

KRUNGTHAI CAR RENT & LEASE PLC

No. 201/2025
24 November 2025

FINANCIAL INSTITUTIONS

Company Rating: A-
Outlook: Stable

Last Review Date: 25/11/24

Company Rating History:

| Date | Rating | Outlook/Alert |
|----------|--------|---------------|
| 02/10/17 | A- | Stable |
| 15/05/08 | BBB+ | Stable |

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RATIONALE

TRIS Rating affirms the company rating on Krungthai Car Rent & Lease PLC (KCAR) at “A-” with a “stable” rating outlook. The rating reflects KCAR’s strong competitive position in the car rental segment, supported by its strong market share, conservative leverage, and robust cash flow protection. The rating also incorporates the company’s prudent funding structure and adequate liquidity position, which together reinforce its financial stability and credit profile.

KEY RATING CONSIDERATIONS

Sound market position with competitive advantages

KCAR maintains a strong market position in the car rental industry. It ranks as the eighth-largest operator by total assets as of end-2024, with an estimated 5.8% market share based on the TRIS Rating database.

This sustained market position amid heightened industry competition reflects KCAR’s diversified service platform, encompassing long-term leasing, short-term rentals, and full maintenance services. The company’s comprehensive product range of sedans, sport utility vehicles (SUVs), pickup trucks, and vans caters to diverse customer segments.

KCAR also has long-standing relationships with financial institutions and automobile dealerships, several of which are affiliated with its major shareholder and founder. These connections help the company secure competitive vehicle prices and financing terms, supporting its cost competitiveness.

In addition, KCAR operates in-house maintenance facilities to manage costs and service quality. It also sells retired vehicles directly to retail customers through the Toyota Sure brand. This approach enables KCAR to capture reasonable resale margins while maintaining control over vehicle lifecycle and brand perception.

Leased assets expected to slow slightly

KCAR’s net leased assets declined by around 5% year-on-year (y-o-y) in 2024 and remained broadly flat at around THB4.3 billion as of the first nine months of 2025 (9M25), mainly reflecting scheduled fleet retirements during the third quarter of 2024 (3Q24) to the second quarter of 2025 (2Q25).

KCAR’s growth strategy remains selective, emphasizing high-quality lessees and maintaining strong rental payment performance. We project its net leased assets to remain broadly stable at around THB4.6 billion by end-2025 and decline modestly to THB4.4 billion in 2026-2027. We expect overall growth to remain subdued, in line with dampening customer leasing demand amid a weak economy.

For the electric vehicle (EV) segment, the company plans to expand cautiously, by working with manufacturers to assess product service capabilities before large-scale deployment. This measured approach is to help balance growth potential against concerns about resale value and technological risks.

Earnings rebound, overall margins stabilize

The company’s operating performance recovered significantly in 9M25 compared to the same period in 2024. Net profit surged 109% y-o-y while EBIT increased 54%, driven primarily by strong proceeds from retired vehicle disposals, even though rental income remained largely unchanged.

Vehicle sales revenue reached THB927 million in 9M25, exceeding the typical THB600-THB800 million range. However, the higher sales volume came at the expense of lower gross margin, which fell to 27% from 31% a year earlier due to the bulk disposal strategy. These sales had originally been scheduled to occur following the expiration of several major contracts in late 2024, but management strategically delayed them in anticipation of used car market prices strengthening.

Meanwhile, its rental income held steady at THB987 million in 9M25 (73% of 2024 level), despite margin erosion from 10% to 8% year-over-year. This revenue stability was achieved through enhanced operational efficiency. The company successfully reduced its selling, general, and administrative (SG&A) expense ratio to 7.1% of total revenue in 9M25, down from 8.5% in both 9M24 and full-year 2024. As a result, the overall EBIT margin expanded to 13.0% in 9M25 from around 11% in 9M24 and 2024.

