapee
hattayanee@trisrating.com

Nauwarut Temwattanangkul
nauwarut@trisrating.com

Sasiporn Vajarodaya
sasiporn@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating on WHA Premium Growth Freehold and Leasehold Real Estate Investment Trust (WHART or “trust”), and its existing senior unsecured debentures at “A” with a “stable” outlook. At the same time, TRIS Rating assigns the rating of “A” to WHART’s proposed issue of up to Bt1.5 billion in senior unsecured debentures due within seven years. The trust plans to use the proceeds of these debentures to refinance some of its existing loans.

The ratings reflect WHART’s predictable income stream from medium- to long-term rental contracts with well-recognized tenants, and the high occupancy rate (OR) of industrial properties. The ratings are also supported by the growth prospects resulting from asset injection by the trust’s sponsor, WHA Corporation PLC (WHA). However, the ratings are constrained by tenant concentration plus the inherent volatility of the industrial property for rent business, which is somewhat linked with economic conditions, consumer spending, and market competition.

During the third quarter of 2019, WHART achieved satisfactory average OR of 94%. The weighted average lease life stood at 3.8 years as of September 2019. WHART has recorded strong growth in rental and service income supported by consistent asset injection from the trust’s sponsor. WHART’s total revenue rose to Bt2.0 billion in 2018 from Bt1.1 billion in 2017. During the first nine months of 2019, total revenue stood at Bt1.7 billion, up 14% year-on-year (y-o-y). Its profitability has also stood at a relatively high level. The earnings before interest, tax, depreciation and amortization (EBITDA) margin has held steady at 91%-93% during 2015 through the first nine months of 2019.

WHART’s loan to fair value of total assets ratio (LTV) at the end of September 2019 was 28.8%, the same level as of December 2018. Under its investment plan, the trust will acquire new assets valued at around Bt5 billion at the end of this year, funded 100% by raised capital. As a result, we expect the ratio to decline to a range of 25%-26% at the end of 2019.

WHART has a number of debt repayments due in the years ahead. Of the trust’s Bt9.5 billion in debt, Bt1.68 billion of a bridge loan comes due in late 2019, followed by Bt1.35 billion due in 2020, Bt3.5 billion due in 2021, and the rest due thereafter. WHART plans to refinance by issuing new debentures. Given WHART’s access to financial markets, TRIS Rating believes the trust’s refinancing risk is manageable. In addition, WHART has already engaged back-up credit facilities for bullet repayments in 2020.

RATING OUTLOOK

The “stable” outlook reflects our expectation that WHART’s property portfolio will generate reliable cash flows and sustain high level of OR above 90% with sound profitability. In addition, TRIS Rating expects the trust will be able to keep the LTV below 35% as per the trust’s policy and be able to comply with its financial covenants.

CreditUpdate, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company's current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been "upgraded," "downgraded," "affirmed" or "cancelled." The update includes information to supplement the previously published ratings.

Credit Updates are part of TRIS Rating's monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

RATING SENSITIVITIES

The credit ratings of WHART could be under downward pressure if the OR notably drops below expectations and/or the LTV ratio stays above 35% for a prolonged period. On the other hand, the ratings could be revised upward if WHART's capital structure improves significantly, 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

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

Company Rating:	A
Issue Ratings:	
WHART212A: Bt500 million senior unsecured debentures due 2021	A
WHART213A: Bt3,000 million senior unsecured debentures due 2021	A
WHART222A: Bt950 million senior unsecured debentures due 2022	A
WHART242A: Bt850 million senior unsecured debentures due 2024	A
WHART253A: Bt1,200 million senior unsecured debentures due 2025	A
Up to Bt1,500 million senior unsecured debentures due within 7 years	A
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

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

© Copyright 2019, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at www.trisrating.com/rating-information/rating-criteria