

Research Update:

Fubon Number One Real Estate Investment Trust Ratings Affirmed At 'twA+/twA-1'; Outlook Stable

October 27, 2021

Rating Action Rationale

Taiwan Ratings Corp. today affirmed its 'twA+' long-term and 'twA-1' short-term issuer credit ratings on **Fubon Number One Real Estate Investment Trust** (Fubon No.1 REIT). The outlook on the long-term rating is stable. The ratings on Fubon No.1 REIT continue to reflect the trust's satisfactory asset quality and stable cash flow generation. The trust's relatively small asset portfolio and higher concentration risk compared with those of global peers partly temper these strengths.

Outlook

The stable rating outlook reflects our expectation that Fubon No.1 REIT's satisfactory asset quality, low financial leverage, and association with the **Fubon Financial Holding Co. Ltd.** group will support the trust's credit quality and help to trust maintain the debt-to-EBITDA ratio below 9.5x over the next two years.

Downside scenario

We could lower the rating on Fubon No.1 REIT if:

- its debt-to-EBITDA ratio increases to more than 11x for an extended period. Such an increase could result from aggressive debt-financed asset acquisitions following new regulations allowing the REIT to raise its debt limit, or from high tenant turnover or a sharp reduction in rental rates; or
- the trust's asset quality or profitability deteriorates materially, possibly due to the much weaker performance of the trust's property, Ruentex City Link's, RT-Mart's than our current expectation key tenant, which leads to lower rental collection or even early termination.

Upside scenario

Though the likelihood is relatively low, we could raise the rating on Fubon No.1 REIT if:

- the trust expands its asset base significantly and enhances diversification while maintaining its good asset quality, stable profitability, and debt-to-EBITDA ratio below 9.5x.

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Related Criteria & Research

Related Criteria

- General Criteria: Methodology For National And Regional Scale Credit Ratings - June 25, 2018
- General Criteria: Group Rating Methodology - July 01, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments - April 01, 2019
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers - December 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions - November 19, 2013
- General Criteria: Methodology: Industry Risk - November 19, 2013
- Criteria | Corporates | General: Corporate Methodology - November 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities - November 13, 2012
- General Criteria: Principles Of Credit Ratings - February 16, 2011
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021

Related Research

- Taiwan Ratings' Ratings Definitions – August 10, 2020

(Unless otherwise stated, these articles are published on www.taiwanratings.com)

Ratings List

Ratings Affirmed

Fubon Number One Real Estate Investment Trust

Issuer Credit Rating	twA+/Stable/twA-1
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