CENTRAL PLAZA HOTEL PLC

No. 64/2014 15 August 2014

Company Rating: A

Issue Ratings:
Senior unsecured A

Outlook: Stable

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

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Rating Rationale

TRIS Rating affirms the company and senior unsecured debenture ratings of Central Plaza Hotel PLC (CENTEL) at "A". The ratings reflect the diverse sources of cash flows from CENTEL's hotel and quick service restaurant (QSR) businesses, strong position in the QSR industry, and diverse hotel portfolio, which comprises its properties with solid market positions. The ratings also take into account the support from the Central Group. However, these factors are partially offset by the low margins of the QSR industry and the nature of the hotel industry which is seasonal and highly sensitive to uncontrollable external factors. Both industries are highly competitive, considering the huge supply of hotel rooms in key tourist destinations and the aggressive promotional efforts that are common among competing operators of QSRs.

CENTEL was founded in 1980 by the Chirathivat family, which currently holds 63% of the company's outstanding shares. The company is a Thai leading hotelier and QSR operator. As of June 2014, CENTEL's hotel portfolio consisted of 8,216 rooms, at 43 hotel properties located in key tourist destinations in Thailand and five other countries. Properties owned by CENTEL directly comprise 46% of the total rooms across 15 hotels, including one joint venture (JV) and one property leased back from a property fund. CENTEL acquired Centara Grand Island Resort & Spa Maldives in late 2012. After the acquisition, CENTEL opened a second four-star hotel, Centara Ras Fusi Resort & Spa, in the Maldives in March 2013. Currently, the company operates 250 hotel rooms in the Maldives. CENTEL manages the hotel properties under its own "Centara Grand", "Centara", and "Centra" brand names.

All activities in the QSR segment are conducted through its subsidiary, Central Restaurants Group (CRG). CRG currently operates 13 QSR brands, consisting of 11 international franchised QSR chains and two of its own brands, "RYU Shabu Shabu" and "The Terrace". During the past 12 months, two new franchises were added to its portfolio, "Tenya" and "Kutsuya". As of June 2014, the company operated a total of 767 outlets countrywide.

Normally, the revenue CENTEL receives from the hotel segment is less than the revenue from QSR segment. However, in terms of cash flow, the hotel business generates more cash flow than QSR business as the hotel business has a higher operating profit margin. However, the performance of hotel segment is more volatile. For example, the financial performance may drop sharply in response to uncontrollable external events. In 2013, the hotel segment comprised 47% of CENTEL's total revenue, while earnings before interest, tax, depreciation, and amortization (EBITDA) of hotel segment accounted for 68% of CENTEL's total EBITDA.

Political protest began anew in Thailand in late November 2013. However, the political protests did not cause a material effect on the financial result of CENTEL for the full year. This changed in the first half of 2014. The political protests continued and were forced to end by a coup d'état, which did affect the foreign tourist's confidence. The political situation made foreign tourist arrivals decline to 11.77 million persons, a 9.9% year-on-year (y-o-y) drop in the first six months of 2014, from the double-digit growth rate during the last three years. However, TRIS Rating views that since the curfew was already terminated in June 2014, Thailand's

tourism industry would be able to benefit from the peak season in the fourth quarter of the year.

The overall occupancy rate (OR) of CENTEL's own properties increased from 69.4% in 2012 to 79.6% in 2013. For the first six months of 2014, CENTEL reported an OR of 72%, compared with 80% in the same period of the previous year. However, CENTEL's average room rate (ARR) increased, rising from Bt3,777 per night in 2012 to Bt4,462 per night in 2013 and to Bt5,186 per night in the first six months of 2014 due to the higher room rates of CENTEL's new properties in the Maldives.

In 2013, total revenue grew by 18% to Bt17,096 million, as the hotel segment and QSR segment grew. Sales in the QSR business rose by 10% after adding more outlets. Revenue in the hotel segment increased by 28% as the number of foreign tourist arrivals increased and the new hotel properties in the Maldives turned in good performance. In the first half of 2014, the performances of the hotels in Bangkok were affected by the political turmoil. Despite this disruption, total revenue of CENTEL increased by 3% y-o-y to Bt8,811 million due to the strong performance of overseas hotel properties and growth of QSR sales. Revenue contribution of domestic hotels comprised 77% of the revenue in the hotel segment, compared with 91% in the same period of the previous year. CENTEL's operating profit margin improved from 19.6% in 2012 to 21.5% in 2013. In the first half of 2014, the operating profit margin dropped to 21.4%, compared with 23.8% in the first half of 2013.

