CREDIT OPINION

9 July 2024

Update

Send Your Feedback

RATINGS

CTP N.V.

Domicile	Netherlands
Long Term Rating	Baa3
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Oliver Schmitt +49.69.70730.732
VP-Sr Credit Officer
oliver.schmitt@moodys.com

Malak Yaaqoubi +49.69.70730.0211
Sr Ratings Associate
malak.yaaqoubi@moodys.com

Christian Hendker, CFA +49.69.70730.735
Associate Managing Director
christian.hendker@moodys.com

CTP N.V.

Update following rating affirmation

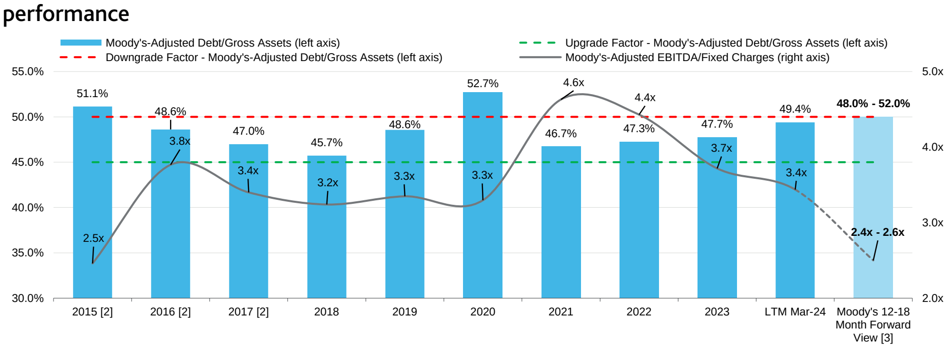
Summary

On 5 July 2024 we affirmed CTP N.V.'s Baa3 with a stable outlook. The Baa3 rating reflects CTP's leading market position in the Central and Eastern European (CEE) light-industrial and logistics markets that it has developed through a combination of acquisitions and own developments, with a strong foothold in core CEE markets plus a growing presence in Germany. CTP owns a well-performing asset portfolio that benefits from a diversified and good-credit-quality tenant base and ongoing structural demand drivers. The company has a strong track record in asset management and development projects and proven access to debt capital. CTP accumulated a sizeable landbank over the last years as a good basis for further development activities.

Factors constraining the rating are the company's largely debt-funded acquisitions and developments on a partial prelet basis that weigh on Moody's-adjusted debt/assets and fixed charge cover ratio. We expect Moody's-adjusted debt/asset to remain around 50% while we recognize that CTP typically runs a higher liquidity buffer to fund development projects. We assume that Moody's-adjusted fixed charge cover ratio to decline towards 2.4-2.6x over the next 12-18 months including our assumptions on funding for capital spending and acquisitions. The real estate sector is affected by the implications of the increased interest rates on interest expense and property values, even though less materially for CTP. CTP has exposure to historically less liquid CRE markets, even though there is less discrimination to other markets in the current environment. The combination of financial metrics at the tighter end of our guidance for the rating and a high development exposure makes the rating more vulnerable to slowdown in operating performance or structurally currently positive trends.

Exhibit 1

Moody's-adjusted debt/asset remains high for the rating, balance by strong operational performance



[1] All figures and ratios are based on adjusted financial data and incorporate our Global Standard Adjustments for Non-Financial Corporations
[2] Pro forma combined financials of legal entities CTP Invest spol s.r.o and CTP Property B.V.
[3] This represents Moody's forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Credit strengths

» Leading market position in the CEE light-industrial and logistics markets, notably in the Czech Republic, Romania, Hungary and Slovakia

» Structural demand support for the segment in CEE

» Good-credit-quality tenant base and long remaining average tenor of leases, which provide good rental income visibility

» Strong track record in asset management and development projects

» Proven access to debt capital

Credit challenges

» Implications of rising interest rates on interest expense, property values and certainty of pricing

» Material development exposure on a partial prelet basis resulting in executions risk and high capital requirements

» Relatively high Moody's adjusted debt/assets expected for the rating

» Economic and geopolitical uncertainty paired with tightening financial condition

» Geographical presence in less liquid investment markets in CEE that we deem more vulnerable to eroding investor sentiment and risk perception, even though less pronounced in the current environment

Rating outlook

The stable rating outlook balances a relatively high expected Moody's-adjusted debt/asset and a declining fixed charge cover, alongside a sizeable development exposure, with a strong business profile and a development track record that CTP has achieved over the last years. We expect CTP to consider other sources of funding for their development and acquisition pipeline if the fixed charge cover reduces more materially.

