

CPN RETAIL GROWTH LEASEHOLD REIT

No. 30/2021
21 April 2021

CORPORATES

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

Last Review Date: 22/07/20

Company Rating History:

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

Contacts:

Jutamas Bunyawanichkul

jutamas@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 CPNREIT's existing senior unsecured debentures at "AA", with a "negative" rating outlook. At the same time, we assign the ratings of "AA" to the THB2 billion senior unsecured debentures due in 2024 (CPNREIT243A) and THB1.5 billion senior unsecured debentures due in 2026 (CPNREIT263A). The proceeds from the debentures were used for debt repayment.

The ratings on CPNREIT and its debentures reflect the trust's high-quality assets, its stable cash flow from contract-based rental and service income, and its conservative financial policy. The ratings also take into consideration future growth opportunities of the trust, supported by assets from its sponsor, Central Pattana PLC (CPN), rated "AA" with a "stable" outlook by TRIS Rating. The "negative" outlook reflects our concerns over a delay in the trust's asset acquisition and equity injection caused by the Coronavirus Disease 2019 (COVID-19), which could push the trust's loan-to-value (LTV) ratio to a higher level than expected.

CPNREIT is the largest real estate investment trust (REIT) in Thailand, with total investment properties worth THB68 billion as of December 2020. The trust's leasable area totaled 326,123 square meters (sq.m.), consisting of 213,886 sq.m. from five shopping centers and 112,237 sq.m. from four office buildings. The trust has also invested in Hilton Pattaya Hotel, a 304-room hotel.

In 2020, CPNREIT's rental and service income decreased by 21% year-on-year (y-o-y) to THB4 billion while its earnings before interest, tax, depreciation, and amortization (EBITDA) dropped by 24% y-o-y to THB3.3 billion, following the rent waivers and rental fee discounts granted to affected tenants during the outbreak of COVID-2019 as well as the absence of variable rental income from Hilton Pattaya Hotel.

In February 2021, CPNREIT succeeded in acquiring Central Marina and Central Lampang, originally planned for April 2020, with a total asset size of THB5.7 billion. The trust's leasable area increased by 30,656 sq.m. CPNREIT funded these two assets with 100% equity. In addition, CPNREIT plans to acquire another two pending shopping centers, with an expected combined asset size of THB17.3 billion by the end of this year. If the acquisitions and capital injection go ahead as targeted, we expect CPNREIT's LTV ratio to stay below 35%.

We assess CPNREIT's liquidity as manageable for the next 12 months. As of December 2020, CPNREIT's sources of liquidity included cash on hand of THB1.2 billion and investments in securities worth THB1.1 billion. The trust also had undrawn committed and uncommitted credit facilities from banks worth THB2.1 billion and THB4.2 billion, respectively. Debts due in 2021 will amount to THB10.9 billion, comprising THB5.5 billion in long-term loans from banks and THB5.4 billion in debentures. CPNREIT already refinanced THB5.4 billion long-term loans maturing in the first quarter of 2021. The THB2.7 billion debentures due in February 2021 was refinanced by issuance of new debentures. We expect the trust to be able to refinance or repay its maturing debt with no difficulty, given the strong support from its sponsor. We also expect the trust to have sufficient back-up loan facilities to mitigate refinancing risk.

CreditUpdate, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company's current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been "upgraded," "downgraded," "affirmed" or "cancelled." The update includes information to supplement the previously published ratings.

Credit Updates are part of TRIS Rating's monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

RATING OUTLOOK

The “negative” outlook reflects our concerns over a delay in asset acquisition and equity injection that has caused the trust’s financial leverage to remain at a high level. In addition, we view that the COVID-19 pandemic will continue to impact the trust’s operating performance throughout 2021.

RATING SENSITIVITIES

CPNREIT’s ratings could be revised downward should the ongoing COVID-19 pandemic evolve in a way that leads us to believe that the trust’s operating performance and/or financial profile are heading for 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% on a sustained basis.

RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018
- Real Estate Investment Trust, 12 October 2016

CPN Retail Growth Leasehold REIT (CPNREIT)

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| Company Rating: | AA |
| Issue Ratings: | |
| CPNREIT218A: THB2,650 million senior unsecured debentures due 2021 | AA |
| 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 |
| CPNREIT288A: THB7,390 million senior unsecured debentures due 2028 | AA |
| Up to THB1,715 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: 0-2098-3000

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