Funds from operations (FFO) increased from Bt2,390 million in 2012 to Bt2,938 million in 2013 and stood at Bt1,404 million in the first half of 2014. As a result, the FFO to total debt ratio improved from 18% in 2012 to 21% in 2013 to the first half of 2014. However, the EBITDA interest coverage ratio declined from 5.7 times in 2012 to 5.4 times in the first half of 2014. As of June 2013, the company had available commercial bank credit lines of approximately Bt2,000 million. CENTEL's capital structure has improved as it repaid its outstanding debt. The debt to capitalization ratio declined from 57.4% at the end of December 2012 to 54.2% at the end of June 2014.

CENTEL plans to invest around Bt10,000 million to build new hotel properties over the next three years. The investment will be funded mainly from operating cash flow. TRIS Rating forecasts CENTEL will generate approximately Bt3,000 million per annum in operating cash flow. Thus, the debt to capitalization ratio will hold at 50%-55% in the medium term. Should the company make other investments, TRIS Rating expects that CENTEL will carefully manage its capital structure and sources of funds for the new investments.

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 is not expected to implement aggressive debt policy for its new investments.

Central Plaza Hotel PLC (CENTEL)

Company Rating:	A
Issue Ratings:	
CENTEL163A: Bt500 million senior unsecured debentures due 2016	A
CENTEL163B: Bt300 million senior unsecured debentures due 2016	A
CENTEL169A: Bt1,000 million senior unsecured debentures due 2016	A
Rating Outlook:	Stable

KEY RATING CONSIDERATIONS

Strengths/Opportunities

- Strong market positions in key business segments
- Diverse hotel portfolio
- Resilient demand in the QSR industry
- Synergies within the Central Group

Weaknesses/Threats

- Excess room supply
- Seasonal and volatile nature of the hotel industry
- Competitive and low margin nature of the QSR industry
- Ensuring new investment program

CORPORATE OVERVIEW

CENTEL is a member of the Central Group, a leading retailer in Thailand. CENTEL was founded by the Chirathivat family in 1980 to operate the hotel business in Thailand. CENTEL was listed on the Stock Exchange of Thailand (SET) in 1990. The company expanded into the fast food or QSR industry in 1994. As of 28 March 2014, the Chirathivat family remained the major shareholder, holding 63% of the total shares.

CENTEL is one of the major hoteliers in Thailand. As of June 2014, the company operated 43 hotels in key tourist destinations in Thailand and five other countries, with 8,216 rooms in total. CENTEL's hotel portfolio consists of

15 hotels it owns by itself, including a hotel owned through a JV and another hotel leased back from a property fund. CENTEL has 26 hotel properties operated under management contracts. CENTEL's QSR segment has multiple products under 13 brands through 767 outlets nationwide. In the first half of 2014, revenues from the hotel segment accounted for 45% of total revenue, while sales in the QSR segment contributed 55%. The hotel and QSR businesses generated 75% and 25% of CENTEL's EBITDA, respectively.

Table 1: CENTEL's Sales and EBITDA Breakdown by Line of Business

Unit: %

Business	2009	2010	2011	2012	2013	Jan-Jun 2014
Revenue Contribution						
Hotel	46	44	43	44	47	45
QSR	54	56	57	56	53	55
Total Revenue	**100**	**100**	**100**	**100**	**100**	**100**
EBITDA Breakdown						
Hotel	60	48	54	62	68	75
QSR	40	52	46	38	32	25
Total EBITDA	**100**	**100**	**100**	**100**	**100**	**100**

Source: CENTEL

RECENT DEVELOPMENTS

- ***Launched two new QSR brands and terminated the Café' Andonand franchise***

In 2013, CENTEL signed agreements with two franchisors, Royal Holdings Co., Ltd. and Arcland Sevice (H.K.) Co., Ltd., to operate two new QSR brands: Tenya and Katsuya. Tenya provides customers with high-quality tendon and tempura. The first outlet opened in October 2013. Katsuya serves tonkatsu (breaded deep fried pork). The first outlet in Thailand opened in July 2014.

In 2013, CENTEL discontinued the Café Andonand QSR brand. Café Andonand serves the coffee and bakery in the Japanese-style café. CENTEL had operated a Café Andonand outlet in Thailand since 2011. The discontinuance of the Café Andonand franchise had a minimal impact as its sales were only around Bt2.7 million in 2012.