Factors that could lead to an upgrade

A rating upgrade could result from:

» Moody's-adjusted gross debt/assets sustainably below 45% and net debt to EBITDA sustainably well below 11x, with financial policies supporting that lower level of leverage

» Moody's-adjusted fixed charge coverage ratio sustained above 3x

» The company maintaining strong liquidity and a long-dated, well-staggered debt maturity profile, with a record of successfully addressing any refinancing needs well ahead of maturity, combined with a high-quality unencumbered asset pool in strong jurisdictions

» Reduced development risk exposure

Factors that could lead to a downgrade

A rating downgrade could result from:

» Failure to comply with its financial policy or Moody's adjusted leverage sustainably above 50%

» Fixed-charge coverage ratio reducing towards 2.5x

» Failure to maintain adequate liquidity, an adequate unencumbered asset base as well as a staggered maturity profile with substantial buffers to covenants

» Further increasing development exposure as % of assets or weak letting performance in development business

Key indicators

CTP N.V. [1][2]

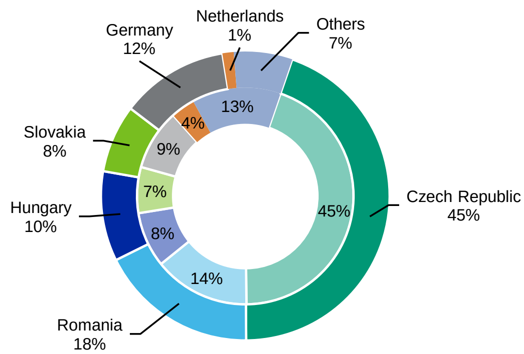
	2016 [3]	2017 [3]	2018	2019	2020	2021	2022	2023	LTM Mar-24	Moody's 12-18 Month Forward View [4]
Real Estate Gross Assets (in $ millions)	$3,834.3	$5,270.4	$5,343.8	$6,202.9	$7,887.5	$11,015.7	$13,371.2	$16,240.7	$16,962.7	$20,000 - $22,000
Unencumbered Assets / Real Estate Gross Assets	N/A	N/A	N/A	11.6%	32.8%	74.0%	63.0%	56.7%	54.8%	55.0% - 65.0%
Debt / Real Estate Gross Assets	48.6%	47.0%	45.7%	48.6%	52.7%	46.7%	47.3%	47.7%	49.4%	48.0% - 52.0%
Net Debt / EBITDA	10.0x	11.7x	10.2x	12.1x	13.2x	13.4x	14.4x	13.3x	12.5x	11.0x - 12.5x
Secured Debt / Real Estate Gross Assets	47.7%	46.1%	45.6%	48.5%	36.5%	11.7%	15.1%	19.0%	18.9%	16.0% - 20.0%
EBITDA / Fixed Charges	3.8x	3.4x	3.2x	3.3x	3.3x	4.6x	4.4x	3.7x	3.4x	2.4x - 2.6x

[1] All figures and ratios are based on adjusted financial data and incorporate our Global Standard Adjustments for Non-Financial Corporations
[2] Periods are financial year-end unless indicated. CTP N.V.'s financial year ends on 31 December. LTM = Last 12 months.
[3] Pro forma combined financials of legal entities CTP Invest spol s.r.o and CTP Property B.V.
[4] This represents Moody's forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures
Source: Moody's Financial Metrics™ and Moody's Ratings forecasts

Profile

CTP N.V. is the largest logistics and industrial real estate group in CEE. Headquartered in Amsterdam, it is a full-service commercial property developer and asset manager with assets across the CEE with a focus on Czech Republic, Romania, Slovakia, Hungary, and Germany. As of March 2024, the group's investment property was valued at around €13.8 billion (including investment property under development) with a contracted revenue of €742 million for the next 12 months. The group consists of two economically interlinked companies: CTP Property B.V., its property management arm; and CTP Invest, spol. s r.o., a property developer.

Exhibit 3
Czech Republic accounts for most of the gross rental income and investment property



Outer ring: Based on gross rental income. Inner ring: Based on value of investment property and investment property under development.
Source: Company, as of 31 December 2023

CTP is listed on the Euronext Amsterdam since 25 March 2021. It has a market capitalization of €7.2 billion as of 1 July 2024, implying a discount to EPRA Net Tangible Assets (NTA) of about 3%. CTP's founder and CEO Remon Vos remains the main shareholder with a current stake of 75.5%.

