

# CENTRAL RETAIL CORPORATION PLC

No. 135/2024  
6 August 2024

## CORPORATES

Company Rating:	AA-
Issue Ratings:	
Senior unsecured	AA-
Outlook:	Stable

Last Review Date: 22/09/23

### 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) and the ratings on CRC's senior unsecured debentures at "AA-", with a "stable" rating outlook. The ratings reflect the company's solid and proven track record in the retail industry, bolstered by its strong market presence and formidable market position. The ratings also incorporate the company's key strengths in extensive network of stores, widely recognized brands, well-established support facilities, and sound operating performance. However, these strengths are tempered by intense competition in the industry, as well as challenges from the persistently high household debt levels of Thai population which could affect consumer spending.

## KEY RATING CONSIDERATIONS

### Performance continues to improve

In 2023, CRC's total sales reached THB222 billion, marking a 5% increase from the previous year. The food business was the major contributor, accounting for 38% of total sales, followed by the hardline business at 33%, with remaining sales coming from the fashion segment.

During 2024-2026, we expect CRC to achieve sales growth of 5%-10% annually, primarily driven by the expansion of stores and market coverage. However, we anticipate same-store sales growth (SSSG) to be in low single digits across all segments, hindered by weakening consumer spending amidst persistently high household debt levels and the slow economic recovery in Thailand.

In the food business, we expect annual revenue growth of 7%-15% during the next three years. We view the food segment as a primary growth driver, as it offers essential products in a fragile economic environment, while Vietnam is exhibiting positive recovery trends in the food segment. Also, the company has ventured into a new S-curve business, the wholesale business. We believe this new business will ramp up and boost income, eventually becoming a new growth store format for the food business.

In the hardline business, we project annual growth of mid-single to double digits, primarily driven by new stores expansion and the anticipated recovery of same-store sales. We believe the disbursement of the government budget after long delays, will be a key factor in stimulating construction projects and boosting hardline business sales from the second half of 2024 onwards.

In the fashion group, sales in the fashion business are poised for growth by mid-single digit rate growth, driven mainly by the recovery of the tourism sector and opening of new stores. The company plans to enhance and renovate its facilities, offering enticing promotions, and introducing new collections and product brands to attract more customer traffic.

### Dominant in department store segment

We anticipate CRC to maintain its market-leading position in Thailand's department store business over the next three years. The company's strength lies in its extensive store coverage and robust brand portfolio. CRC's competitive advantages are driven by its well-maintained department stores and malls, prime store locations nationwide, and well-established brands such as Central and Robinson, as well as further renovation to bolster its strong physical presence.

CRC is the market leader in Thailand's department store segment, operating an extensive network of 77 department stores across the country and 450 brand and lifestyle shops. In 2023, total sales in the fashion business reached THB62.6 billion. CRC's scale of operations and coverage is significantly stronger than that of other competitors in Thailand, both in terms of the number of stores and retail space. The company continues to invest in and expand its store network to further penetrate the market with constantly widening geographical coverage.

#### Limited revenue contribution from new wholesale business

We anticipate revenue growth from the new wholesale store format in the food business, GO Wholesale, to be driven by the increasing number of stores. This new store format targets the HORECA sector and food retailers. As of March 2024, the company has operated five GO Wholesale stores and plans to open six additional stores in 2024. The company plans to open 7-8 new stores per year during the projection period. In 2023, GO Wholesale reported about THB500 million in sales, but they have yet to achieve positive EBITDA.

#### Rental and service income to continue rebounding

Looking ahead, we expect continuous improvement in CRC's rental income, despite challenges from new supply. We project rental and service income to reach THB9.6-THB11.0 billion per annum, with occupancy rates approaching 90% during 2024-2026. We expect gradual improvement in the average rental rate. CRC's strategic plans, including the expansion of new stores and rental spaces, tenant mix optimization, as well as malls aimed at becoming family-friendly destinations, are expected to revitalize rental areas and attract more traffic.