BUSINESS ANALYSIS

Hotel Operations:

- ***Thailand's tourism fundamentals remain strong despite a series of events***

Thailand is one of the world's top destinations for leisure, recreation, and holidays. The record numbers of tourist arrivals prove the strong fundamentals of the tourism industry, despite several recent event shocks, such as the global financial crisis in 2008-2009, domestic political turmoil in 2010, and the severe flooding in Thailand in late 2011. The number of foreign tourist arrivals rebounded quickly after each of these events and grew at double digit annual rates during 2010-2013. Political demonstration started again in late 2013 and culminated in a coup d'état in May 2014. However, the turmoil did not have a material effect on the tourism industry in 2013. According to the Department of Tourism, Ministry of Tourism and Sports, 26.5 million tourists arrived in 2013, an 18.8% rise compared with a year earlier. However, the growth rate has been lower since December 2013, when the number of international tourist arrivals rose by 4.4% y-o-y. During January-November 2013, the y-o-y growth of each month averaged 20.8%. In 2014, the political instability began to have a greater effect on Thailand's tourism industry. The number of international tourist arrivals for the first half of 2014 dropped by 8.8% y-o-y to 11.9 million arrivals. However, a post-coup curfew was lifted in June 2014. As a result, TRIS Rating believes Thailand's tourism industry will rebound in time for the peak season in the fourth quarter of the year.

The strong fundamentals of the Thai tourism industry drive the growth prospects for the hospitality industry. However, the growth prospects could lead to intensified competition due to the low barriers to entry. A projected increase in the supply of rooms in key destinations may restrain the room rate growth. Other hurdles are the limited capacity of Thailand's international airports and increasing event risk, i.e., natural disasters and disease outbreaks.

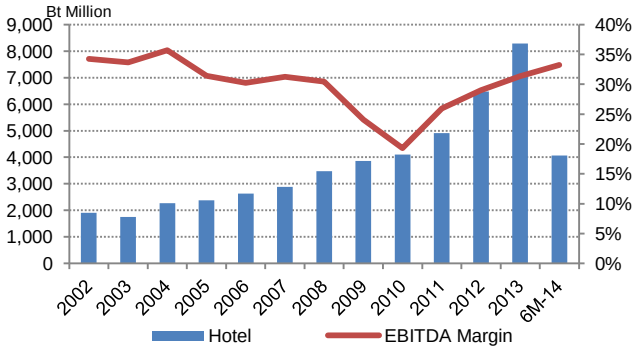
- ***Political turmoil affected hotel performance***

Mirroring the industry trend, CENTEL's operating performance in 2013 was not adversely affected by the political protests. Revenue in the hotel segment increased by 18% to Bt8,286 million in 2013, partly supported by the strong performance of the new properties in the Maldives and rising foreign tourist arrivals. However, in the first half of 2014, intensified situation affected the hotel performances, especially in Bangkok where the demonstrations took place. The revenue of two Bangkok hotels declined by 36% y-o-y in the first half of 2014. Thanks to strong performance of its hotels outside of Bangkok, revenue in CENTEL's hotel segment declined by only 2% y-o-y to Bt3,940 million. The EBITDA margin remained high at 33% as the good performances of other hotels can offset the weak performances of the hotels in Bangkok.

The OR of CENTEL's self-owned properties increased from 69.4% in 2012 to 79.6% in 2013. For the first six months of 2014, CENTEL reported an OR of 72%, compared with 80% in the same period of the previous year. CENTEL's ARR has increased, rising from Bt3,777 per night in 2012 to Bt4,462 per night in 2013 and to Bt5,186 per

night in the first six months of 2014 due to the higher room rates of CENTEL's new properties in the Maldives.