Detailed credit considerations

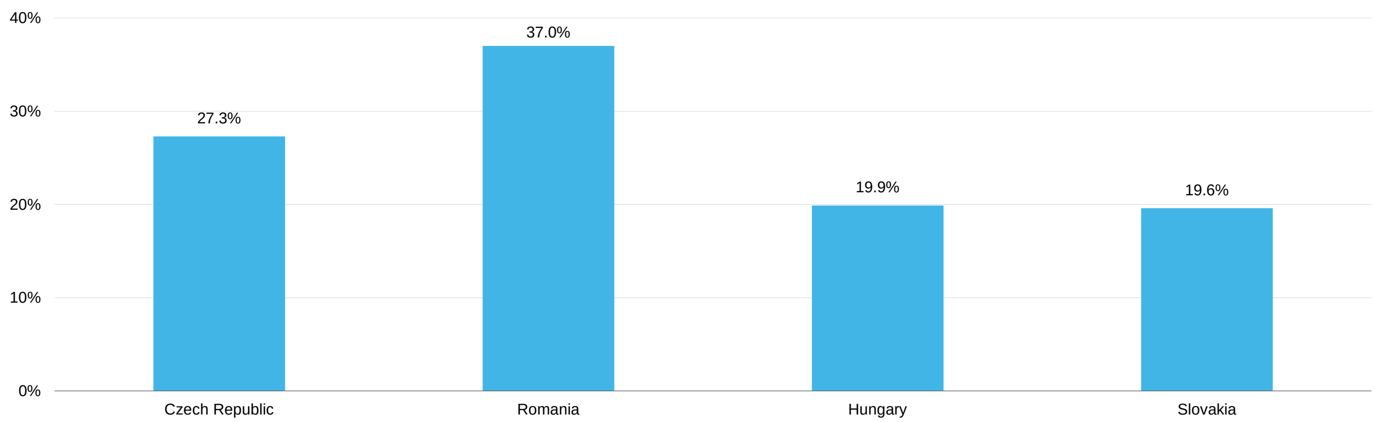
Strong market position in the CEE industrial and logistics market

CTP is the market leader in the industrial and logistics markets in CEE and has around 12 million square metres (sqm) of leasable space owned and under management, with an additional 2 million sqm under construction, as of 31 March 2024. The company commands a leading market share in terms of gross leasable area (GLA) of 27.4% in its core jurisdictions of the Czech Republic, Romania, Hungary and Slovakia as of 31 March 2024. On a pan-European level, the market is dominated by a few companies next to CTP , such as P3 Logistics Parks, Prologis European Logistics Fund FCP-FIS (A3 stable), Panattoni, SEGRO European Logistics Partnership S.a r.l. (Baa2 stable), Logicor, VGP or Warehouses de Pauw (Baa1 Positive).

Exhibit 4

CTP has a leading market position in its core markets

Market share percentage in terms of GLA



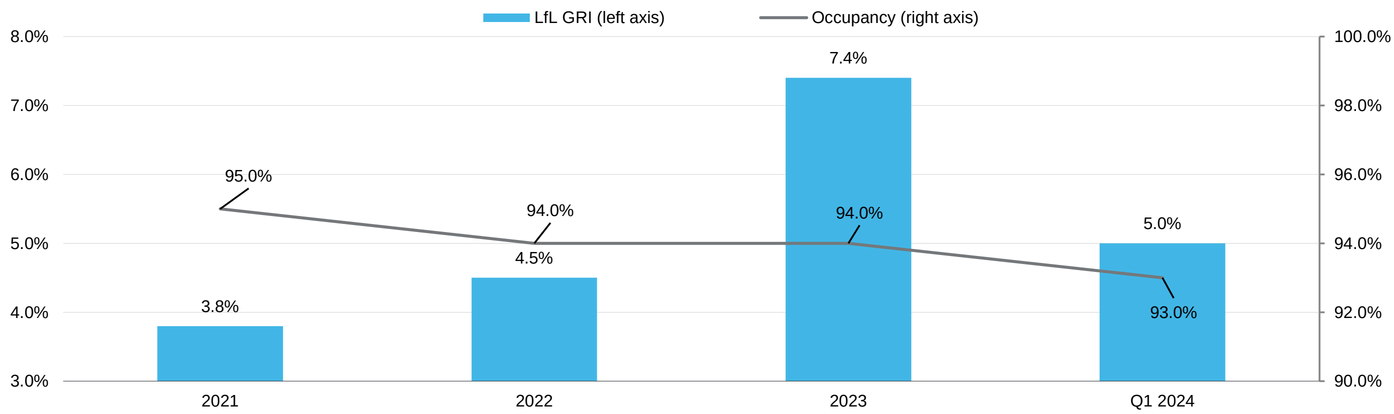
Sources: Company, as of 31 December 2023

Good-quality, well-located portfolio across main transport routes in CEE

CTP's asset portfolio is of good quality stemming from good location and asset quality. The company maintains solid occupancy in the 93-95% range since 2018 and generates like-for-like rental growth while growing its portfolio in existing and new geographies. In this way increasing scale and diversification improves credit quality. In Q1 2024, rental income grew by 5.0% on a like-for-like basis (after 7.4% in 2023) as a consequence of indexation and continuing reversion on renegotiations and expiring leases. CTP claims rents have a reversionary potential of 14.5% as of 31 December 2023.

