

# CENTRAL PATTANA PLC

No. 15/2025  
27 February 2025

## CORPORATES

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

**Last Review Date:** 26/08/24

### Company 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 affirms the company rating on Central Pattana PLC (CPN) and the ratings on CPN’s senior unsecured debentures at “AA”, with a “stable” outlook. The ratings reflect the company’s leading market presence in Thailand’s retail property sector, the expected strong operating performance underpinned by reliable cash flow from existing assets and ongoing mixed-use developments, moderate financial leverage, and adequate liquidity.

## KEY RATING CONSIDERATIONS

### Dominant market position in the retail property sector

CPN’s robust business profile is supported by its leading position in the retail property sector and its well-diversified portfolio. As of September 2024, the company operated 42 shopping centers, 15 community malls, and on-site retail spaces, with a total net leasable area (NLA) of 2.3 million square meters (sq.m.). Its presence spans various locations, including 32 shopping centers in the Bangkok Metropolitan Region (BMR), 24 in provincial areas, and one in Malaysia. CPN’s domestic market share in terms of rental space is approximately 20% of the nationwide retail space market.

CPN’s competitive advantages stem from its well-maintained assets, prime locations, and diverse tenant base. Regular renovations and remerchandising are carried out at each shopping center to improve its appearance and attract visitors. Key anchor tenants, including “Central Department Stores,” “Robinson Department Stores,” supermarkets, brand-name retailers, and large multi-purpose halls, play a vital role in attracting other specialty retailers and customer traffic. Consequently, the average occupancy rates (OR) of its retail space have consistently exceeded 90% over the past several years.

### Focus on mixed-use projects to enhance property value

CPN’s strategy to develop offices, residences, or hotels near its shopping centers enhances foot traffic for its shopping centers and subsequently increase the overall value of the properties. In addition to its shopping centers, the company’s portfolio includes 10 offices, 29 existing residential projects, and 10 hotels. As of December 2023, the book value of investment properties in its portfolio was around THB171 billion, with a market value of THB385 billion.

Looking ahead, CPN has several significant mixed-use projects in development, both independently and in collaboration with renowned partners. These projects include “Dusit Central Park”, “The Grand Rama 9”, “Bayswater”, “Central Embassy 2”, and “Siam Square Soi 1”. Capital expenditures (CAPEX) and investments in joint ventures (JVs) for these projects are projected to be approximately THB28 billion in 2025-2027. All property types in “Dusit Central Park” are scheduled for completion by late 2025, with other projects to be finalized in subsequent years.

### Strong operating performance anticipated

We anticipate that CPN will continue to generate strong revenue and earnings in 2025-2027. CPN’s operating results have demonstrated a sustained positive momentum across all business segments since 2023. In the first nine months of 2024 (9M24), CPN achieved a 13% year-on-year (y-o-y) growth in total operating revenue. This growth was primarily driven by increased revenues from revenue-sharing contracts, strong OR, and a gradual increase in rental

rates for commercial properties. Revenue from commercial properties increased by 11% y-o-y to THB30 billion in 9M24. Additionally, there was a double-digit growth in both the residential portfolio and hotel operations, supported by ongoing expansion in line with CPN's mixed-use development strategy. CPN's EBITDA surged by 16% y-o-y to THB24 billion in 9M24, with an EBITDA margin of 64%.

Looking ahead, we project CPN's annual operating revenue to be THB50-THB60 billion in 2025-2027, with 80%-85% of revenue derived from commercial properties. We assume that CPN will launch two to four new shopping centers each year, resulting in approximately 15% growth in NLA by 2027. Our base case assumes an average OR of around 90% and rental rate growth of 2%-3% per annum. Consequently, revenue from commercial properties is projected to reach THB42-THB47 billion in 2025-2027, followed by THB5-THB7 billion of revenue from residential unit sales and THB2.0-THB2.3 billion of hotel income. Although CPN's EBITDA margin may decline due to higher operating costs associated with new projects, rising utility costs, and intense competition among top-tier players, it is expected to sustain around 55%-60%.

### **Moderate financial leverage**

Despite the significant CAPEX and investments required for business expansion through its own and JV projects in 2025-2027, we expect CPN's financial leverage, as measured by the net debt to EBITDA ratio, to remain around 4.0- 4.5 times, with an EBITDA interest coverage ratio to hover around 7-8 times over the forecast period. Our base case also considers that CPN's leverage may drop below 4.5 times during this period due to a decline in its lease liabilities, corresponding to the shorter remaining lease terms of its major operating assets. However, CPN's net debt to EBITDA ratio could rise again after renewing the lease agreements with landlords but should not significantly exceed 4.5 times.

