



Rating_Action: Moody's assigns A3 foreign currency issuer rating to CapitaLand Ascendas REIT

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Singapore, March 22, 2023 -- Moody's Investors Service ("Moody's") has assigned a foreign currency issuer rating of A3 to CapitaLand Ascendas REIT (CLAR).

RATINGS RATIONALE

CLAR's A3 issuer rating reflects its stable operating track record and income generation; diversified portfolio of good-quality industrial assets across Singapore, Australia, Europe, the UK and the US; established market position as one of the largest industrial landlords in Singapore by asset size; and disciplined financial policies.

Although CLAR has an acquisitive growth strategy, the trust has a track record of funding its expansion with a mix of divestments, debt and equity. At the same time, the positioning of its portfolio enables the trust to capture growth in the technology, logistics and life sciences industries.

Moody's expects CLAR's leverage, as measured by net debt/EBITDA, to weaken to around 8.2x in 2023 from 7.9x in 2022. This is driven by the completion of two acquisitions in the first two months of 2023. Interest coverage will weaken to around 4.0x in 2023 from 4.5x in 2022 amid a rising interest rate environment. The interest coverage remains appropriately positioned against the downgrade threshold of 3.5x.

CLAR's liquidity is inadequate because of its usage of short-term revolving credit facilities. Nonetheless, the trust's track record of funding access and established banking relationships will likely mitigate this refinancing risk. As of 31 December 2022, the trust had cash and cash equivalents of SGD217 million, compared with SGD164 million of utilized revolving credit facilities and SGD823 million of medium-term notes and term loans maturing through June 2024.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATING

Moody's could upgrade CLAR's rating if the trust continues to improve its geographic diversification while strengthening its credit metrics, such that its Moody's-adjusted debt/total deposited assets falls below 35% and its Moody's-adjusted net debt/EBITDA remains below 6.0x on a sustained basis.

Conversely, Moody's could downgrade CLAR's rating if the operating environment deteriorates, leading to higher vacancy levels and a decline in operating cash flow or a fall in asset valuations; or the trust's credit metrics weaken, such that its Moody's-adjusted net debt/EBITDA rises above 8.0x-8.5x or its Moody's-adjusted EBITDA/interest coverage falls below 3.5x.

In addition, a significant change in CLAR's business risk profile resulting from expansion into higher-risk jurisdictions could strain its rating.

The principal methodology used in this rating was REITs and Other Commercial Real Estate Firms published in September 2022 and available at <https://ratings.moodys.com/api/rmc-documents/393395>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

CapitaLand Ascendas REIT, formerly known as Ascendas Real Estate Investment Trust, listed on the Singapore Stock Exchange in November 2002. As of 31 December 2022, the trust had a diversified portfolio of 94 investment properties in Singapore, 36 in Australia, 49 in UK & Europe, and 48 in the US, with a total appraised value of SGD16.4 billion.

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 on <https://ratings.moodys.com/rating-definitions>.

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YuSheng Tay
Analyst
Corporate Finance Group
Moody's Investors Service Singapore Pte. Ltd.
71 Robinson Road #05-01/02
Singapore, 068895
Singapore
JOURNALISTS: 852 3758 1350
Client Service: 852 3551 3077

Vikash Halan
Associate Managing Director
Corporate Finance Group
JOURNALISTS: 852 3758 1350
Client Service: 852 3551 3077

Releasing Office:
Moody's Investors Service Singapore Pte. Ltd.
71 Robinson Road #05-01/02
Singapore, 068895
Singapore
JOURNALISTS: 852 3758 1350
Client Service: 852 3551 3077

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