Exhibit 5

CTP maintains solid occupancy rate and strong like-for-like gross rental income



Source: Company

CTP's industrial and logistics facilities are generally conveniently located near freight routes or transport hubs and concentrated most of its assets adjacent to capital or major cities. CTP has a large share of assets in parks that come with increased management efficiencies and improved business opportunities to serve its tenants.

ESG is a clear focus of CTP's activities with 100% BREEAM certifications for its standing portfolio outside of Germany. In addition, the portfolio benefits from a moderate building age, which CTP keeps roughly at this level through new developments that are added to the portfolio.

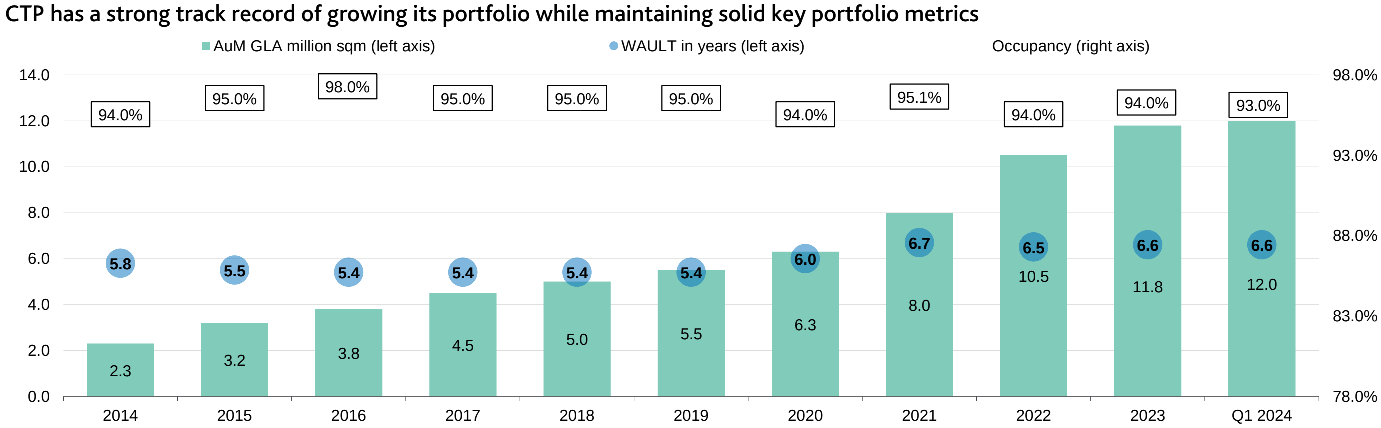
In 2021, CTP acquired a German light industrial/ logistics portfolio through Deutsche Industrie AG. While the German portfolio only represents around 12% of GRI, we think it is a value-add proposal with a lower asset quality than the CEE parts of CTP (that needs less maintenance capital spending) and an overall different strategy than the rest of the portfolio. CTP has successfully started to increase rents and margins in the portfolio through investments in a local team and through capital investments. CTP also announced further €300 million investment plan in 2023, accompanied with the execution of landbank acquisitions.

Steady operating performance and income quality upheld throughout substantial expansion

CTP materially grew its portfolio through the last years and exceeded €550 million gross rental income in the twelve months ended 31 March 2024. At the same time, CTP maintained solid occupancy rates and lease terms. The weighted average of unexpired lease term across the portfolio was 6.6 years as of 31 March 2024, also stable since 2021.

Exhibit 6

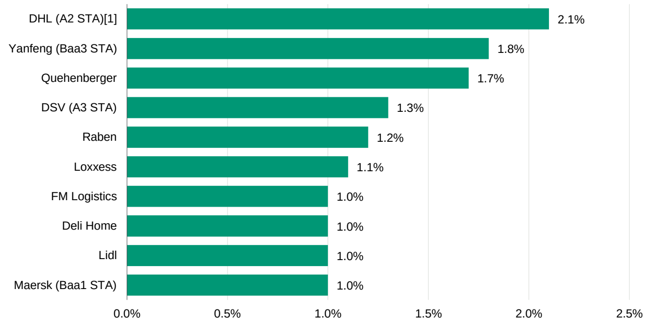
CTP has a strong track record of growing its portfolio while maintaining solid key portfolio metrics



AuM = Assets under management in million sqm. WAULT = Weighted average unexpired lease term in years.
Source: Company