CRC holds a competitive position in the rental property market, holding a portfolio of 33 malls in Thailand and 39 malls in Vietnam. At the end of March 2024, CRC reported a net leasable retail area of 0.744 million square meters, with an occupancy rate of about 89%. Rental and service income improved by 19% to THB9.5 billion in 2023 and a further 7% year-on-year (y-o-y) increase in the first three months of 2024.

#### Profitability expected to improve

The reviving tourism industry is a key supporting factor for performance improvement. We expect the company's profit margins to widen through enhanced productivity, including effective marketing promotions, the implementation of operating cost control measures and human resource management, as well as the integration of artificial intelligence (AI) technologies. In addition, improvement in the rental property business is expected to further boost overall earnings growth. During 2024-2026, we expect the EBITDA margin to be about 12.5%, with projected EBITDA of THB32-THB38 billion per annum.

#### Moderate financial leverage

As of March 2024, CRC's adjusted debt, including financial liabilities arising from lease liability, totaled THB129.4 billion. The adjusted debt to EBITDA ratio was 3.9 times, while the ratio of funds from operations (FFO) to adjusted net debt was about 20%.

We project CRC to spend THB24-THB28 billion per annum of capital expenditures during 2024-2026 to pursue its growth strategy in multi-format stores. With the expected improvement in profitability, we forecast CRC's adjusted debt to EBITDA ratio to be around 4 times in 2024, and gradually declining to about 3.5 times within 2026, and the FFO to adjusted net debt ratio to be 19%-24% during 2024-2026.

#### Ample liquidity

As of March 2024, its sources of funds included THB11.2 billion in cash and cash equivalents, an undrawn short-term loan facility of THB29 billion, with anticipated FFO of about THB25 billion in 2024. These funds will be allocated for capital expenditures and scheduled debt repayments. CRC has about THB17.3 billion long-term debt obligations maturing during the remainder of 2024. We estimate the company's capital expenditures to be around THB28 billion for 2024.

#### Debt structure

CRC's consolidated debt, excluding lease liabilities, was THB82.8 billion as of March 2024. The company's priority debt consisted of about THB8.6 billion secured loans and debts owned by its subsidiary. The priority debt to total debt ratio was about 10% at the end of March 2024.

#### BASE-CASE ASSUMPTIONS

TRIS Rating's base-case assumptions for CRC's operations in 2024-2026 are as follows:

- Revenues to grow by 5%-10% per annum.
- EBITDA margin at about 12.5%.

- Total capital spending of around THB77 billion during the next three years.

## RATING OUTLOOK

The “stable” outlook reflects our expectation that CRC will be able to maintain its leading position in the Thai retail market and demonstrate 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 competitive position has sustainably improved through enhanced operating performance and greater business scale in its key markets compared with higher-rated peers while keeping the adjusted debt to EBITDA ratio below 2.5 times.

Conversely, the ratings could be downgraded if CRC’s operating performance deteriorates materially, pushing the adjusted debt to EBITDA ratio over 5 times on a sustained basis. Any large debt-funded investments and/or acquisitions that significantly weaken the company’s balance sheet could also pressure the ratings.

## COMPANY OVERVIEW

CRC, a leading retailer in Thailand, offers a diverse range of product categories and operates a multi-platform approach with various store formats, including department stores, specialty stores, supermarkets, and more. CRC’s store brands such as Central and Robinson department stores, Supersports sporting goods stores, Thai Watsadu and BnB Home home improvement specialty stores, B2S stationery and bookstores, Power Buy electrical appliance and electronics product stores, and Tops supermarkets, are widely accepted and highly regarded among customers.

The company was established by the Chirathivat Family. The business was founded by Mr. Tiang Chirathivat in a small shop in Bangkok in 1947. Central Trading Store, a single-unit shophouse that sold a wide variety of local and international newspapers and magazines, was established in 1950. Central Department Store Wangburapha, its first department store, commenced operations in 1956. During 1995-2001, the company spun off Tops Supermarket, Supersports, Power Buy, and B2S. CRC expanded into the international markets in Italy in 2011 and in Vietnam in 2012. Specialty stores, Thai Watsadu and Baan & Beyond were opened in 2010 and 2013, respectively. In 2020, the company acquired COL PLC (COL), a leading provider of office supply solutions.

