CPN RETAIL GROWTH LEASEHOLD REIT

No. 169/2025
3 October 2025

CORPORATES

Issuer Rating:	A+
Issue Ratings:	
Senior unsecured	A+
Outlook:	Stable

Last Review Date: 01/08/25

Company Rating History:

Date	Rating	Outlook/Alert
10/10/24	A+	Stable
12/09/23	AA-	Negative
22/07/20	AA	Negative
25/05/18	AA	Stable

Contacts:

Suchana Chantadisai
suchana@trisrating.com

Hattayanee Pitakpatapee
hattayanee@trisrating.com

Jakravut Limsombutanan
jakravut@trisrating.com

Jutamas Bunyawanichkul
jutamas_b@trisrating.com

WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the issuer rating on CPN Retail Growth Leasehold Real Estate Investment Trust (CPNREIT or "the trust") and the ratings on its senior unsecured debentures at "A+" with a "stable" outlook. The ratings reflect the trust's portfolio of high-quality assets, predictable cash flow generated from contract-based rental and service income, and growth potential supported by asset acquisition opportunities from its sponsor, Central Pattana PLC (CPN). The ratings also consider the trust's manageable liquidity position. However, the ratings are constrained by elevated financial leverage, primarily due to the full debt financing used for the lease renewal of Central Rama 2.

KEY RATING CONSIDERATIONS

Maintaining its high-quality asset portfolio with operating performance aligned with targets

CPNREIT is the largest commercial property real estate investment trust (REIT) in Thailand based on asset size, revenues, and earnings. Its portfolio includes seven shopping malls, four office buildings, and a hotel. As of June 2025, its investment properties are valued at THB90 billion, with annual revenues and EBITDA in the range of THB5-THB6 billion and THB4-THB5 billion, respectively.

CPNREIT's operating results for 2024 and the first half of 2025 (6M25) aligned with previous forecasts. In 2024, revenue and EBITDA grew 4%-5% year-on-year (y-o-y), but in 6M25, revenue growth moderated to low single digits and EBITDA fell by 4% y-o-y, mainly due to planned renovations at two shopping centers in late 2024. Thus, the overall occupancy rate (OR) of its shopping centers dropped slightly to 92% in 6M25 from above 94% in prior years. The OR of office building improved to 89% in 6M25 from 84%-85% in 2021-2024, although average rental rate (ARR) declined slightly. The trust continues to receive nearly THB400 million in fixed and variable rents from the Hilton Pattaya.

The trust's EBITDA margin was affected by additional common area maintenance (CAM) charges, which the trust now accounts for as both revenue and expense following lease renewal at Central Pinklao. As a result, the EBITDA margin decreased to 74% in 6M25, down from 78%-80% in 2022-2024. Nonetheless, the margin remained within our projected range of 73%-75%.

Predictable cash flow stream from contract-based income

CPNREIT's credit profile is supported by steady cash flows derived from contract-based rental and service income from its leasehold shopping centers and office buildings. For shopping centers, 55% of the occupied area is under revenue-sharing contracts, while the remaining 45% is on fixed-rent terms. All office building tenants are on fixed-rent contracts. We view that revenue-sharing contracts offer upside potential during favorable market conditions, with minimum rental guarantees helping to mitigate downside risk when tenant performance falls short. Meanwhile, the fixed-rent contracts provide the benefit of predictable cash flow.

The majority of tenants are engaged under three-year lease contracts, which subject the trust to lease renewal risk. Nevertheless, given the trust's strong historical renewal rate exceeding 95% over the past three years, we expect the trust will continue to achieve a high level of lease renewals. As of June 2025, 25% of total occupied area (including shopping centers and office space) is set to expire in the second half of 2025, 30% in 2026, 25% in 2027, with the remainder expiring from 2028 onwards.

Growth prospects from ongoing operation recovery and planned asset acquisitions

We expect CPNREIT's operating performance to continue improving, supported by increasing rental and service income from its shopping centers and hotel. Recovery in customer traffic is anticipated in late 2025-2026 following the phase-by-phase completion of major renovations at two shopping centers, an expansion of 10,800 square meters (sq.m.) in net leasable area (NLA) after the lease renewal at Central Rama 2 in August 2025, and further growth from future asset acquisitions. CPNREIT aims to double total assets within the next eight years by acquiring new shopping centers every two years from 2026 onward, targeting about 60,000 sq.m. NLA at approximately THB20 billion. However, the OR and ARR in the office buildings will remain under pressure due to the substantial influx of new supply.

