

**Rating Action: Moody's assigns definitive Baa2 to Frasers Hospitality Trust**

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Global Credit Research - 14 Jul 2014

Singapore, July 14, 2014 -- Moody's Investors Service has assigned a definitive issuer rating of Baa2 to Frasers Hospitality Trust (FHT) following the trust's successful listing on the Singapore Exchange Limited. This removes the provisional status assigned on 24 June 2014.

The rating outlook is stable.

**RATINGS RATIONALE**

The initial public offering process concluded today with the start of trading in the Units on the Singapore Exchange.

The drawdown of a loan facility and receipt of subscriptions for Units by FHT to finance the acquisition of its initial public offering assets from Frasers Centrepoint Limited (FCL, unrated) and the TCC Group (unrated) have occurred such that FHT starts with a pro-forma debt/total deposited assets ratio of 42.8% and EBITDA/interest coverage ratio of 4.4x, as of 30 September 2013.

Although the trust's debt/total deposited assets ratio is weak for the rating level, we view the current level to be temporary and expect it to fall below 40% over the next six months post receipt of a tax refund, which FHT will use to pay down drawings of SGD46 million under its revolving credit facility.

"FHT's Baa2 issuer rating reflects its portfolio of good quality hotels and serviced residences located across key gateway cities in Asia, Australia and the UK, and which provides the trust with income diversity across different asset classes and customer profiles," says Jacintha Poh, a Moody's Assistant Vice President -- Analyst.

"On the other hand, the rating is constrained by FHT's small asset size -- relative to its peers --, exposure to the volatile hospitality sector, high initial leverage and exposure to the underlying credit profile of its sponsors, FCL and the TCC Group," says Poh, who is also the Lead Analyst for FHT.

At listing date, FHT has a gross debt of approximately SGD725 million, comprising SGD659 million in unsecured bank loans obtained from a syndicate of banks, SGD29 million in JPY bonds, and SGD37 million in MYR asset-backed securities secured over the Westin Kuala Lumpur.

The trust has SGD46 million drawn under its revolving credit facility maturing within the next 12 months, which we expect it to repay upon receipt of its tax refunds, before the end of this year. The trust's next significant debt maturity will be its SGD113 million bank loan, maturing in June 2017.

Moody's detailed rating rationale was set out in a press release and new issuer report issued on 24 June 2014.

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](http://www.moody.com) for a copy of this methodology.

FHT is a stapled investment trust consisting of Frasers Hospitality REIT and Frasers Hospitality Business Trust that is listed on the Singapore Stock Exchange in July 2014. Its initial portfolio consists of 12 properties located across key gateway cities in Asia, Australia and the UK. The total appraised value of its assets was SGD1.67 billion. The trust's sponsor is FCL, which is in turn owned by the TCC Group through a 88% shareholding.

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