CRC was listed on the Stock Exchange of Thailand (SET) in 2020. As of May 2024, the major shareholder of CRC was Hargreaves Central Department Store Ltd., with a shareholding of 35.06%.

As of 2023, CRC had more than 1,750 stores and 33 malls in Thailand. Moreover, the company operates 133 stores and 39 malls in Vietnam, and nine department stores in Italy. In 2023, the company recorded total operating revenue of THB248.4 billion. Sales were distributed among three major segments: food, fashion, and hardline. Around 71% of the total sales were derived from Thailand, 21% from Vietnam, and 7% from Italy. CRC’s revenue from omni-channel platform has increased considerably, accounting for 19% of total sales in Thailand in 2023 and the first quarter of 2024.

## KEY OPERATING PERFORMANCE

Table 1: Sales Breakdown

Business	2021		2022		2023		Jan-Mar 2024	
	Mil. THB	%	Mil. THB	%	Mil. THB	%	Mil. THB	%
Fashion	42,810	24.3	55,496	26.2	62,578	28.2	16,265	27.0
Hardline	63,566	36.1	72,852	34.4	74,192	33.4	19,487	32.3
Food	69,600	39.6	83,556	39.4	85,155	38.4	24,595	40.8
<b>Total sales</b>	<b>175,976</b>	<b>100.0</b>	<b>211,904</b>	<b>100.0</b>	<b>221,926</b>	<b>100.0</b>	<b>60,347</b>	<b>100.0</b>

Source: CRC

Table 2: Same-store Sales Growth (y-o-y)

Unit: %

Business	2020	2021	2022	2023	Q1/24
Fashion	(33.7)	(6.0)	38.0	12.0	2.0
Hardline	(12.5)	3.0	5.0	(4.0)	(5.0)
Food	(9.9)	(12.0)	15.0	(0.2)	4.0

Source: CRC

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\*

Unit: Mil. THB

	Jan-Mar 2024	-----Year Ended 31 December -----			
		2023	2022	2021	2020
Total operating revenues	67,203	248,391	235,425	195,433	193,350
Earnings before interest and taxes (EBIT)	4,130	14,715	12,274	3,022	2,407
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	8,327	32,472	28,952	20,110	18,928
Funds from operations (FFO)	6,514	25,911	23,670	15,809	15,262
Adjusted interest expense	1,140	4,667	3,492	3,149	2,958
Capital expenditures	4,132	17,703	15,593	8,482	9,183
Total assets	285,564	287,097	275,984	263,228	239,180
Adjusted debt	129,369	127,219	123,923	119,919	106,927
Adjusted equity	75,613	70,260	64,885	59,081	55,715
<b>Adjusted Ratios</b>					
EBITDA margin (%)	12.4	13.1	12.3	10.3	9.8
Pretax return on permanent capital (%)	7.1 **	7.1	6.1	1.6	1.5
EBITDA interest coverage (times)	7.3	7.0	8.3	6.4	6.4
Debt to EBITDA (times)	3.9 **	3.9	4.3	6.0	5.6
FFO to debt (%)	20.2 **	20.4	19.1	13.2	14.3
Debt to capitalization (%)	63.1	64.4	65.6	67.0	65.7

\* Consolidated financial statements

\*\* Annualized with trailing 12 months

## 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 Ratings:</b>	
CRC26NA: THB5,700 million senior unsecured debentures due 2026	AA-
CRC28NA: THB1,000 million senior unsecured debentures due 2028	AA-
CRC30NA: THB300 million senior unsecured debentures due 2030	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

© Copyright 2024, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at [www.trisrating.com/rating-information/rating-criteria](http://www.trisrating.com/rating-information/rating-criteria)