Under our base case, we project CPNREIT's total operating revenue to grow by 5% y-o-y in 2025, before reaching THB8-THB9 billion annually in 2026-2027. This projection assumes a new shopping center acquisition in 2026, resulting in a 20%-25% increase in total NLA. We forecast the average OR of shopping centers to remain at 90%-92% in 2025-2026, with a recovery to around 95% in 2027 following the full reopening of renovated shopping centers. The ARR is expected to grow by 1%-2% annually. Meanwhile, fixed and variable rents from the Hilton Pattaya Hotel are projected to remain strong, at THB400-THB500 million per year. For office spaces for rent, we forecast a stable OR of 89%, but with a 1%-2% annual decline in ARR due to oversupply pressures in the market.

We expect CPNREIT's EBITDA to drop slightly in 2025, before rising significantly to THB6.0-THB6.5 billion annually in 2026-2027. The EBITDA margin is projected to decrease to 71%-73%, primarily due to additional CAM charges, for which the trust recognizes both revenue and expenses following the lease renewal at Central Rama 2 and future asset acquisitions. However, despite the margin compression, CPNREIT's EBITDA margin is expected to remain at the upper end of the industry range of 40%-80%. Notably, the CAM-related revenue and expenses will have no impact on the absolute EBITDA level.

Elevated financial leverage in 2025, but expected to decline starting from 2026

CPNREIT's financial leverage rose significantly with the commencement of the renewed 30-year lease term (2025-2055) of Central Rama 2 in August 2025. The first 10-year lease payment of THB13.5 billion, due in August 2025, was debt-financed. Payment terms for the remaining 20 years will be negotiated between CPNREIT and the lessor in the future, whereby both parties agree to come to an agreement on the rental fees at least 12 months before the end of the first 10-year lease period or within any other period mutually agreed by both parties. In the event that an agreement cannot be reached, neither party will have the authority to impose penalties on the other, and the trust will not be contractually obligated to proceed. However, for comparability with freehold assets, our base-case will treat the remaining 20-year lease liability of approximately THB12.7 billion (as shown in the financial statements) as debt, commencing from the start of new lease term in August 2025.

Under our base-case forecast, we assume CPNREIT to finance future asset acquisitions mainly with equity (about two-thirds) and the rest with debt. The trust has also earmarked annual capital expenditures (CAPEX) of THB1 billion in 2025-2026 for major renovations and around 3% of total revenue for maintenance. These CAPEX will be financed through internal cash flow and bank loans. Based on the trust's investment and financing plans, we forecast CPNREIT's adjusted net debt (including the lease liability for Central Rama 2) to escalate to THB49 billion by the end of 2025 and THB56 billion in 2026-2027, up from THB19 billion as of June 2025. Correspondingly, the debt to EBITDA ratio is projected to surge to 11 times by the end of 2025, from 4 times as of June 2025. However, with an equity injection anticipated in 2026, this ratio could decline to around 9 times thereafter. We also project the loan to value (LTV) ratio to increase to 53% by the end of 2025, before declining slightly to around 50% in 2026-2027.

Manageable liquidity

We assess CPNREIT's liquidity position as manageable over the next 12 months from June 2025. As of June 2025, the trust had available liquidity sources comprising THB1.8 billion cash on hand, THB687 million investments in securities at fair value, and THB100 million undrawn uncommitted credit facilities from banks. Funds from operations (FFO) over the next 12 months are projected at THB3.8 billion. In addition, CPNREIT secured committed bank loans totaling THB13.5 billion to finance the lease renewal of Central Rama 2. The trust also holds unencumbered assets valued at THB90 billion, which can be pledged as collateral for debt financing if necessary.

Debt maturities over the next 12 months total THB7.2 billion, comprising THB3 billion debentures, THB2.2 billion promissory notes (P/Ns), and THB2 billion bank loans. CPNREIT typically refinances maturing debentures through new issuances and is expected to successfully roll over its P/Ns and bank loans, supported by its strong banking relationships. Liquidity uses over the period include committed payments of THB14.7 billion for the first 10-year lease renewal of Central Rama 2 as well as

CAPEX for renovation and maintenance. Dividend distribution is equivalent to at least 90% of adjusted net investment income.