Chart 1: CENTEL's Hotel Revenue and EBITDA Margin



Source: CENTEL

Table 2: CENTEL's Hotel Performance

Hotel	2010	2011	2012	2013	Jan-Jun 2014
Room capacity (room)	2,708	2,892	3,403	3,620	3,654
ADR (Bt/night)	3,616	3,855	3,777	4,462	5,186
OR (%)	56.7	62.8	69.4	79.6	72.4
RevPAR (Bt/night)	2,050	2,423	2,620	3,551	3,755

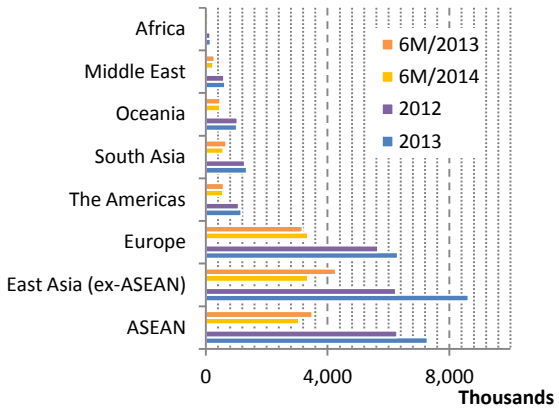
Note: Only self-owned hotel properties are shown.
Sources: CENTEL

- ***Asian tourists become more important***

Tourists from Asia comprise more than half of tourist arrivals to Thailand, while European tourists constitute about one-fourth of total arrivals. During the last five years, the tourist arrivals from East Asia were among the top growth contribution. As a result, its proportion to total foreign tourist arrival to Thailand increased from 52% in 2008 to 60% in 2013. During the same period, although European tourist arrival reported a compound annual growth rate (CAGR) of 9.6%, its proportion lowered from 27.3% to 23.8%. TRIS Rating remains positive on the prospects for Thailand's tourism industry over the medium term, based on the assumption that other Asian economies will continue growing. In addition, the signs of an economic recovery in Europe are a positive factor for Thailand's tourism industry.

Several of CENTEL's properties are in the upscale and luxury segment, which is fairly sensitive to economic conditions. Tourists from the European Union (EU) nations comprise a large portion of CENTEL's customer base, accounting for 36% of CENTEL's guests in 2013 compared with 39% in 2012. The decline was due to the prolonged public debt crisis in the EU, which affected the travel and holiday plans of European travelers. To mitigate its dependency on western tourists, CENTEL has approached tourist groups from two emerging markets, China and India. However, Asian tourists usually have shorter lengths of stay and lower spending on average compared with western tourists. Thus, CENTEL has to initiate more attractive packages to urge their spending. The proportion of Asian tourists increased from 20% of CENTEL's guests in 2012 to 27% in 2013.

Chart 2: Number of Tourist Arrivals to Thailand, by Region of Origin



Source: Department of Tourism

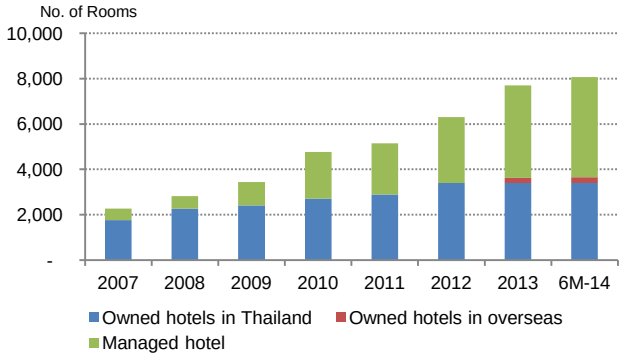
- ***Diversified hotel portfolio***

Since its inception, CENTEL has engaged in the hotel business initially under the Central brand. In mid-2007, CENTEL rebranded its hotels to the Centara brand and added more brands to cover more hotel categories. High-end properties are branded as "Centara Grand" hotels while the "Centara Boutiques Collection" name is used for boutique hotels. The "Centara" and "Centra" brands are applied to four-star and three-star hotels. In late 2012, the company launched the COSI brand for its budget hotel properties. As of June 2014, CENTEL's hotel portfolio consisted of 43 hotels with over 8,216 rooms located in key tourist destinations in six countries. The company itself owns 15 hotels, including one hotel owned by a JV and another hotel leased back from a property fund, located in key tourist destinations in Thailand and the Maldives. The other hotel properties are operated under management contracts. Its own properties account for 46% of total rooms.

CENTEL derives most of its revenue in the hotel segment from its own hotel properties, especially the five-star hotels. Many of CENTEL's hotel properties offer a large number of rooms, and are combined with a large convention center. Moreover, some hotels are set alongside retail shopping centers, boosting traffic and maximizing the utilization of space. During the last five years, CENTEL has completed several new five-star hotels, located in the most popular destinations. CENTEL's hotel revenue base is now more diversified. The total number of rooms of owned hotels increased from 2,269 rooms in 2008 to 3,654 rooms in the first half of 2014. In the

first half of 2014, the top five properties contributed approximately 56% of revenue in hotel segment, compared with 81% in 2008.