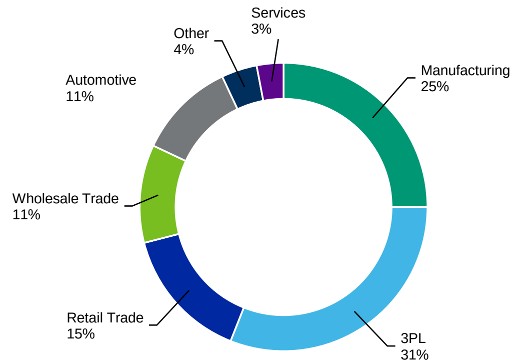
CTP maintains a well-diversified and good quality tenant base. The top 10 tenant concentration is moderate, the largest tenant is less than 3%. Tenant quality remains good, rental collections is almost at 100%. Tenants include highly rated blue-chip companies or subsidiaries of major international companies, such as DHL - a subsidiary of the Deutsche Post AG (A2 Stable), Yanfeng International Auto (Baa3 Stable), DSV A/S (A3 Stable), and A.P. Moller-Maersk A/S (Baa1 Stable).

Exhibit 7
Tenant concentration is limited
Top 10 tenants by Rented Gross Leasable Area (GLA)



As of 31 December 2023.
[1] DHL reflects Deutsche Post AG's rating.
Sources: Company

Exhibit 8
Tenants mainly operate in the industrial and logistics sectors
Tenant industry by Gross Leasable Area (GLA)



As of 31 March 2024.
Source: Company

CTP's contracts are euro denominated which decouples earnings from direct effects of currency fluctuations. Many tenants' earnings have a substantial part of earnings linked to international markets as well, reducing the potential mismatch of rental cost to earnings. Since 2020, the company's new leases contain a double indexation clause whereby annual rents increase by the higher of a fixed escalator typically between 1.5%-2.0% or the local CPI. Those leases represented the majority of the leases by now at around 68% of generated income as 31 March 2024.

Supportive structural trends remain while macroeconomic uncertainties remain a risk

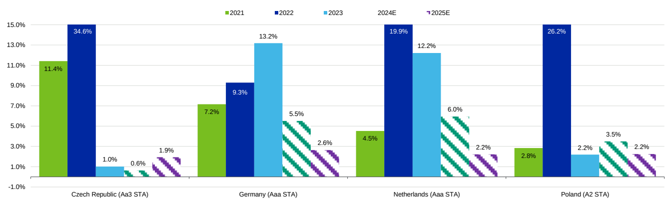
Solid and unfilled demand for warehousing and distribution space continues to support the industrial and logistics sector, resulting in low vacancies and increasing rents across most European countries. Market rents increased strongly in the last years, which has still to fully filter into in-place rents. Global supply chain reconfiguration, safety inventory buildup and still structurally increasing e-commerce support demand. The demand is at risk from macroeconomic and geopolitical uncertainties. While some CEE countries are doing better than Western European peers, the moderate growth outlook and geopolitical risk can influence demand in the next 12-18 months.

Supply growth has resulted in vacancies slightly increasing from a historically low level. We expect continuingly low vacancies to support rental growth going forward. Nominal market rents have partially risen very strongly in the past and but will normalise going forward across the region.

