

CPN RETAIL GROWTH LEASEHOLD REIT

No. 133/2022
20 December 2022

CORPORATES

Company Rating:	AA
Issue Ratings:	
Senior unsecured	AA
Outlook:	Negative

Last Review Date: 22/08/22

Company Rating History:

Date	Rating	Outlook/Alert
22/07/20	AA	Negative
25/05/18	AA	Stable

Contacts:

Suchana Chantadisai

suchana@trisrating.com

Pramuansap Phonprasert

pramuansap@trisrating.com

Wajee Pitakpaibulkij

wajee@trisrating.com

Wiyada Pratoomsuwan, CFA

wiyada@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating on CPN Retail Growth Leasehold REIT (CPNREIT) and the ratings on its existing senior unsecured debentures at “AA”, with a “negative” rating outlook. At the same time, we assign the rating of “AA” to CPNREIT’s proposed issue of up to THB4.2 billion in senior unsecured debentures. The proceeds from the new debentures are intended to be used for debt repayment.

The “negative” outlook reflects our concerns over delays in the trust’s asset acquisitions and equity injections that have led to weaker-than-expected financial performance and continued high financial leverage.

For the first nine months of 2022, CPNREIT’s rental and service income and earnings before interest, taxes, depreciation, and amortization (EBITDA) were THB3.6 billion and THB2.8 billion, respectively, achieving 70% of our full-year forecast for 2022. Its rental and service income increased by 40% year-on-year (y-o-y) while its EBITDA jumped by 67% y-o-y.

We saw a strong recovery of retail property in 2022, following the country’s reopening and an easing of the Coronavirus Disease (COVID-19) situation. The trust’s rental and service income are expected to improve to the THB5.1-THB7.5 billion per annum range during 2022-2024 while its EBITDA will soar to THB4.0-THB6.0 billion per annum. The projected revenue growth in 2023 and 2024 is partly derived from the contribution of new assets to be acquired during 2023-2024.

Due to the impacts of COVID-19 and the unfavorable market sentiment during 2020-2021, the acquisition of new assets was delayed from late 2019. Initial acquisitions were funded using more debt than the trust’s original plan, which was to use a funding mix of 65% equity and 35% debt. As of September 2022, the trust’s loan-to-fair value of total assets (LTV) ratio (excluding lease liability in loans and assets) stood at 38% and the debt to EBITDA ratio was 5.7 times.

We assume CPNREIT will acquire new shopping centers and office buildings worth THB16.5 billion during 2023-2024, drawing on funds from equity injections totaling THB14 billion. If the acquisitions go ahead as expected, the trust’s leasable area will increase by 109,100 square meters (sq.m.) and its annual rental income will likely rise by around THB1 billion. The growing size of the property portfolio should help boost rental income as well as diversify the trust’s sources of cash flow in the future.

We expect the trust to improve its LTV ratio to a level of around 35% in 2023-2024. The debt to EBITDA ratio should remain at 5 times or below by 2023.

RATING OUTLOOK

The “negative” outlook reflects the uncertainty of new asset acquisitions and equity injections, which if not materialized as anticipated, could lead to weaker financial performance and higher financial leverage than expected.

RATING SENSITIVITIES

CPNREIT's ratings could be revised downward should the trust's operating performance and/or financial profile experience a deeper deterioration than expected. On the contrary, CPNREIT's outlook could be revised back to "stable" if the trust's financial leverage improves with the LTV ratio staying below 35% and/or the debt to EBITDA ratio staying below 5 times on a sustained basis.

RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Rating Methodology for Real Estate for Rent Companies, 15 July 2021
- Issue Rating Criteria, 15 June 2021

CPN Retail Growth Leasehold REIT (CPNREIT)

Company Rating:	AA
Issue Ratings:	
CPNREIT232A: THB1,795 million senior unsecured debentures due 2023	AA
CPNREIT243A: THB2,000 million senior unsecured debentures due 2024	AA
CPNREIT263A: THB1,500 million senior unsecured debentures due 2026	AA
CPNREIT268A: THB1,650 million senior unsecured debentures due 2026	AA
CPNREIT272A: THB2,000 million senior unsecured debentures due 2027	AA
CPNREIT288A: THB7,390 million senior unsecured debentures due 2028	AA
CPNREIT318A: THB1,000 million senior unsecured debentures due 2031	AA
Up to THB4,200 million senior unsecured debentures due within 10 years	AA
Rating Outlook:	Negative

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

© Copyright 2022, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at www.trisrating.com/rating-information/rating-criteria