

CENTRAL PLAZA HOTEL PLC

No. 64/2013

18 September 2013

Company Rating: A

Outlook: Stable

New Issue Rating: A

Rating History:

| Date | Company | Issue (Secured/ Unsecured) |
|----------|---------|----------------------------------|
| 09/08/13 | A/Sta | -/A |
| 28/07/11 | A-/Sta | -/A- |
| 03/07/09 | A-/Neg | -/A- |
| 08/11/05 | A-/Sta | -/A- |
| 21/10/04 | A-/Sta | - |

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Rating Rationale

TRIS Rating affirms the company rating of Central Plaza Hotel PLC (CENTEL) and the ratings of its existing senior debentures at "A". At the same time, TRIS Rating assigns the rating of "A" to CENTEL's proposed issue of up to Bt1,000 million in senior debentures. The proceeds from the proposed debentures will be used to refinance CENTEL's maturing debentures. The ratings reflect the company's strong market position and diverse sources of cash flows, along with the support from the Central Group. However, these factors are partially offset by the low margins of the quick service restaurant (QSR) industry and the nature of the hotel industry, which is seasonal and highly sensitive to uncontrollable external factors. Both industries are viewed as highly competitive, considering the huge supply of hotel rooms in key tourist destinations and the aggressive promotions regularly offered in the QSR segment.

CENTEL was founded in 1980 by the Chirathivat family to own and operate a hotel in Thailand. As of June 2013, CENTEL's hotel portfolio consisted of 7,490 rooms at 32 hotel properties in key tourist destinations in Thailand, and seven hotel properties overseas. CENTEL manages the hotel properties using its own brands under "Centara" chain. All activities in the QSR segment are conducted through its subsidiary, Central Restaurants Group (CRG). CRG currently operates 12 QSR brands, consisting of several international franchised QSR chains and two of its own brands, "RYU Shabu Shabu" and "The Terrace". The QSR segment comprised a combined total of 704 outlets countrywide at the end of June 2013.

During the past five years, revenue from the QSR business contributed approximately 54%-58% of CENTEL's total revenue, while revenue from the hotel segment contributed the rest. The hotel business has comprised over 60% of CENTEL's total earnings before interest, tax, depreciation, and amortization (EBITDA) each year during the past five years. The exception was in 2010, when the EBITDA contribution of hotel segment was 48% due to the political violence during that year.

Thank to the strong hospitality industry in Thailand, the number of foreign tourist arrivals increased by 20.0% year-on-year (y-o-y) to 12.74 million persons in the first half of 2013. As a result, CENTEL's own properties reported an overall occupancy rate (OR) of 79.5% in the first half of 2013, compared with 70.0% in the same period of the previous year. CENTEL's average revenue per available room (RevPAR) also increased, rising to Bt3,579 per night in the first half of 2013, a 30.5% y-o-y growth. The rise was due in part to the higher room rates at CENTEL's new hotels.

In the first half of 2013, total revenue grew by 20.1% to Bt8,520 million, due to the impressive growth in the hotel segment. CENTEL's operating profit margin improved from 19.6% in 2012 to 22.0% in the first half of 2013, as the company benefited from economies of scale.

Funds from operations (FFO) jumped from Bt1,548 million in 2011 to Bt2,344 million in 2012 and stood at Bt1,624 million in the first half of 2013. Thus, the FFO to total debt ratio increased from 14.4% in 2011 to 17.6% in 2012 and to 19.2% (annualized from the trailing 12 months) at the end of June 2013. The EBITDA

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interest coverage ratio also improved, climbing from 4.9 times in 2011 to 5.5 times in 2012 and to 7.2 times in the first half of 2013. As of June 2013, the company had available commercial bank credit lines of approximately Bt2,000 million. The credit lines offer financial flexibility.

CENTEL's leverage is relatively high due to the expansion in the hotel segment. The debt to capitalization ratio was approximately 58% during 2012 through the first half of 2013 which is slightly higher than our expectation. In the medium term, the debt to capitalization ratio is expected to be around 50%-55% as CENTEL's operating cash flow is growing and is sufficient to support its working capital needs and fund part of the future investments. TRIS Rating expects that CENTEL will carefully manage its financing needs and maintain a healthy capital structure.

Rating Outlook

The "stable" outlook reflects the expectation that the company will be able to maintain the strong market positions of its major hotel and QSR brands. The company should reserve sufficient liquidity to cushion against event risks, which could impact hotel operation and CENTEL's short-term financing sources.

Central Plaza Hotel PLC (CENTEL)

| | |
|---|--------|
| Company Rating: | A |
| Issue Ratings: | |
| CENTEL163A: Bt500 million senior debentures due 2016 | A |
| CENTEL163B: Bt300 million senior debentures due 2016 | A |
| Up to Bt1,000 million senior debentures due within 2016 | A |
| Rating Outlook: | Stable |

Financial Statistics and Key Financial Ratios*

Unit: Bt million

| | Jan-Jun 2013 | ----- Year Ended 31 December ----- | | | |
|---|-----------------|------------------------------------|--------|--------|--------|
| | | 2012 | 2011 | 2010 | 2009 |
| Sales | 8,520 | 14,504 | 11,278 | 9,141 | 8,277 |
| Gross interest expense | 250 | 486 | 414 | 310 | 274 |
| Net income from operations | 838 | 1,065 | 550 | (56) | 53 |
| Funds from operations (FFO) | 1,624 | 2,344 | 1,625 | 1,158 | 958 |
| Capital expenditures | 1,033 | 1,359 | 1,525 | 2,294 | 2,803 |
| Total assets | 27,851 | 27,975 | 21,684 | 20,438 | 19,817 |
| Total debt | 11,911 | 12,054 | 10,003 | 9,453 | 8,320 |
| Annual lease capitalization | 2,306 | 1,296 | 1,274 | 1,248 | 1,221 |
| Shareholders' equity | 10,229 | 9,755 | 6,049 | 5,779 | 5,965 |
| Operating income before depreciation and amortization as % of sales | 21.96 | 19.59 | 18.77 | 16.17 | 14.96 |
| Pretax return on permanent capital (%) | 9.55** | 8.50 | 7.18 | 3.28 | 2.96 |
| Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times) | 7.22 | 5.54 | 4.87 | 4.90 | 4.92 |
| FFO/total debt (%) | 19.16** | 17.56 | 14.41 | 10.82 | 10.04 |
| Total debt/capitalization (%) | 58.64 | 57.78 | 65.09 | 64.93 | 60.34 |

Note: All ratios are operating lease adjusted

* Consolidated financial statements

** Annualized from the trailing 12 months

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