

# CENTRAL PATTANA PLC

No. 9/2013

5 February 2013

**Company Rating:** A+

**Outlook:** Positive

**New Issue Rating:** -

**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 and issue ratings of Central Pattana PLC (CPN) at "A+". At the same time, TRIS Rating revises upward the outlook of CPN to "positive" from "stable". The "positive" outlook reflects the recent improvement in the company's operating performance. The improvement came as a result of the opening several new shopping centers upcountry together with the full recovery of CentralWorld. The "A+" ratings continue to 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 expansion projects during 2013-2017.

CPN is the largest developer of retail property in Thailand. Its major shareholders are the Chirathivat family (32%) and Central Holding Co., Ltd., the leading retailer in Thailand (27%). The ownership link with the Central Group is a benefit for CPN since Central Department Store has been a strong magnet for shopping centers owned by CPN. As of December 2012, CPN managed 20 shopping centers, with a total retail space of 1,121,527 square meters (sq.m.). The centers are located in Bangkok and in other major cities in Thailand. CPN has long been the market leader in the Thai retail property industry.

CPN's solid operating performance is attributable to the high occupancy rates (OR) and healthy growth in same-store sales for its shopping centers. The OR of CPN's shopping centers averaged 97.3% per annum during 2008 through the first nine months of 2012, better than the industry average of 92.6%. Its new shopping centers, namely CentralPlaza Suraththani and CentralPlaza Lampang, which opened in late 2012, hit the OR of 99% and 98%, respectively, as of December 2012. The company's same-store sales have continuously increased, rising by 9% in 2011 and 11% in the first nine months of 2012. CPN's rental and service income soared to Bt10,853 million in 2011, 10% higher than the level of Bt9,822 million in 2010. The growth was mainly driven by the resumption of normal operations at CentralWorld after a fire in early 2010. During the first nine months of 2012, rental and service income reached a record high of Bt11,284 million. The re-launching of CentralPlaza Ladprao, the opening of the extension phase of CentralPlaza Udonthani, and the full-year operation of CentralPlaza Grand Rama 9, drove CPN's rental and service income higher.

Operating income before depreciation and amortization, as a percentage of rental and service income and sales, was 51.91% in the first nine months of 2012, rising from 42.24% in 2011 and 40.50% in 2010. CPN's profitability and performance improved at all of its shopping centers. Cash flow protection was primarily supported by stronger operating performance and the sublease of an office building, "The Offices at CentralWorld", to a property fund. As a result, the ratio of funds from operations (FFO) to total debt improved to 14.81% (non-

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annualized) in the first nine months of 2012, from around 12% during 2010 and 2011. Because it made many huge investments during the past few years, CPN's financial leverage is now high. The total debt to capitalization ratio was 60%-64% during 2010-2012. To achieve its target of having 30 shopping centers by 2015, CPN will require capital expenditures of approximately Bt10,000 million-Bt14,000 million per year in the next three years. The company has a policy to maintain its net debt to equity ratio below one time by using a mix of funding sources: operating cash flow, new borrowings, and the sale of assets to property funds.

### Rating Outlook

The "positive" outlook reflects the success of CPN's newly opened shopping centers and the improved performance of CentralWorld. The ratings could be upgraded should the company be able to lower its financial leverage (including capitalized annual leases) to 55%-60% while pursuing its growth strategy. In contrast, a sharply weaker financial position could cause its ratings or outlook to be revised downward.

### Central Pattana PLC (CPN)

<b>Company Rating:</b>	A+
<b>Issue Ratings:</b>	
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+
CPN160A: Bt1,200 million senior debentures due 2016	A+
CPN176A: Bt1,000 million senior debentures due 2017	A+
CPN180A: Bt500 million senior debentures due 2018	A+
CPN210A: Bt300 million senior debentures due 2021	A+
<b>Rating Outlook:</b>	Positive

**Financial Statistics and Key Financial Ratios\***

Unit: Bt million

	----- Year Ended 31 December-----					
	Jan-Sep 2012	2011	2010	2009	2008	2007
Rental and service income	11,284	10,853	9,822	10,178	8,142	7,517
Food and beverage sales	514	632	550	639	456	378
Gross interest expense	841	874	688	745	543	581
Net income from operations	5,079	2,058	1,900	4,952	2,186	1,783
Funds from operations (FFO)	5,567	4,276	3,694	6,469	3,141	2,749
Capital expenditures	6,632	14,280	6,179	9,450	7,187	3,587
Cash and short-term investment	4,704	945	1,632	2,541	3,677	3,983
Total assets	68,344	64,059	53,869	50,895	43,784	37,205
Total debt	26,715	25,894	19,941	17,934	16,610	12,048
Shareholders' equity	24,765	20,448	18,918	19,008	15,173	13,639
Operating income before depreciation and amortization as % of rental & service income and sales	51.91	42.24	40.50	42.32	44.66	42.28
Pretax return on permanent capital (%)	11.46 **	6.93	7.87	18.85	10.99	10.88
Earnings before interest, tax, depreciation and amortization (EBITDA) interest coverage (times)	7.86	4.97	5.28	8.60	6.17	5.38
FFO/total debt (%)	14.81 **	11.79	12.45	23.86	15.01	17.05
Total debt/capitalization (%)	60.28	63.95	61.07	58.79	57.97	54.17
Total debt/capitalization (%) ***	51.89	55.88	51.32	48.55	52.26	46.90

Note: All ratios are operating lease adjusted

\* Consolidated financial statements

\*\* Non-annualized

\*\*\* Excluding capitalized annual lease

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