



## Rating Action: Moody's affirms CapitalLand Ascendas REIT's A3 ratings; outlook remains stable

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18 Jan 2024

Singapore, January 18, 2024 – Moody's Investors Service has affirmed CapitalLand Ascendas REIT's (CLAR) A3 issuer and senior unsecured ratings, the provisional (P)A3 senior unsecured ratings on its SGD5 billion multicurrency medium-term note (MTN) program and SGD7 billion euro MTN program, and the Baa2 rating on its subordinated perpetual securities.

At the same time, Moody's has maintained the stable outlook.

"The affirmation of CLAR's A3 ratings reflects our view that the trust's credit quality will remain supported by continued earnings growth from its diversified portfolio of good quality assets, even as global macroeconomic conditions remain challenging," says Yu Sheng Tay, a Moody's Analyst.

"At the same time, we recognize that CLAR has a track record of maintaining prudent financial policies, having grown its property portfolio over the years via a balanced mix of debt, equity and asset recycling," adds Tay.

### RATINGS RATIONALE

Moody's expects CLAR's EBITDA to increase to SGD950 million-SGD960 million over the next two years against the backdrop of slower growth and higher-for-longer interest rates, from SGD901 million in the year ended June 2023.

The increase is due to resilient operating performance from its portfolio of good-quality assets as well as the full-year earnings contribution from the assets it acquired last year.

Operating performance at CLAR's properties will be supported by the trust's established market position as the largest business space and industrial asset owner in Singapore. Although rental reversions will moderate as customer sentiment softens, they will likely remain positive because of tight supply conditions in the market, particularly for logistics and industrial properties.

CLAR's portfolio occupancy rates remained high at 94.5% as of the end of September 2023, and the trust recorded double-digit rental reversions in the first nine months of the year.

CLAR also completed around SGD724 million of acquisitions throughout 2023, which will contribute to earnings over the next two years. The transactions were partly funded by a SGD500 million equity placement and around SGD100 million of divestments. This, in Moody's opinion, underscores CLAR's financially prudent approach toward growth.

The trust's credit metrics will likely remain within their respective rating thresholds over the next two years, albeit with limited capacity. Its interest coverage ratio will weaken toward 3.5x over the next two years from 4.0x in the 12 months ended June 2023 as the trust refinances its maturing debt at prevailing borrowing costs. Meanwhile, its leverage, as measured by net debt to EBITDA, will remain at around 8.0x over the same period.

CLAR's liquidity is inadequate because of its reliance on revolving credit facilities. As of the end of September 2023, its cash sources – namely its cash balance and committed undrawn facilities – are insufficient to cover SGD660 million of its revolving credit facilities and SGD806 million of its medium-term notes and term loans maturing through December 2024. However, The trust's track record of maintaining funding access and its established banking relationships will likely mitigate this refinancing risk.

The stable outlook reflects Moody's view that CLAR will continue to demonstrate steady earnings growth. At the same time, the agency expects the trust to remain financially prudent in the execution of its growth strategy.

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

Moody's could upgrade CLAR's ratings 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 strengthens to below 6.0x on a sustained basis.

On the other hand, Moody's could downgrade CLAR's ratings if the operating environment deteriorates, leading to higher vacancy levels and a decline in its operating cash flow or a fall in its asset valuations; or if 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.

A significant change in CLAR's business risk profile resulting from expansion into higher-risk jurisdictions could also strain its rating.

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

CapitaLand Ascendas REIT listed on the Singapore Stock Exchange in November 2002. As of the end of September 2023, the trust had a diversified portfolio of 97 properties in Singapore, 36 in Australia, 50 in Europe and 48 in the US, with a total appraised value of SGD17.2 billion.

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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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