Chart 3: CENTEL's Hotel Rooms



Sources: CENTEL

In order to reduce its reliance on the performance of its hotel properties in Thailand, the company acquired a five-star hotel in the Maldives in late 2012, Centara Grand Island Resort & Spa Maldives. After this acquisition, CENTEL opened the second hotel, Centara Ras Fusi Resort & Spa, in the Maldives in March 2013. Currently, the company operates 250 hotel rooms in the Maldives. In the first half of 2014, the revenue from its domestic hotels comprised 77% of the revenue in the hotel segment, compared with 91% in the same period of the previous year.

CENTEL has a strategy to enlarge its hotel portfolio through management contracts and by building or acquiring new hotels. The funding for CENTEL's expansion efforts could come through a JV, a property fund, or a self-financed development. By using a JV or a property fund, CENTEL can reduce its financial burden for large investment projects. Currently, the company operates one JV hotel and one hotel owned by a property fund.

- ***Revenue rises from hotel management services***

CENTEL has leveraged its experience as an hotelier and now offers hotel management services. The hotel management service business has grown impressively. CENTEL has management contracts covering almost 4,246 rooms in 26 properties in the first half of 2014, compared with 550 rooms from two hotels in 2008. The company has another 25 management contracts in the pipeline, covering over 5,000 rooms. The new contracts will take effect starting in the second half of 2014 through 2017. The company has different hotel brands to match the property type. Hotel management service fees increased from Bt136.5 million in 2011 to Bt163.5 million in 2012 and to Bt187.7 million in 2013. CENTEL expects to generate recurring income of approximately Bt500 million from hotel management services within the next four years. Although hotel management service fees accounted for 2.3% of revenue from hotel operations in 2013, management services is considered a profitable line of business as the services offered can share the existing hotel operational systems with only a few additional costs. However, the hotel management business is exposed to risk of contract terminations. CENTEL faces a challenge to deliver a satisfactory performance to create brand value and generate significant returns.

Quick Service Restaurant (QSR) Operations:

- ***Highly competitive***

Many international QSR chains are well known in Thailand, for example, KFC, McDonald's, Mister Donut, Sizzler, Swensen's, and more. The international franchise restaurants benefit from their respective global supply networks, standardized operating systems, and strong worldwide presences. The modern consumer lifestyle, rising demand, and low barriers to entry have urged the competition from local and regional brands. A local operator has an advantage because a local operator has a better understanding of consumer preferences and has the flexibility to adjust the products and services. Competition is intense not only among the food chain operators, but also through a large number of substitute products. Hence, a QSR operator has to continuously launch advertising and promotional campaigns to strengthen brand awareness and stimulate demand.

Generally, the growth of the QSR industry in Thailand tracks the growth in private consumption expenditures. According to the Office of the National Economic and Social Development Board (NESDB), private consumption grew by only 0.3% y-o-y in 2013, but dropped by 1.4% in the first half of 2014. Household spending is not expected to rebound quickly in the second half of 2014 because of the stagnant economy and high household debt. With slow consumer spending, many large QSR operators will be more aggressive with their marketing campaigns. As a result, the competition in the QSR industry is expected to intensify over the next six to 12 months.

- ***Strong brand with group synergy***

CENTEL operates its restaurant business through its wholly-owned subsidiary, CRG, a leading food service company. CRG currently operates 13 QSR brands, consisting of 11 international franchised chains and two of its own brands, RYU Shabu Shabu and The Terrace. Except for KFC, CRG is the sole franchisee of those international brands. KFC is jointly operated by CRG and the franchisor, Yum! Brands, Inc. The number of KFC outlets operated by

CRG accounted for one-third of the total number of KFC restaurants in Thailand.

There is a significant amount of synergy between the QSR line of business and the Central Group. The Central Group is the largest developer of shopping malls and rentable retail space in Thailand. CRG's outlets are located in most of the Central Group's shopping complexes. CRG's restaurants serve as magnets for the shopping center properties and ensure certain space occupancy.

