

## Press Release

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### **TRIS Rating Sees the Entire Business Transfer of "CPRH" to "MAKRO" to Have No Immediate Impact on the Ratings on "CPALL" and "CPF"**

TRIS Rating views the transaction of the entire business transfer (EBT) of C.P. Retail Holding Co., Ltd. (CPRH) to Siam Makro PLC (MAKRO) to have no immediate impact on the credit ratings assigned to CP All PLC (CPALL) and Charoen Pokphand Foods PLC (CPF).

The Board of Directors of CPALL and CPF recently announced their respective approvals for the EBT transaction, under which the "Lotus's" retail stores business in Thailand and Malaysia will be effectively transferred from CPRH to MAKRO.

The EBT transaction will involve MAKRO issuing and allocating up to 5,010,323,500 new ordinary shares at an offering price of THB 43.50 per share, totaling THB 217,949,072,250 to the existing shareholders of CPRH proportionately. Upon the completion of shares issuance, CPRH will proceed with the legal process for its dissolution. The transaction is subject to the approval of the Extraordinary General Meeting of Shareholders of CPALL and MAKRO in October 2021.

CPRH has 3 shareholders: CPALL, C.P. Merchandising Co., Ltd. (CPM) - a 99.99% owned subsidiary of CPF, and Charoen Pokphand Holding Co., Ltd. (CPH). Each of CPALL and CPH currently holds an equal stake of 40% in CPRH, while CPM holds the remaining 20%.

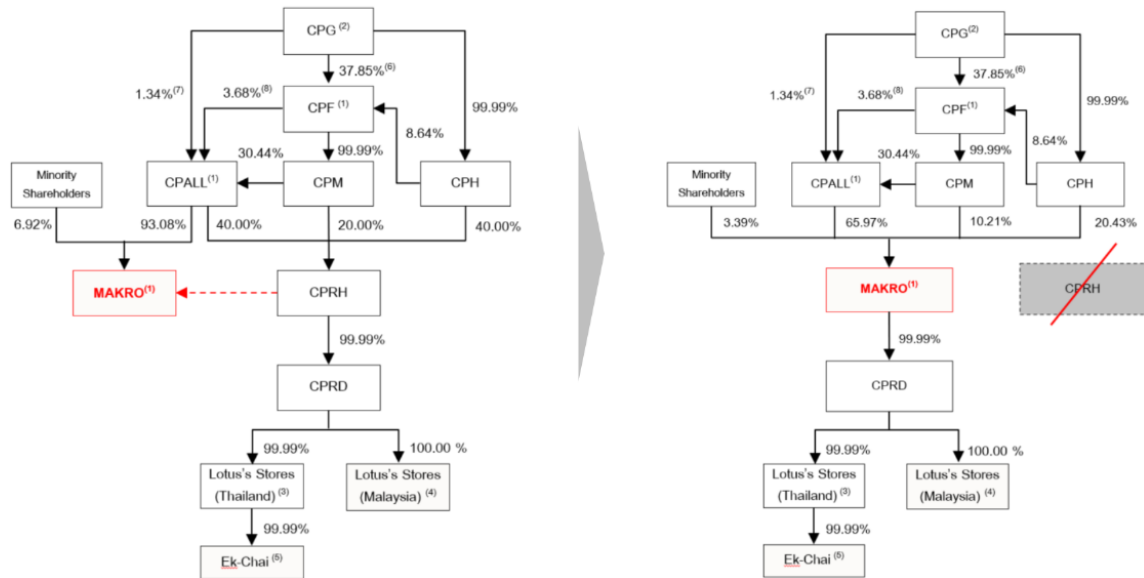
We view the EBT transaction is effectively a restructuring of shareholding structure that will result in a consolidation of the retail businesses under the CP group. Upon completion of the restructuring, CPALL's equity stake in MAKRO will decrease from 93% to 66%. At the same time, it will result in a consolidation of assets/liabilities and cash generation of the "Lotus's" retail stores operation into CPALL via MAKRO. The enlarged balance sheet of CPALL will mean a significantly enlarged debt as well as significantly enlarged cash generation. We estimate that the ratio of adjusted debt to earnings before interest, taxes, depreciation, and amortization (EBITDA) of CPALL, post restructuring, will not materially change.

For CPF, the restructuring will transform CPF's 20% equity interest in CPRH into a 10% equity interest in MAKRO plus Lotus's. We view the transaction will not materially impact CPF's financial risk profile.

Additionally, MAKRO plans to issue and offer new ordinary shares to the public. CPALL, CPF through CPM, and CPH intend to jointly sell a portion of the ordinary shares in MAKRO that are held by them at the time of the public offering, to be in conformance with the relevant regulations in relation to shares distribution to minority shareholders. We view the public offering transaction, if successfully carried out, will have a positive impact on the financial profile of CPALL and CPF, as the proceeds are planned to pay down their debt.

CPALL and CPF are rated "A+", with "stable" rating outlooks by TRIS Rating

The shareholding structure of Makro and CPRH before and after the EBT is summarized below.



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