Cash flow protection recovers

KCAR's cash flow protection, as measured by the EBIT interest coverage ratio, strengthened to 3.5 times from 2.2 times in 2024 due to stronger EBIT and lower leverage. We project the EBIT interest coverage ratio to remain within the 3.1-3.5 times range in 2025-2027. This is supported by our expectation of improving margins from both operating lease (OL) and retired asset sales, with the latter driven by the gradual rebound in used car prices. However, we still expect overall margins to remain below pre-pandemic levels. In addition, funding costs are likely to improve, while a slower portfolio expansion should help reduce overall borrowings. We therefore expect its funding costs to improve and remain in the 3.0%-3.3% range in 2025-2027.

We also forecast the company's fund from operation (FFO) to debt ratio to remain sound, in the 38%-44% range during 2025-2027 (compared with 41% in 9M25). Improvement in these cash flow indicators should provide adequate debt-servicing capacity amid moderate business growth.

Moderate leverage with ample covenant headroom

As of September 2025, KCAR held interest-bearing debt of THB2.7 billion, around 80% constituting priority debt in the form of secured borrowings, mainly hire purchase financing for vehicle acquisitions. This implies that unsecured creditors hold subordinated claims on the company's assets.

We anticipate KCAR's leverage to remain moderate, with its net debt to capitalization ratio projected at 47%-53% during 2025-2027 versus 52% as of September 2025. This is supported by the consistent 50% dividend payout policy and expectations of slow portfolio growth, which limits additional borrowings.

KCAR's debt to equity (D/E) ratio should stay well below the bond covenant limit of 3.5 times throughout 2025-2027, standing at 1.2 times as of September 2025. The company's prudent capital management and measured growth strategy should preserve the healthy credit metrics and covenant buffer, despite potential earnings volatility.

Well-matched funding structure

KCAR maintains a sound funding profile aligned with its 4-5-year lease portfolio maturity. As of September 2025, long-term borrowings comprised 66% of its total debt, reflecting a prudent maturity matching and liquidity risk management. The company has diversified its funding base through increased use of hire purchase for its rental fleet, which now represents 52% of total borrowings, enhancing funding stability and cost efficiency. Average funding costs have remained stable at 3.4%-3.5% in 2024 - the first half of 2025 (1H25), supported by disciplined financial management and strong relationships with its lenders.

Adequate liquidity position

We expect KCAR's liquidity to adequately cover obligations through June 2026. Available sources include THB2.2 billion in undrawn credit facilities, THB800 million in cash and projected FFO, and THB1.0 billion from planned asset disposals, which should meet the THB1.0 billion in debt maturities and THB1.4 billion in capital expenditures.

KCAR maintains robust funding access through longstanding domestic banking relationships and a proven track record in debt and equity capital markets, providing financial flexibility for fleet expansion and refinancing even in challenging conditions.

Automobile operating lease business growth slowed in line with economy

Demand for OL services has moderated due to weak economic growth. Net assets at end-2024 of top 10 major operators in TRIS Rating's database contracted by 1% y-o-y, compared with zero growth and 7% expansion at the end of 2023 and 2022, respectively.

Meanwhile, gains on disposal of retired vehicles improved compared to the prior year. This was partly supported by the reduced supply of repossessed cars, thanks to asset quality improvement at several auto hire purchase lenders and the

targeted debt restructuring measures of the Bank of Thailand (BOT). As a result, second-hand car prices strengthened, as evidenced by the BOT's used-car price index, which averaged 76.4 in the 1H25, compared with the full-year average of 69.4 in 2024.

BASE-CASE ASSUMPTIONS

TRIS Rating's base-case assumptions for KCAR in 2025-2027 are as follows:

- Total lease portfolio to be THB4.4-THB4.6 billion.
- Operating lease gross margin to range around 9%-12%.
- Cost of funds to reach around 3.0%-3.3%.

RATING OUTLOOK

The "stable" outlook reflects our expectation that KCAR will sustain its established market position and continue to deliver operating performance consistent with our base-case assumptions. We also anticipate gradual improvement in cash flow protection, as measured by the EBIT to interest coverage ratio, from its current level, supported by stable earnings and prudent financial management.

