

# CENTRAL RETAIL CORPORATION PLC

No. 110/2023

22 September 2023

## CORPORATES

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

**Last Review Date:** 01/09/23

### Company Rating History:

Date	Rating	Outlook/Alert
01/09/23	AA-	Stable

### Contacts:

Sarinthorn Sosukpaibul

sarinthorn@trisrating.com

Nauwarut Temwattanangkul

nauwarut@trisrating.com

Wajee Pitakpaibulkij

wajee@trisrating.com

Sasiporn Vajarodaya

sasiporn@trisrating.com



WWW.TRISRATING.COM

## RATIONALE

TRIS Rating affirms the company rating on Central Retail Corporation PLC (CRC) at “AA-”, with a “stable” rating outlook. At the same time, TRIS Rating assigns a rating of “AA-” to CRC’s proposed issue of up to THB5 billion senior unsecured debentures and an additional greenshoe portion of up to THB5 billion, with a tenor of up to 10 years. The company intends to use the proceeds from the new debenture issuance to refinance existing debt and/or support working capital needs.

The ratings reflect CRC’s solid market position in the retail markets in Thailand, the strength of its extensive network of stores, wide market coverage, and well-established store brands. The ratings also incorporate the anticipated post-pandemic performance recovery. However, the ratings are weighed by intense competition in the retail industry, as well as the country and regulatory risks associated with overseas operations and the potential threats posed by economic slowdowns.

CRC’s operating performance is in line with our expectations. In the first half of 2023, total operating revenue reached THB123.1 billion, marking a 9% year-on-year (y-o-y) increase. The revenue growth spanned across all lines of business. Earnings before interest, tax, depreciation, and amortization (EBITDA) amounted to THB15.4 billion, with an EBITDA margin of 12.5%. The funds from operations (FFO) totaled THB12.3 billion. We project the company’s EBITDA to range from THB32-THB42 billion annually during 2023-2025, with an EBITDA margin of 12.5%-13.0%.

As of June 2023, CRC’s adjusted debt, including financial liabilities arising from lease liability, amounted to THB129.5 billion. The adjusted debt to EBITDA ratio was 4.2 times while the FFO to adjusted net debt ratio was 19.2%. We view that the company’s debt level is heading upward over the next three years, given the planned capital expenditures for store expansion and renovations. However, with the expected enhancement in profitability, we forecast the adjusted debt to EBITDA ratio to be about 4 times in 2023, before gradually declining to around 3.5 times within 2025. The FFO to adjusted net debt ratio should be 20%-23% during 2023-2025.

As of June 2023, CRC’s priority debt ratio was about 12%. As the ratio is under the 50% priority debt threshold, we have assigned CRC’s senior unsecured debentures at the same level as the company rating.

## RATING OUTLOOK

The “stable” outlook reflects our expectation that CRC will be able to maintain its leading position in the Thai retail market and deliver improving performance. We expect its financial status and operating performance to be in line with our forecast.

## RATING SENSITIVITIES

The ratings and/or outlook could be revised upward if CRC’s operating performance and financial status improve materially, with the adjusted debt to EBITDA ratio remaining below 2.5 times on a sustained basis. Conversely, the ratings could be downgraded if CRC’s operating performance deteriorates

**CreditUpdate**, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company’s current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been “upgraded,” “downgraded,” “affirmed” or “cancelled.” The update includes information to supplement the previously published ratings.

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materially, pushing the adjusted debt to EBITDA ratio over 5 times for an extended period. Any large debt-funded investments and/or acquisitions that significantly weaken the company's balance sheet could also pressure the ratings.

**RELATED CRITERIA**

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

**Central Retail Corporation PLC (CRC)**

<b>Company Rating:</b>	AA-
<b>Issue Rating:</b> Up to THB5,000 million senior unsecured debentures and an additional greenshoe portion of up to THB5,000 million due within 10 years	AA-
<b>Rating Outlook:</b>	Stable

**TRIS Rating Co., Ltd.**

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

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