

Bulletin:

# Millerful No.1 REIT's Financial Headroom Narrows After Recent Asset Acquisition

February 24, 2020

Taiwan Ratings Corp. today said that **Millerful No.1 Real Estate Investment Trust's** (Millerful No.1 REIT) recent asset acquisition will moderately increase the trust's adjusted debt, while simultaneously narrowing the trust's financial headroom. We project the trust's debt level to rise to about New Taiwan dollar (NT\$) 5.2 billion in 2020, compared with NT\$4.5 billion at the end of September 2019. The acquisition suggests the trust's EBITDA will increase to NT\$500 million-NT\$520 million for 2020 and 2021, which factors in the incremental rental income associated with the new asset. We therefore project Millerful No.1 REIT's ratio of debt to EBITDA to be 10.0x-10.5x over the next two years, which is commensurate with the current rating (twA+/Stable/twA-1). Nevertheless, a 10% negative deviation from our projected EBITDA, possibly due to heightened tenant turnover or a severe economic downturn, could lead to a breach of our downside rating trigger.

Millerful No.1 REIT announced that on Feb. 21, 2020 it had acquired the 9th floor of Taipei's Metropolitan Building with six parking lots for a total consideration of NT\$608 million. The property value is small by comparison with the trust's other assets and accounts for about 5% of the total asset portfolio.

*This report does not constitute a rating action.*

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