Exhibit 9

Prime logistics rents expected to grow at lower pace after strong growth in 2022

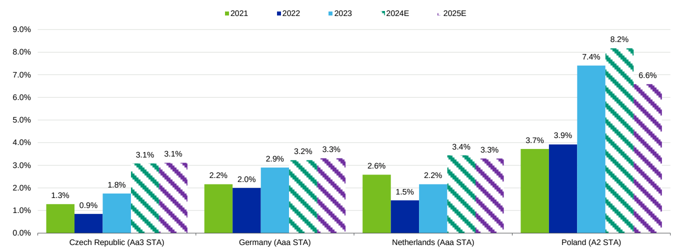
Rental Growth in %



Source: CBRE Forecast as Q2 2024

Exhibit 10

Logistics' vacancy is expected to remain low in most of CTP's markets



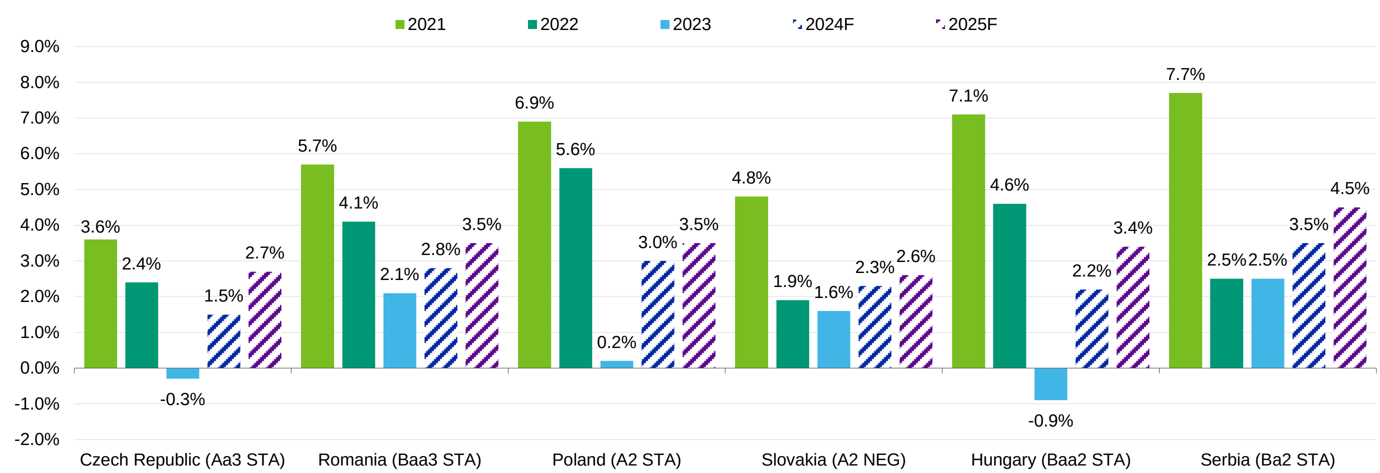
Source: CBRE Forecast Q2 2024

CTP has a geographic footprint in countries in CEE that will structurally and macroeconomically benefit more than core Western European countries. We also note that the production and supply chain integration of the CEE into the wider European economy has increased, which support growth for production and logistics demand in the region.

Exhibit 11

Economies in the CEE region will perform better than some Western European countries

Real GDP change in percentage terms



Source: Moody's Investors Service, as of 1 July 2024

Higher interest rates did not reduce property values as expected, but affect interest expense

Interest rates have increased materially since early 2022. Nevertheless valuations increase 2% on a like-for-like basis in 2023 where ERV growth above 10% overcompensated for yield widening. Property valuations of standing assets are done semiannually and are expected to increase moderately from here.

Our projections include a moderate increase in property values in the next 12-18 months. In addition to potential moderate value increases on the standing assets, CTP generates value by developing assets at yield-on-cost of 10% while the standing portfolio yields 6.7% on a gross basis (or 5.5% on an EPRA NIY basis).

Large capital requirements and inherent execution risks in a strong development growth strategy, balanced by a good track record

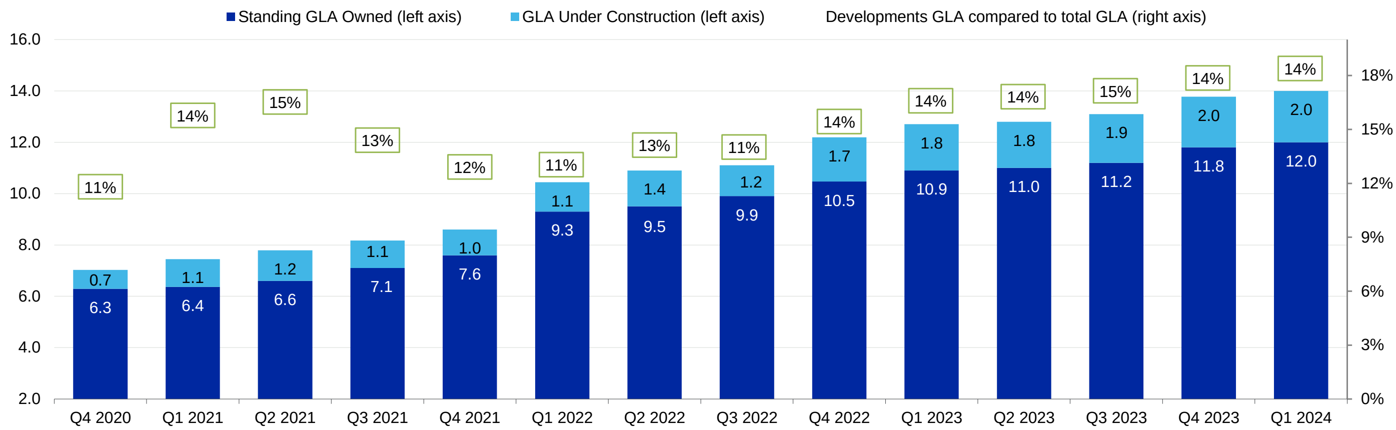
CTP is a growth-oriented company that has more than doubled its GLA since 2018, also helped by acquisitions. The growth also expanded its reach into new geographies such as Poland, Germany, and Netherlands. CTP continues to grow its portfolio through development of its large landbank. The company targets to increase its portfolio to 20 million sqm by the end of the decade. CTP owns or has options to achieve this goal but nevertheless continues to replenish its landbank. We have assumed up to €1.2 to 1.3 billion of annual capital spending for developments, investments into solar, or new acquisitions for 2024 and 2025.