For the planned THB20 billion asset acquisition in 2026, we expect the trust's strong sponsor backing, solid relationships with financial institutions, and favorable market sentiment to support access to funding from both banks and equity investors, consistent with its funding strategy.

The financial covenants on CPNREIT's debt obligations require the trust to maintain its LTV ratio (excluding lease liabilities) below 60% and the debt service coverage ratio (DSCR) above 1.2 times. As of June 2025, the trust's LTV ratio (excluding lease liabilities) was 23% and DSCR was 1.3 times. We expect the trust to remain in compliance with the financial covenants over the next 12 months.

Debt structure

As of June 2025, the trust's total debt (per priority debt consideration) was THB21.6 billion, including THB17.4 billion senior unsecured debentures, THB2.2 billion P/Ns, and THB2 billion bank loans. All debts are unsecured and rank pari passu.

BASE-CASE ASSUMPTIONS

The key assumptions in TRIS Rating's base-case forecast for CPNREIT's operations in 2025-2027 are as follows:

- OR of shopping centers to hover around 90%-95%, with 1%-2% y-o-y ARR growth
- New asset acquisitions of THB20 billion in 2026
- Annual CAPEX for major renovations of THB1 billion in 2025-2026
- Total operating revenue to increase by 5% in 2025, before rising to THB8-THB9 billion annually in 2026-2027
- EBITDA margin to decline to 71%-73%
- Projected lease liability for the remaining 20-year lease for Central Rama 2 will be THB12.7 billion at the end of 2025, with a 4% y-o-y growth

RATING OUTLOOK

The "stable" outlook reflects our expectation that CPNREIT will be able to deliver operating results and maintain its financial profile in line with our base-case forecast.

RATING SENSITIVITIES

The ratings and/or outlook could be revised downward if the trust's operating performance or financial profile falls short of our expectations. Conversely, an upward revision could be considered if the trust maintains strong operational performance while improving its financial leverage, such that its debt (including lease liabilities) to EBITDA ratio remains around 6-7 times and the LTV ratio stays below 50%.

COMPANY OVERVIEW

CPNREIT was founded as part of the process to convert CPN Retail Growth Leasehold Property Fund (CPNRF), a property fund, into a real estate investment trust or "REIT". CPNRF was established and listed on the Stock Exchange of Thailand (SET) in 2005. Upon the conversion in December 2017, CPNREIT acquired CPNRF's entire property portfolio, including the following shopping centers: Central Rama 2, Central Rama 3, Central Pinklao, and Central Chiangmai Airport; as well as two office buildings of Central Pinklao. At the same time, CPNREIT invested in Central Pattaya Shopping Center and Hilton Pattaya. The trust acquired two office buildings, The 9th Towers and Unilever House, from GLAND Office Leasehold Real Estate Investment Trust (GLANDRT) in March 2020 and invested in Central Marina Shopping Center and Central Lampang Shopping Center in February 2021. In May 2024, the trust extended the 15-year lease agreement for Central Pinklao with CPN. Total costs for the lease extension (including related taxes and expenses) amounted to THB12.8 billion, with 84% paid through a capital increase and the rest through debt financing. As of June 2025, CPN was the trust's largest unitholder with a 39% stake.

On August 15, 2025, CPNREIT paid THB13 billion for the first 10-year lease extension of Central Rama 2, fully financed through bank loans. The payment terms for the remaining 20-year lease period will be agreed upon CPNREIT and the lessor in the future, whereby both parties shall come to an agreement on the rental fees at least 12 months before the end of the first 10-year lease period or within any other period mutually agreed by both parties.

As of June 2025, the property portfolio of the trust comprised seven shopping centers, with NLA of 253,788 sq.m., four office buildings, with NLA of 111,303 sq.m., and one hotel, with 304 rooms. The assets are located in Bangkok, Chiangmai, Chonburi, and Lampang. CPN REIT Management Co., Ltd., a wholly-owned subsidiary of CPN, acts as the REIT manager. CPN is the property manager of the assets acquired from itself. Grand Canal Land PLC (GLAND) is the property manager of The

9th Towers, and Sterling Equity Co., Ltd., a wholly owned subsidiary of GLAND, is the property manager of Unilever House. The trust subleases the hotel to CPN Pattaya Hotel Co., Ltd., a subsidiary of CPN, as a special purpose vehicle (SPV). Hilton Hotels and Resorts acts as the hotel manager.

