

**Rating Action: Moody's assigns Baa1 rating to MCT's MTN drawdown**

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Global Credit Research - 23 Aug 2017

Singapore, August 23, 2017 -- Moody's Investors Service has assigned a Baa1 backed senior unsecured debt rating to the proposed SGD100 million notes issued by Mapletree Commercial Trust Treasury Company Pte. Ltd., a wholly-owned subsidiary of Mapletree Commercial Trust (MCT, Baa1 stable), under its existing medium term note (MTN) program which is rated (P)Baa1.

The notes have a coupon of 3.045% and will mature on 27 August 2027.

The rating outlook is stable.

The issuance proceeds will be used to refinance MCT's existing borrowings.

**RATINGS RATIONALE**

"MCT's Baa1 rating reflects its strong operational profile given the stable and recurring income from its portfolio of good quality assets, improved portfolio diversification following the acquisition of Mapletree Business City 1, as well as its established track record of prudent financial management and strong financial flexibility," says Rachel Chua, a Moody's Assistant Vice President and Analyst.

The rating also incorporates support of its financially-strong sponsor, Mapletree Investments Pte. Ltd (Mapletree Investments, unrated), because MCT can leverage on its sponsor's expertise, track record and strong network of relationship banks.

At the same time, MCT's rating continues to be constrained by its moderate financial profile and the inherent liquidity risks associated with Singapore's real estate investment trusts, as a result of their high dividend payout ratios and minimum cash balances

At 30 June 2017, MCT had an adjusted debt/deposited assets of 36.4%, net debt/ EBITDA of 7.8x and EBITDA interest coverage of 5.1x. At the same date, the trust also had cash and cash equivalents of SGD47 million against total debt of SGD2.3 billion, with no maturities over the next 12 months.

The outlook is stable, reflecting our expectation that MCT will continue to generate stable cash flows from its current portfolio, supported by steady occupancy levels and manageable lease expiries.

Upgrade ratings pressure will emerge if MCT's financial profile improves, such that its adjusted debt/total deposited assets improves to below 35%, adjusted net debt/EBITDA falls below 6x, and adjusted EBITDA/interest coverage improves above 4x on a sustained basis.

On the other hand, the ratings could be downgraded if 1) the operating environment deteriorates, leading to higher vacancy levels and declines in operating cash flow; and/or 2) its financial metrics generally deteriorate, with adjusted debt/total deposited assets above 40%-45%, adjusted net debt/EBITDA above 8x-8.5x, or adjusted EBITDA/interest coverage below 3x on a consistent basis.

The principal methodology used in this rating was the Global Rating Methodology for REITs and Other Commercial Property Firms published in July 2010. Please see the Rating Methodologies page on [www.moody's.com](http://www.moody's.com) for a copy of this methodology.

MCT was listed on the Singapore Stock Exchange on 27 April 2011. At 30 June 2017, it had a portfolio of five properties in Singapore -- across the retail, office and business park segments -- with a total net lettable of 3.8 million square feet, independently valued at SGD6,337 million on 31 March 2017.

The trust's sponsor, Mapletree Investments, is a wholly owned subsidiary of Temasek Holdings (Private) Limited (Temasek, Aaa stable), which is in turn wholly owned by the Singapore government (Aaa stable). At 30 June 2017, Mapletree Investments held a 34% stake in MCT.

MCT is managed by Mapletree Commercial Trust Management Ltd., while its properties are managed by

Mapletree Commercial Property Management Pte. Ltd. Both management companies are wholly owned subsidiaries of Mapletree Investments.

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