Table 3: CENTEL's QSR Portfolio as of Jun 2014

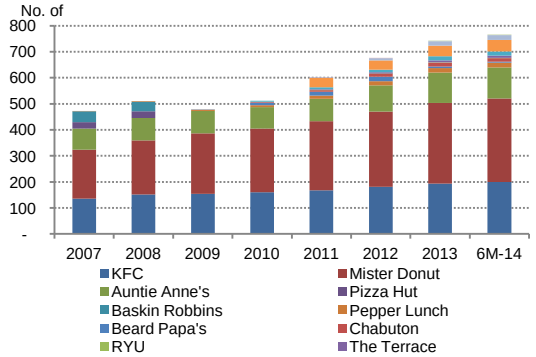
Brand	Product	Restaurant Type	Owned Outlet	Food Revenue Contribution (%)
KFC	Chicken	Quick service	199	54
Mister Donut	Donuts	Quick service	321	19
Ootoya	Japanese food	Casual dinning	44	9
Auntie Anne's	Bakery	Quick service	120	8
Pepper Lunch	Japanese steak	Casual dinning	18	2
Chabuton	Ramen	Casual dinning	14	2
Yoshinoya	Beef bowl	Quick service	18	2
Cold Stone Creamery	Ice cream	Casual dinning	16	1
The Terrace	Thai Cuisine	Casual dinning	9	1
RYU Shabu Shabu	Hot pot	Casual dinning	1	0
Tenya	Japanese food	Quick service	3	0
Beard Papa's	Bakery	Quick service	4	0
Katsuya*	Japanese food	Quick service	0	0
Others	n.a.	n.a.		1
Total			**767**	**100**

* *Katsuya was launched in July 2014.*

Source: CENTEL

As of June 2014, CRG owned and operated 767 outlets nationwide. CRG's restaurant portfolio covers a wide variety of food, as shown in Table 3. CRG plans to add at least 50 outlets of existing brands in a year. At the same time, CRG is keen to get new brands through both franchising and acquiring. CENTEL focuses on Asian food, which is well-accepted by Thai consumers. New brands would help diversify the sources of revenue and make the QSR business grow faster.

Chart 4: CENTEL's Food Outlets



Source: CENTEL

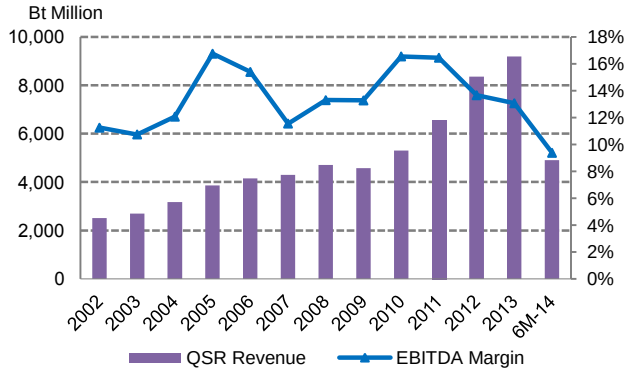
- ***QSR segment remains under pressure as consumer spending grows slowly***

In 2013, revenue in the QSR business increased by 10% to Bt9,183 million. In the first half of 2014, weaker consumer spending and political turmoil impacted CENTEL's same store sales to decline by 0.9%. However, total system sales grew by 7% y-o-y to Bt4,901 million as CENTEL opened more outlets. During the past 12 months, CENTELT opened 63 new outlets mainly in four key brands, KFC, Mister Donut, Auntie Anne's, and Ootoya. These key four QSR brands are the main revenue contributors, in aggregate accounting for approximately 90% of total QSR revenue. In terms of cash flow, the key four brands contributed 120% of total EBITDA in the QSR segment, which help absorb the loss of new brands.

During the past few years, CENTEL launched several new QSR brands. Most of new QSR brands generated losses as a new brand has a huge cost burden during the start up. However, revenue from QSR brands, such as Pepper Lunch, Yoshinoya, Chabuton, and The Terrace has increased steadily in the last few years. Some QSR brands which did not perform will be terminated. In 2013, the company discontinued Café Andonand because its product did not suit local preferences. The company gradually closes Beard Papa's outlets and will complete in the second half of 2014. The performance of this brand has been weak because of high raw material costs.

Normally, the profit margins for the QSR segment are thinner than in the hotel segment as the competitive environment is intense. Restaurant operators have to offer aggressive promotions throughout the year to attract consumers. The EBITDA margin of the QSR business declined from 14% in 2012 to 9% in the first half of 2014 as the prices of raw materials rose and CENTEL implemented aggressive promotion campaigns, such as price cut and new low-price menus.

