

CENTRAL PLAZA HOTEL PLC

No. 76/2019
16 October 2019

CORPORATES

Company Rating:	A
Issue Ratings:	
Senior unsecured	A
Outlook:	Stable

Last Review Date: 08/08/19

Company Rating History:

Date	Rating	Outlook/Alert
09/08/13	A	Stable
28/07/11	A-	Stable
03/07/09	A-	Negative
21/10/04	A-	Stable

Contacts:

Tulyawat Chatkam

tulyawat@trisrating.com

Chanaporn Pinphithak

chanaporn@trisrating.com

Wajee Pitakpaibulkij

wajee@trisrating.com

Thiti Karoonyanont, Ph. D., CFA

thiti@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating on Central Plaza Hotel PLC (CENTEL) and the ratings on CENTEL's existing senior unsecured debentures at "A". At the same time, we also assign the rating on CENTEL's proposed issue of up to Bt600 million in senior unsecured debentures at "A". The proceeds from the new debentures will be used to refinance its existing debts.

The ratings reflect CENTEL's strong market position in its hotel and quick service restaurant (QSR) businesses, low but rising level of financial leverage, and support from the Central Group. These factors are partially offset by the cyclical nature and susceptibility to global and local events of the hotel industry and the intense competition in the QSR industry.

CENTEL's operating performance in the first half of 2019 was in line with our expectation. Total operating revenue came in at Bt10.97 billion, relatively flat compared with the same period last year. Revenue from the hotel segment dropped 6.5% year-on-year (y-o-y) due to softer demand in the meeting, incentive travel, convention, and exhibition (MICE) business, a decrease in the numbers of Chinese and European tourists, and the closure for renovation of the "Centara Grand Beach Resort Samui" hotel. Revenue from the food segment grew 4.6% y-o-y thanks to the expansion of new restaurant outlets. Operating income before depreciation and amortization as a percentage of sales remained acceptable at 28.5% in the first six months of 2019. Going forward, TRIS rating expects CENTEL's revenue to grow around 3%-7% per annum during the next three years. Operating income before depreciation and amortization as a percentage of sales is forecast to stay around 27% during the same period.

CENTEL's financial leverage remained modest, but we expect the leverage to rise in the next three years. As of June 2019, the debt to earnings before interest, tax, depreciation, and amortization (EBITDA) ratio was 2.1 times and the ratio of funds from operations (FFO) to total debt was 39%. Going forward, TRIS Rating forecasts the company's leverage to increase, due to sizable investments of around Bt23 billion in total during 2019-2021, mainly in its hotel business. We project the debt to EBITDA ratio to rise to 3.6 times and the FFO to debt ratio to decline to around 22% in 2021. We view that these ratios will improve later as the company starts to realize returns from newly opened hotels in 2022-2023.

RATING OUTLOOK

The "stable" outlook reflects our view that the company will maintain its market positions in the hotel and QSR businesses and maintain favorable profit margins over the next several years. The company should maintain the debt to EBITDA ratio well below 4 times and the FFO to debt over 20%.

RATING SENSITIVITIES

CENTEL's ratings could be revised upward if the company meaningfully enlarges and diversifies each of its business portfolios while maintaining a satisfactory financial leverage. On the other hand, a rating downside could occur if we see a material weakening in its operating performance or overly aggressive debt funded investments, which result in the debt to EBITDA ratio increasing beyond

4 times or the FFO to debt ratio falling below 20% for a prolonged period of time.

RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

Central Plaza Hotel PLC (CENTEL)

Company Rating:	A
Issue Ratings:	
CENTEL218A: Bt980 million senior unsecured debentures due 2021	A
CENTEL229A: Bt1,000 million senior unsecured debentures due 2022	A
CENTEL239A: Bt1,000 million senior unsecured debentures due 2023	A
CENTEL269A: Bt500 million senior unsecured debentures due 2026	A
Up to Bt600 million senior unsecured debentures due within 5 years	A
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 0-2098-3000

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