

**Rating Action: Moody's affirms Ascendas REIT's A3 ratings; outlook stable**

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08 May 2020

Singapore, May 08, 2020 -- Moody's Investors Service ("Moody's"), has affirmed Ascendas Real Estate Investment Trust's (Ascendas REIT) A3 issuer and senior unsecured ratings, the provisional (P)A3 senior unsecured rating on its SGD5 billion medium-term notes program, and the Baa2 rating on its subordinated perpetual securities.

The outlook on all ratings remains stable.

**RATINGS RATIONALE**

"The stable outlook reflects our expectation that Ascendas REIT's credit metrics will remain within the parameters of its A3 ratings -- with adjusted net debt/EBITDA staying below 8.0x and adjusted EBITDA/interest expense remaining above 3.5x -- because the trust has a diversified asset portfolio, wide array of tenants and relatively small exposure to sectors severely affected by coronavirus-related disruptions," says Junling Tan, a Moody's Analyst.

"Furthermore, the trust's logistics properties, science park and data centre facilities are well-positioned to capture the growth in the third-party logistics, e-commerce, pharmaceutical, medical and IT sectors," adds Tan.

Moody's base case scenario assumes Ascendas REIT's EBITDA to increase by around 10% in fiscal year ending December 2020 (fiscal 2020), as the revenue contribution from its acquisitions will offset the downward pressure on its rental income. As a result, Moody's expect Ascendas REIT's adjusted net debt/EBITDA to improve to around 7.7x from 8.1x in fiscal 2019, and its adjusted EBITDA/interest expense to improve around 4.4x from 4.1x over the same period.

Ascendas REIT's A3 rating reflects its (1) stable operating track record and resilient income generation from a diversified portfolio of high-quality industrial assets across Singapore, Australia, the UK and the US; (2) established market position as one of the largest industrial landlords in Singapore; and (3) financial discipline and prudent policies in maintaining its credit metrics, while the trust continues to grow through acquisitions.

At the same time, Ascendas REIT's ratings are constrained by its acquisitive growth strategy and use of short-term revolving credit facilities.

Moody's has also considered the governance risk stemming from related-party transactions between Ascendas REIT and its sponsor, CapitaLand Limited. This risk is mitigated by the regulatory oversight provided by the Monetary Authority of Singapore and exercised through the board, which for the majority consists of independent directors. Further, there is an alignment of interest between Ascendas REIT and its sponsor because the latter has a 19% stake in the trust.

Ascendas REIT's liquidity is inadequate over the next 12-18 months. At 31 March 2020, the trust had cash and cash equivalents of SGD290 million compared to utilized revolving credit facilities of SGD204 million and upcoming debt maturities of SGD556 million over the next 12-18 months. Nonetheless, Moody's expects this refinancing risk will be mitigated by the trust's track record of access to funding and established banking relationships.

**FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS**

The rating could be upgraded if Ascendas REIT continues to improve its geographic diversification while strengthening its credit metrics, such that its adjusted debt/total deposited assets falls below 35% and adjusted net debt/EBITDA drops below 6.0x on a sustained basis.

On the other hand, Ascendas REIT's rating could be downgraded if (1) the operating environment deteriorates, leading to higher vacancy levels and a decline in operating cash flow or a fall in asset valuations; or (2) the trust's credit metrics weaken, such that adjusted net debt/EBITDA rises above 8.0x or adjusted EBITDA/interest coverage falls below 3.5x.

In addition, a material change in Ascendas REIT's business risk profile resulting from an expansion into higher risk jurisdictions could also pressure the trust's rating.

The principal methodology used in these ratings was REITs and Other Commercial Real Estate Firms published in September 2018 and available at [https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC\\_1095505](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1095505). Alternatively, please see the Rating Methodologies page on [www.moody.com](http://www.moody.com) for a copy of this methodology.

Ascendas Real Estate Investment Trust (Ascendas REIT) was listed on the Singapore Stock Exchange in November 2002. At 31 March 2020, the trust had a diversified portfolio of 96 properties in Singapore, 35 in Australia, 38 in the UK and 28 in the US, with a total appraised value of SGD12.8 billion.

The trust's sponsor, CapitaLand Limited, is a 51%-owned subsidiary of Temasek Holdings (Private) Limited (Aaa stable), which is in turn wholly owned by the Government of Singapore (Aaa stable). At 31 March 2020, CapitaLand held a 19% stake in Ascendas REIT.

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: [https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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