RATING SENSITIVITIES

A positive rating action could occur if KCAR demonstrates a material improvement in its market position, resulting in stronger and more resilient financial performance as well as sustained enhancement in cash flow protection.

Conversely, the rating and/or outlook could face downward pressure should the company's market position weaken materially or if its financial performance and cash flow protection deteriorate, particularly if the EBIT interest coverage ratio remains below 2 times on a sustained basis.

COMPANY OVERVIEW

KCAR was established in 1992 by Mr. Paitoon Chantarasereekul. The company was set up to provide corporate clients with long-term automobile rentals under operating lease contracts. The company also offers short-term auto rentals to both corporate and individual clients. From a base of THB4 million in 1992, the company's paid-up capital increased continuously as the business grew. In 2005, KCAR purchased a 95% stake in Krungthai Automobile Co., Ltd. (KA), a used car dealer, from the Chantarasereekul Family. In 2012, KCAR acquired the remaining 5% stake in KA, which then became KCAR's wholly-owned subsidiary.

KCAR was listed on the Stock Exchange of Thailand (SET) in late 2005 and received THB212 million from the initial public offering (IPO). Since the SET listing, the Chantarasereekul Family has remained the major shareholder, controlling a majority stake of approximately 73.5% in KCAR as of March 2020.

KCAR provides rental services for various types of vehicles, including sedans, SUVs, pick-up trucks, and vans. The company has a policy to concentrate on popular brands, especially Japanese cars, in order to reduce the risk of losses on retired assets. Preference is given to the "Toyota" brand, as the major shareholder owns a Toyota authorized dealership. KCAR also offers other brands, such as "Honda", "Isuzu", and "Nissan". In addition, the company rents some European brands to meet customer demand.

KCAR offers a full range of services, such as comprehensive insurance coverage, car registration, and vehicle maintenance. KCAR provides 24-hour customer service for both normal and emergency needs through a call center. The company also provides replacement cars in case of accident, loss, or lengthy repair.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

| | Jan-Sep 2025 | -----Year Ended 31 December ----- | | | |
|--|-----------------|-----------------------------------|-------|-------|-------|
| | | 2024 | 2023 | 2022 | 2021 |
| Total operating revenues | 1,971 | 2,096 | 2,172 | 2,280 | 2,206 |
| Earnings before interest and taxes (EBIT) | 255 | 229 | 328 | 311 | 336 |
| Earnings before interest, taxes, depreciation, and amortization (EBITDA) | 935 | 1,142 | 1,202 | 1,196 | 1,229 |
| Funds from operations (FFO) | 820 | 1,035 | 1,115 | 1,116 | 1,143 |
| Adjusted interest expense | 74 | 105 | 85 | 78 | 81 |
| Capital expenditures | 795 | 789 | 618 | 923 | 675 |
| Total assets | 5,475 | 5,837 | 5,882 | 5,596 | 5,703 |
| Adjusted debt | 2,655 | 3,034 | 3,073 | 2,641 | 2,876 |
| Adjusted equity | 2,494 | 2,429 | 2,381 | 2,329 | 2,257 |
| Adjusted Ratios | | | | | |
| Adjusted EBIT margin (%) | 12.96 | 10.95 | 15.08 | 13.62 | 15.23 |
| Return on average assets (%) | 3.42 * | 1.64 | 3.36 | 3.24 | 4.07 |
| EBIT interest coverage (times) | 3.47 | 2.18 | 3.87 | 3.97 | 4.14 |
| FFO to debt (%) | 40.89 * | 34.12 | 36.29 | 42.26 | 39.75 |
| Debt to capitalization (%) | 51.56 | 55.54 | 56.34 | 53.14 | 56.03 |

* Annualized

RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022

Krungthai Car Rent & Lease PLC (KCAR)

| | |
|------------------------|--------|
| Company Rating: | A- |
| Rating Outlook: | Stable |

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