

# CENTRAL PATTANA PLC

No. 65/2024  
19 July 2024

## CORPORATES

<b>Company Rating:</b>	AA
<b>Issue Ratings:</b>	
Senior unsecured	AA
<b>Outlook:</b>	Stable

**Last Review Date:** 19/02/24

### Issuer Rating History:

Date	Rating	Outlook/Alert
29/12/21	AA	Stable
12/07/21	AA	Alert Negative
16/01/19	AA	Stable
18/09/18	AA	Alert Developing
22/09/17	AA	Stable
12/05/14	AA-	Stable
05/02/13	A+	Positive
23/05/07	A+	Stable
22/02/05	A	Stable
12/07/04	A-	Positive
04/10/02	A-	-
17/05/01	BBB+	-

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## RATIONALE

TRIS Rating assigns a rating of “AA” to Central Pattana PLC (CPN)’s proposed issue of up to THB5 billion senior unsecured debentures due within seven years. The proceeds from the new debentures are intended to be used to refinance some of the company’s existing debts. At the same time, we affirm the company rating on CPN and the ratings on CPN’s outstanding senior unsecured debentures at “AA”, with a “stable” rating outlook.

The ratings reflect the company’s leading market presence in the retail property industry in Thailand, expected strong operating performance supported by stable cash flow from existing assets and ongoing mixed-use projects, moderate financial leverage, and adequate liquidity.

CPN’s operating performance in the first quarter of 2024 (1Q2024) was in line with our forecast. Its revenue and earnings achieved 25%-30% of our full-year target. CPN’s operating revenue soared by 19% year-on-year (y-o-y) to THB12.2 billion and its EBITDA surged by 22% y-o-y to THB8.2 billion in 1Q2024. Its revenue and earnings growth were primarily driven by increased revenues from revenue-sharing contracts, robust occupancy rate (OR), and rebounding rental rates after discontinuing the discounts previously provided to tenants. Strong growth in both the hotel operation and residential property businesses also aligned with our full-year target.

Looking forward, we expect CPN’s total operating revenue to reach the THB48-THB53 billion per annum level in 2024-2026 from THB47 billion in 2023. We project revenue from commercial properties to increase by 5%-10% per annum over the forecast period. This is based on our assumption of one to three new shopping centers per year, an average OR of around 90%, and average rental rate (ARR) growth of 2%-5% per annum. We anticipate revenue from hotel operation to increase to THB1.8-THB2.3 billion annually from THB1.6 billion in 2023, buoyed by the recovery of both local and foreign tourist numbers and portfolio expansion. Revenue from residential property should hover in the THB5-THB7 billion range in 2024-2026. We expect CPN to sustain its EBITDA at the THB28-THB30 billion level, with an EBITDA margin of 55%-60%.

Despite the hefty capital expenditures (CAPEX) required for business expansion through its own and joint venture (JV) projects totaling THB68 billion over 2024-2026, we expect CPN’s debt to EBITDA ratio to stay below 5 times while its EBITDA interest coverage ratio should hover around 8 times over the forecast period. This is supported by the company’s projected strong cash flow from operations and estimated cash inflows from the lease extension with CPNREIT. In May 2024, CPN extended the lease agreement for Central Pinklao with CPNREIT. Net cash received from the lease extension after subscription amounted to THB5.5 billion. We expect cash received from the lease extension of THB12.9 billion for Central Rama 2 in 2025.

We assess CPN’s liquidity as adequate over the next 12 months. As of March 2024, CPN’s sources of liquidity included cash on hand of THB3.2 billion, short-term investments of THB2.4 billion, and undrawn committed facilities from banks of THB5.8 billion. We forecast its funds from operations (FFO) to be around THB22 billion in 2024. On the flip side, debts due over the next 12 months will amount to THB30.5 billion, comprising THB8.5 billion short-term obligations, THB12.7 billion long-term loans, THB6.5 billion debentures, and THB2.8 billion

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Credit Updates are part of TRIS Rating’s monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

lease liabilities. We project CAPEX to be around THB21 billion in 2024 and annual dividend payments equivalent to around 40% of net profit.

As of March 2024, the ratio of its secured debt to book value of total assets was only 1.1%, well below the threshold of 35% according to TRIS Rating's "Rating Methodology for Real Estate for Rent Companies".

The financial covenants on CPN's debentures require the company to maintain its net interest-bearing debt (excluding lease liability) to equity ratio below 1.75 times and total assets (excluding secured debt) to unsecured debt ratio above 1.5 times. The ratios as of March 2024 were 0.7 times and 3.7 times, respectively. We expect the company to remain in compliance with the financial covenants over the next 12 months.

## RATING OUTLOOK

The "stable" outlook reflects our expectation that CPN will be able to deliver operating results as targeted. Despite the planned substantial business expansion, we expect CPN to maintain a strong financial profile and keep its net debt to EBITDA ratio below 7.5 times over the forecast period.

## RATING SENSITIVITIES

A credit upside could emerge if CPN strengthens its financial position while maintaining a strong business profile, with the net debt to EBITDA ratio below 4.5 times on a sustained basis. On the contrary, the ratings and/or outlook could be revised downward if the company's operating performance and/or financial profile considerably deteriorate from our expectations with the net debt to EBITDA ratio staying above 7.5 times for an extended period.

## RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Rating Methodology for Real Estate for Rent Companies, 15 July 2021
- Issue Rating Criteria, 15 June 2021

## Central Pattana PLC (CPN)

<b>Company Rating:</b>	AA
<b>Issue Ratings:</b>	
CPN248A: THB5,000 million senior unsecured debentures due 2024	AA
CPN253A: THB1,500 million senior unsecured debentures due 2025	AA
CPN256A: THB1,000 million senior unsecured debentures due 2025	AA
CPN258A: THB1,000 million senior unsecured debentures due 2025	AA
CPN25DA: THB1,000 million senior unsecured debentures due 2025	AA
CPN261A: THB1,250 million senior unsecured debentures due 2026	AA
CPN261B: THB750 million senior unsecured debentures due 2026	AA
CPN268A: THB4,000 million senior unsecured debentures due 2026	AA
CPN260A: THB2,100 million senior unsecured debentures due 2026	AA
CPN272A: THB3,000 million senior unsecured debentures due 2027	AA
CPN273A: THB1,000 million senior unsecured debentures due 2027	AA
CPN270A: THB2,000 million senior unsecured debentures due 2027	AA
CPN293A: THB1,000 million senior unsecured debentures due 2029	AA
CPN290A: THB2,200 million senior unsecured debentures due 2029	AA
CPN323A: THB2,000 million senior unsecured debentures due 2032	AA
Up to THB5,000 million senior unsecured debentures due within 7 years	AA
<b>Rating Outlook:</b>	Stable

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