MOODY'S
RATINGS

Rating Action: Moody's Ratings assigns Baa2 first time rating to Plaza S.A.; stable outlook

12 Mar 2025

New York, March 12, 2025 -- Moody's Ratings (Moody's) has assigned a Baa2 issuer rating to Plaza S.A. (Mallplaza). The outlook is stable.

This is the first time we have assigned ratings to Mallplaza.

RATINGS RATIONALE

The Baa2 rating assigned to Plaza S.A. (Mallplaza) reflects its strong business profile supported by a broad portfolio of premium quality malls that attract a large flow of visitors aided by the company's omnichannel strategy to enhance tenants' and customers' experience. The company's broad portfolio of shopping centers and good geographic diversification consist of operating 37 shopping malls, comprising over 2.3 million square meters (m2) of gross leasable area (GLA), distributed across three countries (Chile, Colombia and Peru) and 23 cities. Also supporting the rating is the company's very good quality and diversified tenant base, with average remaining lease terms of around seven years and an overall manageable lease expiration profile. Its strong operating performance, positive free cash flow generation and sound liquidity are also incorporated in the rating.

Mallplaza's rating is mainly constrained by its exposure to economic cycles in Latin America and its exposure to consumer purchasing power and preferences over time in the retail sector. The rating also reflects the company's concentrated ownership (Falabella S.A. holds 53.1% of shares), balanced by strong corporate governance and compliance with local capital markets regulations. The company has been trading on Chile's stock exchange since 2018, with a 46.9% free float and a CLP4.3 billion ($4.6 billion) market capitalization as of 11 March 2025.

The stable outlook reflects our assumption that Mallplaza business profile and credit metrics will not materially change in the next 12 to 18 months. The stable outlook also reflects our expectation that the company will be able to maintain a sound liquidity.

Mallplaza's business strategy includes a wide range of high-quality shopping centers in Chile (17 malls), Colombia (5), and Peru (15), across 23 cities with over 5,000 stores. The total operated GLA rose to over 2.3 million square meters (m2) as of December 2024, from 1.9 million m2 as of September 2024, distributed as follows: Chile (1.45 million m2), Colombia (272 thousand m2), and Peru (619 thousand m2). The occupancy rate was 96.6%. In December 2024, Mallplaza S.A. acquired Open Plaza Peru and the remaining 66.6% of Mall Plaza Peru S.A. On October 30th, Mallplaza had launched a takeover bid for Falabella Peru S.A./FPS, concluding the acquisition of 99.77% of FPS shares by December 4th for approximately $454 million. The operation was funded through a capital increase of $325 million, a local bond issuance of UF3 million (approximately $114 million), and cash available at Mallplaza. As a result of this transaction, starting December 2024 the company consolidates 11 real estate assets of Open Plaza and 100% of four shopping malls of Mall Plaza Peru. Mallplaza thus became the second-largest shopping center operator in Peru, reaching nine cities.

Mallplaza malls offer spaces for studying, working, and leisure activities all in one place. This is key for Mallplaza's ability to generate visitor flow to the malls and generate revenue. The malls are one of the biggest in Latin America. Through its omnichannel strategy, Mallplaza offers tenants and visitors a variety of services and products (urban centers, marketplace, loyalty, and logistics programs) in a single physical-digital location, generating a differentiating value proposition relative to smaller peers and delivers a comprehensive experience with multiple contact points. Also, the company provides delivery and dispatch services to enhance the value proposition to tenants and shoppers, such as "Click & Collect"; and creates opportunities for digital business partners to physically disembark in these urban centers.

Mallplaza has a diversified customer portfolio. The top five tenants represented only 23% of revenue as of fiscal-year 2024, while related companies represented 16% of Mallplaza's annualized revenue. The average duration of the lease contracts is seven years with an overall manageable expiration profile. Furthermore, the company's leases are naturally hedged in terms of inflation because contracts with tenants are denominated in local currency and are indexed to inflation through (i) fixed rent contracts adjusted by inflation through the local CPI (94%); and (ii) variable rent as percentage of tenant's revenue (6%). The average occupancy cost for tenants was at 9.7% as of December 2024, 20 basis points lower than that of 2023, which is a key driver for tenants leased area stability.

Mallplaza operates with low leverage, mostly unpledged assets, and minimal secured debt, supporting its strong credit profile. We expect net debt to EBITDA (Moody's adjusted) to average 3.0x-3.2x in 2025-2026, similar to 2022-2023 levels, and below 3.4x as of December 2024. Higher leverage in fiscal-year 2024 was mainly due to new debt incorporated from assets acquired in Peru, with only one month of cash flow consolidated. Pro-forma an additional annualized EBITDA of roughly CLP80 million coming from new Peruvian assets the resulting net debt to EBITDA for 2024 would be around 3.1x. As of December 2024, almost all of Mallplaza's assets were unencumered.

Mallplaza's liquidity is supported by a cash position of CLP179 billion ($180 million) as of December 2024, and CLP 290 billion of projected Cash from Operations for 2025, providing ample internal cash sources to repay debt obligations over the next 12-18 months. The company's proven record of positive free cash flow generation and good access to local capital markets also support its liquidity.

The company´s total debt (Moody's adjusted) as of December 31, 2024, was CLP1,637 billion ($1.73 billion), including CLP1,235 billion in local bonds, CLP382 billion in bank loans, and CLP20 billion in leases. The weighted average debt maturity was seven years. The local notes and bank loans are pari passu, with no asset pledges. The financial debt is fixed rate and in the same currency in which the flows associated with its payment are generated. The Loan to Value Ratio (LTV) was 27% as of December 2024.

We consider Mallplaza to have a conservative financial policy as indicated by low levels of financial leverage and by an asset pool that is mostly unencumbered; with no secured debt. Although the company's ownership is concentrated, this is counterbalanced by its good corporate governance practices and compliance with local capital markets regulations. Plaza S.A. is controlled by Falabella S.A. through its subsidiary Desarrollos Inmobiliarios S.A., which directly owns 53.1% of the shares of the company. The Plaza S.A. Board is composed of nine members, one of which is independent, and none of them are part of the management team.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATING

We could upgrade the rating if the company maintains positive free cash flow, diversifies capital sources, and avoids significant pledged assets. Quantitatively a rating upgrade would also require the company to sustain net debt to EBITDA below 2.5x, debt to gross assets below 30%, and EBITDA/interest expense ratio above 6.5x, on a sustained basis.

We could downgrade the rating if, on a sustained basis, net debt to EBITDA as adjusted by Moody's exceeds 5.0x; gross debt/total assets exceeds 40% and EBITDA/interest expense ratio falls below 3.0x. A rating downgrade could also be triggered by significant operating or liquidity challenges or if the company significantly increases the amount of pledged assets.

Domiciled in Santiago, Chile, Plaza S.A. (Mallplaza) is a holding company that operates 37 shopping centers under the Mallplaza brand in Chile (17), Colombia (5) and Peru (15), in 23 cities and over 5,000 stores. Total operated GLA was over 2.3 million m2 as of December 2024. Mallplaza's business model delivers a comprehensive offering of goods and services in world-class malls designed as modern and attractive public spaces, making them important shopping and socialization centers for the inhabitants of their areas of influence.

The principal methodology used in this rating was REITs and Other Commercial Real Estate Firms published in February 2024 and available at https://ratings.moodys.com/rmc-documents/414558 . Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions .

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At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/rmc-documents/435880 .

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