Chart 5: CENTEL's QSR Revenue and EBITDA Margin



Source: CENTEL

The company focuses on customer relationship management (CRM) to sustain its customer base. For example, CRG launched a member card with discount offers at CRG's food outlets. The card helps ensure repeat customers and build customer loyalty. The card lets CRG access customer data base to understand consumer behavior and tailor its promotional effort to customer needs. CRG also bundles its promotion campaign with the Central Group which can boost sales, create brand awareness, and reduce the costs of promotions.

FINANCIAL ANALYSIS

CENTEL's financial profile has strengthened. Operating performance was improved upon the full operation of all hotels. The balance sheet is healthier. However, the new investment program is expected to maintain the capital structure at the current level.

- ***Volatile profitability***

Thank to the attractive travel destinations of Thailand which boosted more foreign tourist arrivals, especially the Chinese and Russian tourists. CENTEL's operating performance has continued to improve in the last few years. CENTEL's operating profit margin improved from 18.6% in 2011 to 19.6% in 2012 and to 21.5% in 2013. However, the operating profit margin dropped to 21.4% in the first half of 2014, compared with 23.8% in the first half of 2013. The drop was due mainly to the weaker results in the QSR business, reflecting political turmoil and less consumer spending.

- ***Rising cash flow supports liquidity***

CENTEL's operating cash flow has improved as it enlarged its hotel and QSR portfolios. FFO increased from Bt2,390 million in 2012 to Bt2,938 million in 2013, and stood at Bt1,404 million in the first half of 2014. As a result, the FFO to total debt ratio improved from 18% in 2012 to 21% in 2013 to the first half of 2014. The EBITDA interest coverage ratio increased from 5.7 times in 2012 to 6 times in the first half of 2014.

At the end of June 2014, CENTEL had Bt1,700 million in outstanding bills of exchange (B/Es), accounting for 16% of total debt. Although B/Es offer a relatively low interest rate, this source of funding is subject to a great deal of rollover risk. In addition, the company must repay debts of approximately Bt2,900 million per annum during 2015 and 2016. The company is expected to have sufficient resources to service its obligations. TRIS Rating forecasts CENTEL will generate over Bt3,000 million in operating cash flow yearly. In addition, CENTEL has committed available credit facilities of around Bt2,000 million. The credit line provides additional financial flexibility. TRIS Rating expects CENTEL to maintain sufficient liquidity to back up all of its short-term obligations.

- ***Expansion pushes leverage higher***

CENTEL's debt dropped from a peak of Bt12,054 million at the end of December 2012 to Bt10,617 million at the end of June 2014 as it repaid its outstanding debt. The debt to capitalization ratio improved, declining from 57.4% at the end of December 2012 to 54.2% at the end of June 2014. CENTEL is entering a new investment cycle to expand its hotel portfolio. The hotel investment budget are planned to around Bt10,000 million for the next three years. In addition, the company budgets approximately Bt1,000 million annually to expand QSR business. The investments will be funded in part from operating cash flow. The leverage is expected to sustain at the current level. Should the company make other investments, TRIS Rating expects that CENTEL will carefully manage its capital structure and the sources of funds for the new investments.

Financial Statistics and Key Financial Ratios*

Unit: Bt million

		---------- Year Ended 31 December ----------			
	Jan-Jun 2014	2013	2012	2011	2010
Sales	8,811	17,096	14,504	11,278	9,141
Gross interest expense	234	507	486	414	310
Net income from operations	544	1,322	1,021	550	(56)
Funds from operations (FFO)	1,404	2,938	2,390	1,625	1,158
Capital expenditures	573	2,003	1,359	1,525	2,294
Total assets	27,900	29,212	28,149	21,684	20,438
Total debt	10,617	11,482	12,078	10,003	9,453
Annual lease capitalization	2,481	2,619	1,296	1,274	1,248
Shareholders' equity	11,051	11,152	9,929	6,049	5,779
Operating income before depreciation and amortization as % of sales	21.39	21.47	19.59	18.77	16.17
Pretax return on permanent capital (%)	9.42**	10.43	9.67	8.03	3.54
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	5.42	5.85	5.65	4.87	4.90
FFO/total debt (%)	21.02**	21.15	17.87	14.41	10.82
Total debt/capitalization (%)	54.24	55.84	57.39	65.09	64.93

Note: All ratios are operating lease adjusted
** Consolidated financial statements*
*** Annualized from the trailing 12 months*

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