We see the company's aggressive growth having positive implications on its business profile but being overall still credit negative given the continuously increasing debt load. CTP has a strong track record for developments and can generate a very good return on land largely already owned. We recognise the strategic value of the company's landholdings predominantly in the CEE, often adjacent to existing locations. 2 million sqm were under construction as of Q1 2024, which reflects a high development exposure (Exhibit 11). The company typically operates with moderate prelets (i.e. once a project is launched) but has a track record to achieve a higher letting at project completion.

Exhibit 12

High development exposure embedded in CTP's business model

GLA under development



Source: Company

Leverage to remain around 50%, while fixed charge cover is set to decline

CTP will spend materially for developments and acquisitions of land or running assets. The majority of this spending will be funded with debt even if retained earnings are set to increase. The last equity contribution outside of scrip dividends happened in 2021. With moderate expected value increases and valuation uplifts roughly compensating increased debt to fund developments and acquisitions, Moody's-adjusted debt/assets will remain in the 48-52% range over the next 12-18 months, compared to 49.4% as of March 2024. We also expect net debt/EBITDA to remain in the 11-12.5x range.

Rising interest cost and material new debt to fund capital spending and acquisitions will further reduce Moody's-adjusted fixed charge cover. We have projected 2.4-2.6x in the next 12-18 months, down from 3.4x LTM March 2024, including our assumptions on topline growth and investments / acquisitions. We expect fixed charge cover to become more of a rating constraint than debt/assets over the next few years, unless EBITDA generation exceeds our expectations or CTP starts to lower developments/acquisitions or fund them with a lower share of new debt. CTP's average cost of capital will align faster towards the marginal cost of debt compared to some peers despite a long and spread maturity profile given the need for development funding.

ESG considerations

CTP N.V.'s ESG credit impact score is CIS-2

Exhibit 13
ESG credit impact score

CIS-2

ESG considerations do not have a material impact on the current rating.

Source: Moody's Ratings

ESG considerations have a neutral to low credit impact (**CIS-2**) on CTP. This reflects the company's strong operational track record and conservative financial policies, which help it manage its exposure to governance risks associated with a concentrated ownership with management responsibilities.

Exhibit 14
ESG issuer profile scores

ENVIRONMENTAL
E-3

SOCIAL
S-2

GOVERNANCE
G-2

Source: Moody's Ratings

Environmental

E-3: CTP's moderate exposure to carbon transition risk is balanced by high quality construction that CTP engages in, reflected in the 100% BREEAM certification of its sites across all countries, chiefly at "Excellent" levels and on new developments since 2021. CTP's building age is relatively young. CTP also materially increased the electricity generated by solar panels to above 100 MWp in March 2024.

Social

S-2: Credit exposure to social considerations is not a key factor as the company is strongly positioned to continue benefitting from a supportive operating environment on the back of the proliferation of e-commerce, and a gradual reconfiguration of the supply chain in Europe fuelling demand for warehousing and logistics space.

Governance

G-2: CTP's governance IPS reflects the company's commitment to a financial policy that is commensurate with an investment-grade rating, and targets to maintain a net loan-to-value ratio of below 45%. This together with a majority independent board helps to balance a concentrated ownership by the company's CEO, which contributes to stability of CTP's strategy, but also implies fewer checks and balances than we typically see in more widely held public companies. Corporate governance is strengthened via an audit committee, as well as nomination and remuneration committees, composed of non-executive independent directors.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

Proven track record of accessing capital markets, underpinning the company's stronger financial flexibility

CTP's liquidity is solid and comfortably covers cash needs for the next 12 months. The company has €1.2 billion of cash and cash equivalents available in addition to an undrawn €550 million revolving credit facility whose maturity was extended to February 2027 with a one-year extension option. We expect FFO generation of around €350 million for 2024. CTP tapped the bond market in February 2024 and executed a bond buyback for some 2025 and 2026 bond maturities following a €500 million unsecured loan in June 2024.

