

# CENTRAL PATTANA PLC

No. 9/2014

11 February 2014

**Company Rating:** A+

**Outlook:** Positive

**New Issue Rating:** A+

**Rating History:**

Date	Company	Issue (Secured/ Unsecured)
05/02/13	A+/Pos	-/A+
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+

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**Rating Rationale**

TRIS Rating affirms the company and current issue ratings of Central Pattana PLC (CPN) at "A+". At the same time, TRIS Rating assigns the rating of "A+" to CPN's proposed issue of up to Bt1,500 million in senior debentures. The proceeds from the new debentures will be used for business expansion and debt repayment. The ratings reflect the company's leading position in the retail property development industry, its 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 2014-2017.

CPN is the largest developer of retail property in Thailand. Its major shareholders are the Chirathivat family (29%) and Central Holding Co., Ltd., the leading retailer in Thailand (26%). 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 2013, CPN managed 23 shopping centers, with a total retail space of 1,287,983 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 96.5% per annum during past five years. Its new shopping centers, namely CentralPlaza Ubonratchathani, CentralFestival Chiangmai, and CentralFestival Hatyai, reached the OR of 99.9%, 92.2%, and 77.5%, respectively, as of December 2013. CPN's same-store sales increased by 29% in 2012, up from 9% in 2011. Its same-store sales growth lowered to 13% in 2013. CPN's rental and service income soared by 18% year-on-year (y-o-y) to Bt13,300 million during the first nine months of 2013. The growth was mainly driven by higher rental rate in every shopping centers. Rental and service income from two main shopping centers; CentralWorld and CentralPlaza Ladprao, grew by 10% y-o-y in the first nine months of 2013.

CPN's operating margin, as measured by operating income before depreciation and amortization as a percentage of sales, was 53.61% in the first nine months of 2013, rising from 48.89% in 2012 and 42.24% in 2011. CPN's profitability and performance improved at all of its shopping centers. Cash flow protection in 2012 was 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 was 24.44% in 2012. The ratio remained strong at 21.5% (non-annualized) during the first nine months of 2013. CPN's total debt to capitalization ratio improved to 47.71% as of September 2013 from 58.71% in 2012 and 63.95% in 2011. Over the next three

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years, CPN needs capital expenditures of approximately Bt10,000-Bt14,000 million per annum for project expansion. Thus, the company is expected 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>	
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+
Up to Bt1,500 million senior debentures due within 2017	A+
<b>Rating Outlook:</b>	Positive

## Financial Statistics and Key Financial Ratios\*

Unit: Bt million

		Year Ended 31 December				
	Jan-Sep 2013	2012	2011	2010	2009	2008
Rental and service income	13,300	15,325	10,853	9,822	10,178	8,142
Food and beverage sales	635	725	632	550	639	456
Gross interest expense	656	1,057	874	688	745	543
Net income from operations	4,543	6,189	2,058	1,900	4,952	2,186
Funds from operations (FFO)	6,875	9,001	4,229	3,694	6,469	3,141
Capital expenditures	8,344	9,257	13,794	6,179	9,450	7,187
Cash and short-term investment	2,682	4,207	945	1,632	2,541	3,677
Total assets	75,569	70,284	64,059	53,869	50,895	43,784
Total debt	20,461	25,788	25,894	19,941	17,934	16,610
Shareholders' equity	35,050	25,900	20,448	18,918	19,008	15,173
Operating income before depreciation and amortization as % of rental & service income and sales	53.61	48.89	42.24	40.50	42.32	44.66
Pretax return on permanent capital (%)	10.13 **	13.90	6.93	7.87	18.85	10.99
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	7.76	7.96	4.97	5.28	8.60	6.17
FFO/total debt (%)	21.50 **	24.44	11.66	12.45	23.86	15.01
Total debt/capitalization (%)	47.71	58.71	63.95	61.07	58.79	57.97
Total debt/capitalization (%) ***	36.86	49.89	55.88	51.32	48.55	52.26

Note: All ratios are operating lease adjusted

\* Consolidated financial statements

\*\* Non-annualized

\*\*\* Excluding capitalized annual lease

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