Our base-case scenario assumes total CAPEX from all CPN's businesses, plus investments through JVs and CPN Retail Growth Leasehold REIT (CPNREIT), will amount to THB85 billion in 2025-2027. Approximately 35% of this amount is earmarked for its own and JV mixed-use projects, 30% for new shopping centers and asset enhancements to existing shopping centers, while the remainder for non-retail businesses. For non-retail businesses, we project CPN to allocate THB3-THB5 billion annually for land acquisition and construction of residential projects, as well as THB1.5 billion per annum for hotel expansion over these three years.

CPN is also expected to receive cash payments from CPNREIT amounting to approximately THB13 billion in 2025, in connection with the lease renewal of "Central Rama 2". Additionally, the company is expected to obtain net proceeds after the equity injection of THB15 billion in 2026 from the sublease of a shopping center to CPNREIT.

### **Adequate liquidity**

We assess CPN's liquidity as adequate. As of September 2024, CPN's liquidity sources comprised cash on hand of THB4.2 billion, short-term investments of THB2.2 billion, and undrawn facilities from banks of THB13.4 billion. We project that its funds from operations (FFO) for the next 12 months will be approximately THB24 billion, with an additional THB13 billion anticipated from the renewal of Central Rama 2. In addition, CPN possessed unencumbered assets with a book value of around THB200 billion, which can be pledged as collateral for new credit lines, if necessary.

CPN's debts maturing in the next 12 months will amount to THB20 billion, comprising THB7.6 billion long-term loans, THB5.7 billion lease liability, THB3.5 billion debentures, and THB3.3 billion short-term obligations. The uses of funds also include projected CAPEX and investments from all businesses amounting to THB35 billion in 2025, as well as annual dividend payments of around 60% of net profit.

The financial covenants on its debentures require the company to maintain its net interest-bearing debt (excluding lease liability) to equity ratio below 1.75 times and total asset (excluding secured debt) to unsecured debt ratio above 1.5 times. The ratios as of September 2024 were 0.6 times and 3.75 times, respectively. We believe the company should have no problems complying with the financial covenants over the next 12 to 18 months.

### **Debt structure**

At the end of September 2024, the ratio of CPN's secured debt to the book value of its total assets was only 1%, significantly below the 35% threshold as per TRIS Rating's "Rating Methodology for Real Estate for Rent Companies".

### **BASE-CASE ASSUMPTIONS**

These are the key assumptions in TRIS Rating's base case forecast for CPN's operations in 2025-2027:

- Total operating revenue to range between THB50-THB60 billion, with an EBITDA margin of 55%-60%.
- CPN's shopping centers to maintain an overall OR of around 90% and achieve an annual rental rate growth of 2%-3%.
- CAPEX for all businesses, along with investments through JVs and CPNREIT to total THB85 billion.
- Cash received from the lease extension with CPNREIT to amount to THB13 billion for Central Rama 2 in 2025, and from the sublease of a potential asset to CPNREIT to total THB15 billion in 2026.

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**RATING OUTLOOK**

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The “stable” outlook reflects our expectation that CPN will be able to deliver operating results as targeted. Despite the planned significant business expansion, we anticipate that CPN will maintain its strong financial profile and ensure that the net debt to EBITDA ratio remains below 7.5 times throughout the forecast period.

**RATING SENSITIVITIES**

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A credit upside could occur if CPN strengthens its financial position while maintaining a strong business profile. The net debt to EBITDA ratio, including any potential increase in debt obligations from future lease renewals, should consistently remain below 4.5 times.

Conversely, the ratings and/or outlook could be revised downward if CPN’s operating results and/or financial profile significantly worsen beyond our expectations, with the net debt to EBITDA ratio staying above 7.5 times for a prolonged period.

**COMPANY OVERVIEW**

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CPN was incorporated in 1980 under the name “Central Plaza Co., Ltd.” to develop and operate shopping centers in Thailand. The company was listed on the Stock Exchange of Thailand (SET) in 1995. As of September 2024, the major shareholders of CPN were the Chirathivat Family (27%) and Central Holding Co., Ltd. (26%). Central Holding, a wholly-owned holding company of Chirathivat Family members, is engaged in real estate development, hotel, food retailing, department store, hardline product, and online marketing businesses. The ownership link with the Central Group is a benefit for CPN since many anchor tenants under the group have been strong magnets for shopping centers owned by CPN.

CPN is the largest retail property developer in Thailand. The company acquired Grand Canal Land PLC (GLAND) in late 2018 and Siam Future Development PLC (SF) in August 2021. As of September 2024, CPN’s property portfolio included 57 shopping centers and community malls with NLA of 2.3 million sq.m., 10 office buildings with NLA of 320,042 sq.m., 10 hotels, one apartment, 38 food centers, 29 active residential projects, and two REITs/property funds.

