

Bulletin:

Millerful No.1 REIT's Financial Buffer Narrows Following Asset Acquisition

August 24, 2023

Taiwan Ratings Corp. today said that **Millerful No.1 Real Estate Investment Trust's** (Millerful No.1 REIT) recent asset acquisition will increase debt leverage. This will in turn somewhat narrow the trust's financial headroom.

On Aug. 23, 2023, Millerful No.1 REIT (twA+/Stable/twA-1) acquired Tainan Shinkong Mitsukoshi Building for total consideration of new Taiwan dollar (NT\$) 4.3 billion. We believe the acquisition will be mostly funded by additional borrowing. We forecast the trust's ratio of debt to EBITDA will increase to marginally over 11x in 2023 following the acquisition, which is higher than our previous projection of 9.3x-9.7x. However, we see the ratio declining to 10.0x-10.5x in 2024-2025 after the trust receives full-year rental income from the new asset, which is within our rating tolerance. Therefore, we do not foresee a significant negative effect on the financial risk profile. The trust's prudent financial policy to keep its debt-to-asset ratio below 35% further supports our view for the projection period.

Our assessment of Millerful No.1 REIT's business risk profile remains unchanged, despite the fixed-rental income from the department store will slightly enhance the trust's revenue mix. This is because we do not expect Millerful No.1 REIT's asset size and portfolio diversification to materially improve in the global context.

This report does not constitute a rating action.

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