RAM
RATINGS

Media Release

RAM Ratings reaffirms ratings of Frasers Hospitality Trust-sponsored MTNs, revises outlook on Class A Senior MTN and Class B Junior MTN to negative

RAM Ratings has reaffirmed the ratings of Notable Vision Sdn Bhd's (the Issuer) MTNs under its RM750 million MTN Programme (the Programme). Concurrently, we have revised the rating outlook on its Class A Senior MTN and Class B Junior MTN, from stable to negative. The outlook on the Issuer's C_3-rated Class C MTN remains stable. The transaction is a property securitisation 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 investment trust listed in Singapore.

MTNs	Rating/Outlook	Issue Amount (RM million)	Expected Maturity	Legal Maturity
Class A Senior MTN	AAA/Negative	95.00	12 July 2019	12 January 2021
Class B Junior MTN	B_2/Negative	95.00	12 July 2019	12 January 2021
Class C Junior MTN	C_3/Stable	269.68	12 July 2019	12 January 2021

The revision of the outlook reflects our concern that Westin KL's net property income (NPI), which declined 10% y-o-y in fiscal 2015, may take longer than expected to recover, particularly given the incoming and planned supply of new hotel rooms over the next 2 years, as well as the present challenges vis-à-vis the overall business environment. This may, in turn, constrain the industry's ability to significantly raise revenue per available room. The Property's current NPI underperformance against RAM's assessed sustainable annual cashflow continues to reflect the weak market sentiment amid expectations of fewer tourist arrivals and major corporate cutbacks.

We have reaffirmed the ratings premised on the available credit support from the underlying asset, at an adjusted value of RM278.6 million or RM600,000 per room - which is still deemed conservative at 37% below the last market valuation of RM443 million as of September 2015. During the period under review, the market value was revised 2.6% downwards from the previous RM455 million.

Nonetheless, the corresponding loan-to-value (LTV) ratios and debt service coverage ratios (DSCRs) are still commensurate with the respective rating categories based on RAM's adjusted valuation. The cumulative LTV ratios of 34.1%, 68.2% and 165.0%

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and DSCRs of 3.4, 1.7 and 0.7 times remain supportive of the respective ratings of the Class A to Class C MTNs.

Apart from that, the transaction's 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, help address potential liquidity stress during disposal. The transaction also includes a guarantee from Frasers Centrepoint Limited (FCL) on tenancy obligations. While 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. In June 2016, the 3-year tenancy agreement was converted into a 20-year lease agreement (with one subsequent option to renew). Except for the "20 plus 20"-year tenure of the lease, all other terms remain unchanged.

Nonetheless, as a single-asset transaction, these MTNs remain dependent on the performance of Westin KL, which is in turn sensitive to changes in its business environment and the tourism industry.

Notable Vision is a special-purpose vehicle incorporated in Malaysia under the asset-backed securitisation structure, and holds Westin KL. The MTNs (comprising the Class A Senior MTN, Class B Junior MTN and Class C Junior MTN) were first issued in July 2014. In April 2016, an additional RM3.18 million of Class C Junior MTN was issued under the Programme, bringing the total outstanding Class C Junior MTN to RM269.68 million.

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