Over the past five years, CPN’s rental and service income from shopping centers has accounted for approximately 80%-85% of the total revenues from sales and services. The revenue contribution from residential projects for sale increased to 12%-13% in 2023-9M24, up from 8%-9% in previous years. Additionally, revenue from office buildings for rent and hotel operations has each contributed around 4% in 2023-9M24.

**KEY OPERATING PERFORMANCE**

**Table 1: CPN Property Portfolio**

Type of Property	Unit	CPN	GLAND	SF	Total
NLA* of retail space	sq.m.	1,905,840	26,385	384,513	2,316,738
NLA* of office space	sq.m.	172,013	148,029	-	320,042
Hotel	rooms	1,681	-	-	1,681
Unsold value in residential projects	mil. THB	19,389	815	-	20,204

\* NLA = Net leasable area

Sources: CPN, GLAND, and SF, as of September 2024

**Table 2: CPN's Revenue from Sales and Services**

Unit: %

Business	2019	2020	2021	2022	2023	Jan-Sep 2024
Shopping center	82.1	83.6	82.7	82.5	77.5	78.4
Office building	4.6	5.6	6.1	5.0	4.3	4.0
Hotel	3.1	1.1	1.2	2.6	3.4	3.8
Apartment & others	0.0	0.0	0.0	0.0	0.0	0.0
Food & beverage	2.3	1.6	1.3	1.8	2.0	2.2
Residential property development	7.9	8.1	8.7	8.1	12.8	11.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Total revenues from sales and services (mil. THB)</b>	<b>36,719</b>	<b>27,862</b>	<b>24,840</b>	<b>35,575</b>	<b>45,613</b>	<b>36,824</b>

Source: CPN

**Table 3: Average Occupancy Rate**

Unit: %

Occupancy Rate	2019	2020	2021	2022	2023	Jan-Sep 2024
Shopping centers/ community malls						
- CPN	92.6	91.9	90.8	90.1	92.3	91.9
- GLAND	68.8	57.9	49.9	57.7	69.8	73.9
- SF (excluding JV)			87.7	79.5	80.3	78.8
Office buildings						
- CPN	94.3	90.1	87.7	92.2	91.1	88.2
- GLAND	97.2	91.7	90.3	89.0	84.1	81.5
Hotels	76.9	33.1	49.0	68.2	65.5	70.8

Sources: CPN, GLAND, and SF

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\*

Unit: Mil. THB

	Jan-Sep 2024	-----Year Ended 31 December -----			
		2023	2022	2021	2020
Total operating revenues	38,000	46,757	36,765	26,220	28,924
Earnings before interest and taxes (EBIT)	17,851	20,040	13,942	9,526	9,298
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	24,327	28,310	22,448	17,630	17,103
Funds from operations (FFO)	18,082	21,742	17,584	12,860	13,112
Adjusted interest expense	3,324	3,227	2,495	2,201	2,083
Capital expenditures	6,793	11,551	7,273	6,908	7,179
Total assets	302,988	279,873	272,692	263,421	221,652
Adjusted debt	126,284	122,535	127,440	127,704	86,404
Adjusted equity	106,290	100,582	89,620	82,075	77,123
<b>Adjusted Ratios</b>					
EBITDA margin (%)	64.0	60.5	61.1	67.2	59.1
Pretax return on permanent capital (%)	10.0 **	8.9	6.4	4.9	5.8
EBITDA interest coverage (times)	7.3	8.8	9.0	8.0	8.2
Debt to EBITDA (times)	4.0 **	4.3	5.7	7.2	5.1
FFO to debt (%)	18.7 **	17.7	13.8	10.1	15.2
Debt to capitalization (%)	54.3	54.9	58.7	60.9	52.8

\* Consolidated financial statements

\*\* Annualized with trailing 12 months

## RELATED CRITERIA

- Issue Rating Criteria, 26 December 2024
- Rating Methodology for Real Estate for Rent Companies, 16 December 2024
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

## Central Pattana PLC (CPN)

<b>Company Rating:</b>	AA
<b>Issue Ratings:</b>	
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
CPN26OA: 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
CPN27OA: THB2,000 million senior unsecured debentures due 2027	AA
CPN293A: THB1,000 million senior unsecured debentures due 2029	AA
CPN298A: THB5,000 million senior unsecured debentures due 2029	AA
CPN29OA: THB2,200 million senior unsecured debentures due 2029	AA
CPN318A: THB3,000 million senior unsecured debentures due 2031	AA
CPN323A: THB2,000 million senior unsecured debentures due 2032	AA
<b>Rating Outlook:</b>	Stable

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