

# CENTRAL PATTANA PLC

Announcement no. 819

26 September 2011

**Company Rating:** A+

**Outlook:** Stable

**New Issue Rating:** A+

**Rating History:**

Date	Company	Issue (Secured/ Unsecured)
23/05/07	A+/Sta	-/A+
22/02/05	A/Sta	-/A
12/07/04	A-/Pos	-/A-
04/10/02	A-	-/A-
17/05/01	BBB+	-/BBB+

**Rating Rationale**

TRIS Rating affirms the company rating of Central Pattana PLC (CPN) and the ratings of CPN's existing debentures at "A+". At the same time, TRIS Rating assigns the rating of "A+" to CPN's proposed issue of up to Bt2,000 million in senior debentures. The ratings reflect the company's leading position in the retail property development industry, proven record in managing high-quality shopping centers, reliable cash flow from contract-based rental and service income, and conservative financial policy. The ratings also take into consideration the large amount of capital expenditures needed for project expansion during 2011-2014, and the re-opening of the company's major shopping centers namely CentralPlaza Ladprao and CentralWorld.

CPN is the largest developer of retail property in Thailand. Its major shareholders are the Chirathivat family (32%) and Central Holding Co., Ltd. (27%), the leading retailer in Thailand. The ownership link with the Central Group is seen as a benefit since Central Department Store has been a strong magnet for shopping centers owned by CPN. As of June 2011, CPN managed 16 shopping centers, with total retail space of 896,261 square meters (sq.m.). The centers are located in Bangkok and other major cities in Thailand. CPN has long been the market leader in the Thai retail property industry. As measured by total retail space in Greater Bangkok, CPN had 21% market share as of June 2011, slightly lower than in the previous year, as most of CPN's new shopping centers were located in provincial areas.

CPN's solid operating performance is attributable to high occupancy rates (OR) and healthy same-store sales growth for its shopping centers. The OR of CPN's shopping centers averaged 96.8% per annum during 2007 through the first half of 2011, better than the industry average of 92.3%. CPN opened CentralPlaza Chiangrai in March 2011, hitting an OR of 98.8% in the second quarter of 2011. The company's same-store sales continuously increased in 2011, rising by 4.8% and 6.7% in the first and second quarter of 2011, respectively, compared with the same period of 2010. CPN's rental and service income slightly decreased to Bt9,822 million in 2010, down 3% from Bt10,178 million in 2009. The drop was due mainly to the closure of CentralWorld and the transfer of CentralPlaza Pinklao to CPNRF in late 2009. During the first six months of 2011, rental and service income improved to Bt5,120 million from Bt4,900 million during the same period of 2010. Since CentralPlaza Ladprao was closed for renovation during February-August 2011, the revenue growth was primarily driven by stronger operation from CentralWorld after it reopened in late 2010.

The company's operating income before depreciation and amortization as a percentage of rental and service income and sales remained healthy at 40.57% in 2010 and 42.59% in the first six months of 2011. CPN's cash flow protection deteriorated as the funds from operations (FFO) to total debt ratio declined to 12.37% in 2010 and 6.67% (non-annualized) in the first half of 2011 from 23.67% in

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2009 due to the absence of income from CentralWorld in 2010 and CentralPlaza Ladprao in 2011. Looking forward, the company's performance should be stronger once CentralWorld and CentralPlaza Ladprao resume full operations in 2012. The opening of CentralPlaza Rama 9 by the end of 2011 will also strengthen the company's cash flow in the coming years. CPN incurred more debt from the new lease payment for CentralPlaza Ladprao and long-term loans to fund its capital expenditures. The total debt to capitalization ratio rose to 51.32% as of December 2010 and 53.06% as of June 2011, up from 48.55% as of December 2009. During 2011-2014, CPN will require around Bt8,000-Bt10,000 million per annum in capital expenditures. The company plans to fund these investments by using a combination of operating cash flow, new borrowings, and asset sales to a property fund.

### Rating Outlook

The "stable" outlook reflects the expectation that CPN will continue to maintain its strong operating performance for its shopping center portfolio. Despite substantial capital expenditures planned for 2011-2014, the company is expected to continue its conservative financial policy by maintaining the target net debt to equity ratio at less than 1 times in the medium term.

### Central Pattana PLC (CPN)

<b>Company Rating:</b>	A+
<b>Issue Ratings:</b>	
CPN126A: Bt3,000 million senior debentures due 2012	A+
CPN135A: Bt2,000 million senior debentures due 2013	A+
CPN136A: Bt1,200 million senior debentures due 2013	A+
CPN145A: Bt1,000 million senior debentures due 2014	A+
CPN164A: Bt1,000 million senior debentures due 2016	A+
Up to Bt2,000 million senior debentures due within 2021	A+
<b>Rating Outlook:</b>	Stable

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