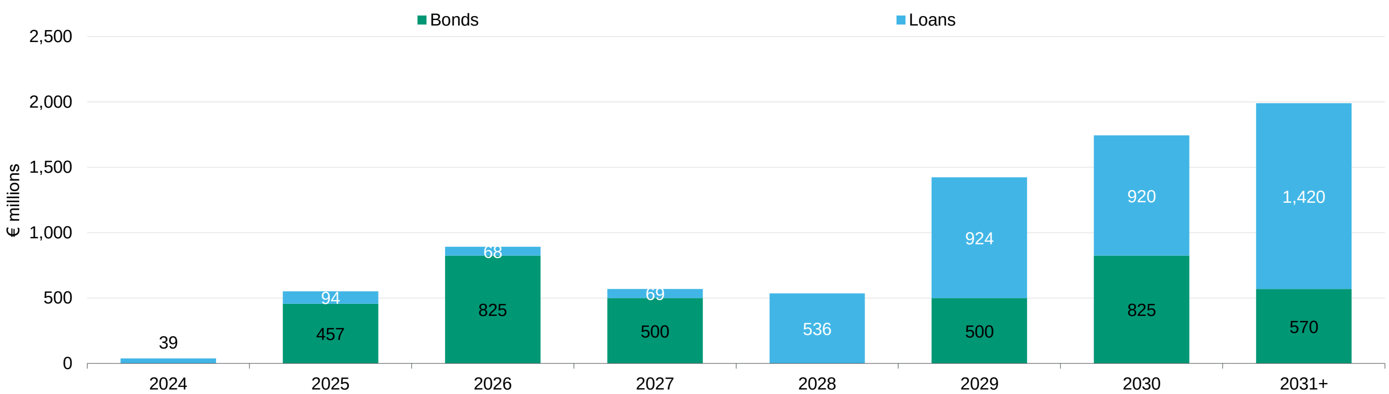
The main use of CTP's liquidity continues to be developments and acquisitions. While not fully committed, we have assumed between €1.2-1.3 billion capital spending including €200-400 million for acquisitions in 2024 and 2025.

Following two rounds of bond buybacks in February and June 2024, CTP has marginal debt maturities in 2024 and around €550m of bond and loan maturities in 2025 (pro-forma for bond tap, tender and recent unsecured loan issuance). Otherwise the company pays its dividends in two installments in the second and third quarter, typically with a scrip dividend component that we expect to remain on a higher level.

CTP will use its proven access to debt capital to tap both unsecured and secured debt going forward. The vast majority of debt will remain unsecured given current bond pricing is competitive to secured loan terms, which provides for a strong pool of unencumbered assets if capital markets were to become unavailable.

Exhibit 15

CTP has a long-dated maturity profile



As of 31 March 2024, proforma for bond tender offer and tap executed in June 2024 and unsecured loans drawn in May 2024 and June 2024
Source: Company

Structural considerations

The Baa3 rating on the outstanding unsecured notes is in line with the long-term issuer rating, indicating that the majority of CTP's funding is unsecured (at 62% of gross debt as of 31 March 2024) and leading to an unencumbered asset base of around 55% as of 31 March 2024, including assets located in higher-rated jurisdictions, such as the Czech Republic.

Methodology and scorecard

The principal methodology used for CTP's rating is REITs and Other Commercial Real Estate Firms with data as of 31 March 2024.

Assigned rating is in line with the scorecard-indicated outcome under the current and forward view.

Exhibit 16

Rating Factors

CTP N.V.

REITs and Other Commercial Real Estate Firms Industry Scorecard [1][2]	Current LTM Mar-24		Moody's 12-18 Month Forward View As of Jul-24 [3]	
Factor 1 : Scale (5%)	**Measure**	**Score**	**Measure**	**Score**
a) Gross Assets (USD Billion)	$17.0	A	$20.0 - $22.0	Aa
Factor 2 : Business Profile (25%)				
a) Market Positioning and Asset Quality	A	A	A	A
b) Operating Environment	Baa	Baa	Baa	Baa
Factor 3 : Liquidity and Access To Capital (25%)				
a) Liquidity and Access to Capital	Baa	Baa	Baa	Baa
b) Unencumbered Assets / Gross Assets	54.8%	Ba	55.0% - 65.0%	Baa
Factor 4 : Leverage and Coverage (45%)				
a) Total Debt + Preferred Stock / Gross Assets	49.4%	Baa	48.0% - 52.0%	Baa
b) Net Debt / EBITDA	12.5x	Caa	11.0x - 12.5x	Caa
c) Secured Debt / Gross Assets	18.9%	Baa	16.0% - 20.0%	Baa
d) Fixed Charge Coverage	3.4x	Baa	2.4x - 2.6x	Baa
Rating:				
a) Scorecard-Indicated Outcome		Baa3		Baa3
b) Actual Rating Assigned				Baa3

[1] All figures and ratios are based on adjusted financial data and incorporate our Global Standard Adjustments for Non-Financial Corporations
[2] As of the last twelve months ended 31 March 2024
[3] This represents Moody's forward view and not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures
Source: Moody's Financial Metrics™ and Moody's Ratings forecasts

Ratings

Exhibit 17

Category	Moody's Rating
CTP N.V.	
Outlook	Stable
Issuer Rating -Dom Curr	Baa3
Senior Unsecured -Dom Curr	Baa3

Source: Moody's Ratings

REPORT NUMBER 1412635