

Rating Action: Moody's assigns Baa1 rating to MCT's MTN drawdown

Global Credit Research - 20 Mar 2018

Singapore, March 20, 2018 -- Moody's Investors Service has assigned a Baa1 backed senior unsecured rating to the proposed SGD120 million notes issued by Mapletree Commercial Trust Treasury Company Pte. Ltd., a wholly-owned subsidiary of Mapletree Commercial Trust (MCT, Baa1 stable), under its existing medium term note (MTN) program which is rated (P)Baa1.

The notes have a coupon of 3.28% and will mature on 23 September 2024.

The rating outlook is stable.

The issuance proceeds will be used to refinance MCT's existing borrowings.

RATINGS RATIONALE

MCT's Baa1 issuer and senior unsecured ratings are underpinned by its (1) stable and recurring income from its portfolio of good-quality properties, particularly from VivoCity, a shopping mall in Singapore with a diversified tenant profile and (2) its improved portfolio diversification and earnings growth following the acquisition of Mapletree Business City I (MBC I) in 2016.

"The ratings also reflect MCT's track record of prudent financial management in terms of funding acquisitions with a good balance of debt and equity, as well as proactively addressing its debt maturities," says Rachel Chua, a Moody's Assistant Vice President and Analyst.

The trust has SGD264 million of bank borrowings that will come due in August 2018, part of which will be refinanced with the proceeds from this proposed notes issuance. At 31 December 2017, the trust had cash and cash equivalents of SGD52.3 million, committed bank facilities of SGD150 million as well as uncommitted facilities of SGD594 million.

In addition, Moody's believes MCT benefits from the support of its financially strong sponsor, Mapletree Investments Pte. Ltd., because the trust can leverage its sponsor's expertise, track record and strong network of relationship banks.

At the same time, MCT's ratings remain constrained by its moderate financial profile, exposure to lease expiry risk and the inherent liquidity risks associated with Singapore's real estate investment trusts (REITs) as a result of their high dividend payout ratios and minimum cash balances.

"Under our base case projections, we expect MCT's adjusted debt-to-deposited assets ratio will remain stable at 36%-37% and net debt-to-EBITDA at around 7.5x over the next 12-18 months," adds Chua, who is also Moody's Lead Analyst for MCT.

The outlook is stable, reflecting our expectation that MCT will continue to generate stable cash flow from its current portfolio, driven by steady occupancy levels and manageable lease expiries.

Upgrade rating pressure will emerge if MCT's financial profile improves, such that its adjusted debt/total deposited assets improves to below 35%, adjusted net debt/EBITDA falls below 6x, and adjusted EBITDA/interest coverage improves above 4x on a sustained basis.

MCT's rating could be pressured downward if (1) the operating environment deteriorates, leading to higher vacancy levels and declines in MCT's operating cash flow; and/or (2) the trust's financial metrics weakens, with adjusted debt/total deposited assets above 40%-45%, adjusted net debt/EBITDA above 8.0x-8.5x, or adjusted EBITDA/interest coverage below 3.0x 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 Rating Methodologies page on www.moody's.com for a copy of this methodology.

MCT was listed on the Singapore Stock Exchange on 27 April 2011. As of 31 December 2017, the trust had a portfolio of five properties in Singapore — across the retail, office and business park segments — with a combined appraised value of SGD6.3 billion.

The trust's sponsor, Mapletree Investments, is a wholly owned subsidiary of Temasek Holdings (Private) Limited (Temasek, Aaa stable), which is in turn wholly owned by the Government of Singapore (Aaa stable). As of 10 August 2017, Mapletree Investments held a 33.9% stake in MCT.

MCT is managed by Mapletree Commercial Trust Management Ltd., while its properties are managed by Mapletree Commercial Property Management Pte. Ltd. Both management companies are wholly owned subsidiaries of Mapletree Investments.

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