

Rating Action: Moody's changes Frasers Centrepoint Trust's outlook to positive

Global Credit Research - 17 Feb 2015

Singapore, February 17, 2015 -- Moody's Investors Service has changed the outlook of Frasers Centrepoint Trust's (FCT) Baa1 issuer rating to positive from stable. The rating was affirmed.

RATINGS RATIONALE

The rating action reflects FCT's enlarged asset portfolio, which remains focused on the resilient suburban retail sector, as well as its strong financial profile that is supported by a long track record of prudent financial management.

"FCT has grown its asset portfolio substantially over the years, remaining focused on the suburban retail sector, whilst maintaining strong financial metrics that are well-within its Baa1 rating parameters. The trust has also funded all acquisitions with a balanced mix of debt and equity. As a result, its leverage has been maintained at around 30%," says Jacintha Poh, a Moody's Assistant Vice President and Analyst.

FCT has demonstrated a good track record of active lease management, whereby in 1Q 2015, it successfully renewed more than half of the leases expiring in the current financial year at Causeway Point and Northpoint with an average positive rental reversion of around 6%-9% compared to preceding rental rates.

Moody's does not expect any renewal risks on the 22.4% of its leases by total gross rental income that are due for renewal in the financial year ended 30 September 2015 (FY2015), because the bulk of such leases are from its larger malls, in which FCT exhibits a near-monopoly position.

"For FY2015, we expect FCT's EBITDA to grow by around 10% contributed by full-year contribution from Changi City Point and higher rental at most of its existing malls. The inclusion of Changi City Point also adds to income stream diversification, with the mall reducing revenue from its largest asset, Causeway Point, to 45% from over 50% for the quarter ended 31 December 2014," adds Poh.

The improvement in EBITDA will further strengthen the trust's financial profile, with an expected adjusted debt/EBITDA ratio of 6.0x-6.3x for FY2015 and adjusted secured debt over total deposited assets remaining stable at 13%-14% over the same period.

FCT has successfully demonstrated a proactive capital management by refinancing well ahead of maturity. It also enjoys strong access to the capital markets. We therefore do not foresee any refinancing risk given the trust's strong banking relationships with reputable banks.

As of 31 December 2014, FCT only had 13% (SGD95 million) of its total debt maturing in FY2015. Its weighted debt to maturity profile was 2.25 years at 31 December 2014.

The positive rating outlook reflects Moody's expectation that FCT will continue to demonstrate its ability to deliver strong operating results and grow its portfolio whilst maintaining a strong financial profile.

The rating could be upgraded if FCT (1) grows its asset base closer to SGD3 billion to SGD4 billion through successful acquisitions; and (2) maintains adjusted debt/total deposited assets below 35% and adjusted EBITDA interest coverage ratio above 4x.

On the other hand, the rating could return to stable if (1) the operating environment deteriorates leading to higher vacancy levels and declines in operating cash flow; and/or (2) financial metrics weaken with adjusted debt/total deposited assets rising above 40%, EBITDA interest coverage falling below 3x and adjusted secured debt/ total deposited assets exceeding 15% on a consistent basis.

The principal methodology used in this rating was Global Rating Methodology for REITs and Other Commercial Property Firms published in July 2010. Please see the Credit Policy page on www.moody.com for a copy of this methodology.

Frasers Centrepoint Trust is a Singapore-focused REIT, listed on the Singapore Exchange since 5 July 2006. It

has a portfolio of six suburban malls with a total appraised value of SGD2.4 billion as of 31 December 2014. The trust also owns a 31.2% stake in Hektar Real Estate Investment Trust (unrated), which is a retail-focused REIT in Malaysia and is listed on the Bursa Malaysia Securities Berhad. FCT's sponsor, Frasers Centrepoint Ltd (unrated), holds a 41% interest in FCT, and is 59.4% held by TCC Assets Ltd (unrated) and 28.5% by InterBev Investment Ltd (unrated).

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