

Press Release

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TRIS Rating Sees the Acquisition of “The Happitat” Diminishes Credit Rating Buffers on “CPAXT” and “CPALL”

TRIS Rating views that the announced acquisition of “The Happitat” by CP Axtra PLC (CPAXT) is likely to exert pressure on CPAXT’s financial profile and reduce the headroom for maintaining its credit ratings at the current levels. Despite the fact that the assigned credit ratings on both CPAXT and CPALL PLC remain unchanged, the acquisition could significantly diminish their credit rating buffers.

The transaction, valued at approximately THB8 billion, is expected to be primarily debt-financed. The underlying real estate project could require an additional investment of approximately THB7 billion, with no returns anticipated for the first few years. As of September 2024, CPALL’s adjusted debt to EBITDA ratio was 4.5 times. The anticipated increase in leverage and potential decline in profitability could push CPALL’s adjusted debt to EBITDA ratio to a level close to our downgrade trigger of 5.0 times. The acquisition also raises questions on the underlying strategic rationale, as it is not clear how it aligns with CPAXT’s core retail business.

On 13 December 2024, CPAXT announced the establishment of Axtra Growth Plus Co., Ltd. (AGP), in which it holds 95% of the shares, with the remaining 5% held by MQDC Town Corporation Ltd. AGP will hold 100% stakes in Happitat at the Forestias Co., Ltd. (HATF), which operates project “The Happitat”, comprising of shopping malls, offices and a central utility.

CPALL is rated “AA-” by TRIS Rating. CPALL’s senior unsecured debentures are rated “AA-”, while its subordinated capital debentures (hybrid debentures) are rated “A”. The rating outlook is “stable”.

TRIS Rating assesses CPAXT as a core subsidiary of CPALL and has assigned the company rating and senior unsecured debenture ratings on CPAXT at “AA-”, with a “stable” rating outlook.

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