



## Media Release

### **RAM Ratings reaffirms ratings of Frasers Hospitality Trust-sponsored MTNs, reaffirms negative outlook on Class A and Class B MTNs**

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 maintained the negative rating outlook on its Class A Senior MTN and Class B Junior MTN. The outlook on the Issuer's C<sub>3</sub>-rated Class C MTN remains stable. The transaction is a property securitisation involving The Westin Kuala Lumpur (Westin KL or the Property), a 5-star hotel operated by Starwood Hotels & Resorts Worldwide, Inc (Starwood); it is part of 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 <sub>2</sub> /Negative	95.00	12 July 2019	12 January 2021
Class C Junior MTN	C <sub>3</sub> /Stable	277.48	12 July 2019	12 January 2021

The reaffirmation of the negative outlook reflects our concern that Westin KL's net property income (NPI) will remain pressured in the near to medium term. Given the challenging business environment and the planned supply of new rooms, Westin KL's performance may fall substantially below RAM's assumed sustainable annual cashflow of RM27.1 million. In 2016, the Property's NPI deteriorated significantly, primarily due to poorer F&B earnings. While its NPI rebounded y-o-y in 1Q 2017, we remain cautious on its ability to sustain this pace of recovery. Corporate demand remains soft while competition is still intense, particularly among leisure travellers and those arising from new, incoming supply, as well as refurbished competing hotels in its immediate vicinity. The imminent tourism tax may also limit its ability to raise its room rates.

We have reaffirmed the ratings premised on the available credit support from the underlying asset, at an adjusted value of RM278.6 million, which is still deemed adequate despite being 32% below the last market valuation of RM410 million as of September 2016. Correspondingly, the loan-to-value ratios of 34.1%, 68.2% and 167.8% and debt service coverage ratios of 3.4, 1.7 and 0.7 times remain commensurate with the respective ratings of the Class A to Class C MTNs. We also expect the Property to benefit from the strong and reputable hotel operator. Starwood Hotels and Resorts' consistent track record as the property manager, along with its Starwood Preferred Guest (SPG) loyalty programme that accounts

for 80%-90% of Westin KL's guests, has yielded benefits in terms of customer retention.

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. We remain concerned about the lack of fresh catalysts for the Property to recover to its pre-2014 performance level. Although Westin KL's NPI in 1Q 2017 showed promising signs, it remains to be seen if the 14-year old hotel that has yet to undergo any major refurbishment, can sustain its recovery over the longer term. We note that the Property's market value has also been revised downwards for 2 consecutive years due to its weaker performance.

The MTNs (comprising the Class A Senior MTN, Class B Junior MTN and Class C Junior MTN) were first issued in July 2014. In March 2017, an additional RM7.8 million of Class C Junior MTN was issued under the Programme, bringing the total outstanding Class C Junior MTN to RM277.48 million.

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