KEY OPERATING PERFORMANCE

Table 1: CPNREIT's Property Portfolio

	Central Rama 2	Central Rama 3	Central Pinklao	Central Chiangmai Airport	Central Pattaya	Central Marina	Central Lampang
Type	Shopping center	Shopping center	Shopping center	Shopping center	Shopping center	Shopping center	Shopping center
Location	Bangkok	Bangkok	Bangkok	Chiangmai	Chonburi	Chonburi	Lampang
Net leasable area (sq.m.)	99,330*	35,636	28,049	40,590	29,096	15,569	16,363
OR (%) (as of 30 Jun 2025)	97	97	90	69	98	95	97
Investment at fair value (Mil. THB) (as of 30 Jun 2025)	30,881	13,992	11,948 (incl. office buildings)	10,566	7,450	1,715	2,960
Remaining leasehold period (years)	30	10+30+30	14	19	12	10	16

	Office Tower A at Pinklao	Office Tower B at Pinklao	The 9th Towers	Unilever House	Hilton Pattaya
Type	Office	Office	Office	Office	Hotel
Location	Bangkok	Bangkok	Bangkok	Bangkok	Chonburi
Net leasable area (sq.m.)	22,762	11,109	58,905	18,527	304 rooms
OR (%) (as of 30 Jun 2025)	85	77	90	100	85
Investment at fair value (Mil. THB) (as of 30 Jun 2025)			5,936	1,269	3,692
Remaining leasehold period (years)	14	14	22	9	12

* *As of 16 August 2025*
Source: *CPNREIT*

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	Jan-Jun 2025		-----------Year Ended 31 December 2024	2023	2022	2021 ----------
Total operating revenues	3,081		6,040	5,753	4,881	3,524
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	2,281		4,744	4,578	3,901	2,453
Funds from operations (FFO)	1,969		4,115	3,911	3,276	1,854
Adjusted interest expense	312		629	667	625	599
Investments in leasehold properties at fair value	90,409		89,209	77,019	76,304	75,371
Total assets	93,383		92,102	81,367	80,317	78,971
Adjusted debt (excluding lease liability)	19,329		19,589	18,482	20,222	20,613
Lease liability	25,242		24,194	22,205	21,045	19,315
Adjusted equity	42,492		42,693	33,459	33,277	33,819
Adjusted Ratios						
EBITDA margin (%)	74.0		78.5	79.6	79.9	69.6
Pretax return on permanent capital (%)	7.2	**	7.9	8.2	6.9	4.6
EBITDA interest coverage (times)	7.3		7.5	6.9	6.2	4.1
Debt to EBITDA (times)	4.2	**	4.1	4.0	5.2	8.4
FFO to debt (%)	20.6	**	21.0	21.2	16.2	9.0
Debt to capitalization (%)	31.3		31.5	35.6	37.8	37.9
Loan to fair value of total assets (%) (according to bond covenants)	23.2		23.6	27.2	28.6	28.6
Loan to fair value of total assets (%) (including lease liability)	50.2		49.8	54.4	54.8	53.0

* *Consolidated financial statements*
** *Annualized with trailing 12 months*

RELATED CRITERIA

- Issue Rating Criteria, 26 December 2024
- Rating Methodology for Real Estate for Rent Companies, 16 December 2024
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

CPN Retail Growth Leasehold REIT (CPNREIT)

Issuer Rating:	A+
Issue Ratings:	
CPNREIT262A: THB500 million senior unsecured debentures due 2026	A+
CPNREIT263A: THB1,500 million senior unsecured debentures due 2026	A+
CPNREIT263B: THB1,000 million senior unsecured debentures due 2026	A+
CPNREIT268A: THB1,650 million senior unsecured debentures due 2026	A+
CPNREIT272B: THB1,400 million senior unsecured debentures due 2027	A+
CPNREIT272A: THB2,000 million senior unsecured debentures due 2027	A+
CPNREIT283A: THB1,100 million senior unsecured debentures due 2028	A+
CPNREIT288A: THB7,390 million senior unsecured debentures due 2028	A+
CPNREIT318A: THB1,000 million senior unsecured debentures due 2031	A+
Up to THB6,000 million senior unsecured debentures due within 7 years	A+
Rating Outlook:	Stable

TRIS Rating Co., Ltd.
Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000