



Media Release

RAM Ratings reaffirms Notable Vision's MTN ratings

RAM Ratings has reaffirmed the ratings of the Medium-Term Notes (MTNs) issued under Notable Vision Sdn Bhd's (NVSB or the Issuer) RM750 mil MTN Programme, a property securitisation involving The Westin Kuala Lumpur (the Property), a five-star hotel operated by Marriott International. The Property is part of Frasers Hospitality Trust's (FHT) portfolio of properties. FHT is a hospitality stapled trust listed on the Singapore Exchange Securities Trading Limited and sponsored by Frasers Property Limited (FPL).

Notes Series 2019-A	Ratings/Outlook	Issue Amount (RM mil)	Expected Maturity	Legal Maturity
Class A Senior MTNs	AAA/Stable	95.00	12 July 2024	12 January 2026
Class B Junior MTNs	B ₂ /Stable	95.00	12 July 2024	12 January 2026
Class C Junior MTNs	C ₃ /Stable	287.48	12 July 2024	12 January 2026
Total		477.48		

The reaffirmation of the Class A Senior MTNs' rating reflects the high collateral coverage afforded by The Westin Kuala Lumpur as well as strong liquidity support. While the Property's cash flow remained in deficit and average revenue per available room is likely to hover below pre-pandemic levels until the international travel ban is lifted, we believe its market value is unlikely to fall significantly. Given the Property's prime location and position in the upscale hotel segment, we have maintained the Property's adjusted valuation at RM271.66 mil (71% of its latest market value or RM613,218 per room), leaving the Class A Senior MTNs with a comfortable loan-to-value ratio of 34.97%.

The reaffirmation of the Class B Junior MTNs rating is based on its loan-to-value ratio which remain commensurate with the rating. The rating of Class C Junior MTNs reflects a low likelihood of repayment and its deep subordination to the other classes. Coupon payments on the Junior MTNs are variable and payable only if residual profits are available after the payment of senior costs and senior coupons.

We expect the transaction's liquidity position to stay supported by its strong sponsor, FPL, and a prefunded cash reserve, in the unlikely event that the lessee, JBB Hotels Sdn Bhd (an indirectly wholly owned subsidiary of FPL) fails to honour its lease payment obligation. JBB Hotels' monthly fixed lease payments to the Issuer are still current, relying on financial support from FPL.

We believe FPL will continue to help sustain the Property during this crisis by providing financial support, fulfilling JBB Hotels' lease payments obligations to NVSB. RAM views that FPL, as one of Singapore's major real estate companies, enjoys strong financial flexibility from a sizeable and diversified portfolio of investment properties, as well as its proven track record of raising funds through the monetisation of assets through Real Estate Investment Trusts and other channels. While its business and earnings were also affected by the pandemic, FPL still recorded a strong net interest cover of 4.0 times as at end-March 2021, with its cash balance of SGD2.4 bil adequately covering SGD2.2 bil of short-term debt.

FHT (holder of Class B and Class C Junior MTNs and the Call Option for the Class A Senior MTNs) could provide another layer of support for the transaction in the event of a liquidity crunch. It has no debts maturing before 2022 and an interest cover of 2.0 times as at end-June 2021. As a contingency measure, FHT has secured additional credit facilities to supplement its cash balance of SGD72 mil as at end-March 2021.

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