RAM
RATINGS

Media Release

RAM Ratings reaffirms ratings of Frasers Hospitality Trust-sponsored First MTN

RAM Ratings has reaffirmed the ratings of Notable Vision Sdn Bhd's (the Issuer) First MTN under its RM750 million MTN Programme. The transaction is a property securitisation transaction involving The Westin Kuala Lumpur (Westin KL or the Property), one of the assets within the portfolio of Frasers Hospitality Trust (FHT) - a hospitality real-estate trust listed in Singapore.

First MTN	Rating/Outlook	Issue Amount (RM million)	Expected Maturity	Legal Maturity
Class A Senior MTN	AAA/Stable	95.0	12 July 2019	14 January 2021
Class B Junior MTN	B_2/Stable	95.0	12 July 2019	14 January 2021
Class C Junior MTN	C_3/Stable	266.5	12 July 2019	14 January 2021
Total		456.5		

The reaffirmation of the ratings is premised on the performance of Westin KL's net property income (NPI) falling within our expectations, as well as its credit support - as reflected by the loan-to-value (LTV) ratios and debt service coverage ratios (DSCRs) that commensurate with each rating category. The cumulative LTV ratios of 34.2%, 68.4% and 164.2% and DSCRs of 2.9 times, 1.4 times and 0.6 times are supportive of the respective ratings of the Class A to C MTNs. The transaction is also supported by various structural features, such as an 18-month tail period and the availability of a liquidity facility equivalent to 9 months' coupon reserves for the Senior MTN, together with cash balances in the Operating Account to address potential liquidity stress during disposal.

While the Property's performance in 2015 is expected to come in below RAM's assumed sustainable cashflow, we believe that it will remain supportive of our long-term view on its sustainable performance given the quality of the Property's score, its strategic location and the strong management of Starwood Hotels and Resorts; the latter's loyalty programme has historically accounted for more than 60% of Westin KL's guests. Nonetheless, we expect Westin KL's operating environment to remain challenging, given the additional supply of rooms and serviced residences that will compete directly with the Property, including the Banyan Tree, Harrods Hotel and Pavillion Residences. Despite keener competition, Westin KL has so far consistently fared better than the industry in terms of operating performance, although some erosion in market share may be expected.

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As a single-asset transaction, the First MTN is dependent on the performance of Westin KL, which is in turn sensitive to changes in its business environment and the tourism industry. However, the transaction includes a guarantee from Frasers Centrepoint Limited (FCL) on tenancy obligations. Although we have not given any credit benefit to this guarantee, we note that the Property is the sole Malaysian asset in FHT's portfolio; this provides comfort on the continued performance of the lease/tenancy agreements. At present, the 3-year tenancy agreements (with 2 renewal options for a subsequent 3 years each) are being converted into lease agreements, as required by the terms of the transaction; this is expected to be completed within the next 3-6 months. Except for the "20 plus 20"-year tenure of the lease, all other terms remain unchanged.

Under the transaction, any failure to renew the lease/tenancy agreement will result in a Trigger Event (TE). Upon the occurrence of a TE, FHT will have the option of exercising the Senior Class A Call Option or the Property Call Option. If FHT - which also holds the Junior MTNs - decides to exercise the Senior Class A Call Option following a TE (to purchase the Class A Senior MTN), investors may face increased liquidity risk as the transaction nears its legal maturity, given the uncertainty over the disposal of the Property to meet its principal redemption. In this case, the rating of the Senior MTN will be progressively downgraded.

Notable Vision is a special-purpose vehicle set up to finance the acquisition of Westin KL. The First MTN had been issued as part of FCL and Thai Charoen Corporation Group's plan to consolidate the hospitality assets of their subsidiaries, TCC Assets and Fraser & Neave Limited. Under the transaction, Notable Vision has the flexibility of issuing preference shares.

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