

DTAC TRINET CO., LTD.

No. 56/2022
1 June 2022

CORPORATES

Company Rating:	AA
Issue Ratings:	
Senior unsecured	AA
CreditAlert:	Negative

Last Review Date: 24/05/22

Company Rating History:

Date	Rating	Outlook/Alert
24/05/22	AA	Alert Negative
23/01/19	AA	Stable
29/03/17	AA+	Negative
17/06/15	AA+	Stable

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RATIONALE

TRIS Rating assigns a “AA” rating to dtac TriNet Co., Ltd. (DTN)’s proposed issue of up to THB13 billion senior unsecured debentures. DTN will use the proceeds from the new debentures to refinance existing debt, to finance investments, and to fund its working capital. The company rating on DTN and all assigned issue ratings of “AA” remain on CreditAlert with a “negative” implication.

The ratings continue to reflect DTN’s status as a core subsidiary of Total Access Communication PLC (DTAC; rated “AA/Alert Negative” by TRIS Rating). DTN is wholly owned by DTAC and accounts for almost the entirety of DTAC’s earnings. The ratings on DTN are equal to the company rating assigned to DTAC according to TRIS Rating’s “Group Rating Methodology”. We recently placed all of our ratings on DTAC and DTN on CreditAlert following the progress of the planned merger between DTAC and TRUE Corporation PLC (TRUE).

The company rating of “AA” on DTAC reflects DTAC’s position as the third largest wireless telecommunications service provider in Thailand with sufficient spectrum portfolio. The rating also considers DTAC’s sound cash generation and liquidity position. Moreover, the rating incorporates strong parental support from Telenor ASA (Telenor). Contrarily, the rating is tempered by the stiff competition and the requirement of hefty investments ahead.

The company rating on DTAC also incorporates a one-notch rating uplift to DTAC’s standalone credit profile (SACP) of “aa-”, which reflects our view of DTAC as a strategically important subsidiary of Telenor and our expectation of potential extraordinary support from Telenor in times of distress.

We view the degree of support from Telenor to DTN should be the same as that to DTAC. This is because DTAC’s core operations and assets, including spectrum licenses, are undertaken and held by DTN. Until the completion of the merger, we expect the degree of support from Telenor to DTAC and DTN will remain unchanged.

Based on DTN’s existing business, we forecast DTN’s operating revenue to increase by around 1% per year and earnings before interest, taxes, depreciation, and amortization (EBITDA) to be THB22-THB23 billion per year during 2022-2024. EBITDA margin is projected to be around 30%. We forecast the ratio of adjusted net debt to EBITDA will steadily decline towards 5 times by 2024, from around 6 times as of March 2022. We view DTN has adequate liquidity, aided by its parent’s support.

CreditAlert

On 24 May 2022, we placed all of our ratings on DTAC and DTN on CreditAlert as the planned merger between DTAC and TRUE has made significant progress. On the completion of the merger, we expect DTN to become a core subsidiary of the combined entity (NEWCO). Thus, DTN’s ratings would be equal to that of NEWCO. The “negative” implication reflects our view that NEWCO would have a weaker credit profile relative to that of DTAC.

We view the combined entity will have a stronger business profile relative to the separate business profile of DTAC or TRUE. However, we expect NEWCO to have a weaker financial profile relative to that of DTAC. We estimate the ratio of net debt to EBITDA of NEWCO to be 5-5.5 times, significantly higher than that

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.

Credit Updates are part of TRIS Rating’s monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

of DTAC at 3.8 times as of March 2022.

Added to that, the one-notch rating uplift to DTAC's SACP would not be applicable for NEWCO. Given Telenor's expected equity interest of approximately 27% in NEWCO which implies lack of majority control, NEWCO would not be viewed as a strategically important subsidiary of Telenor.

We hold our view on the challenges of obtaining the required regulatory approval. We will remove the CreditAlert once the merger closes and the impact of merger on DTN's creditworthiness has been thoroughly analyzed. We will closely monitor developments related to the merger and take appropriate rating actions accordingly.

RELATED CRITERIA

- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021
- Group Rating Methodology, 13 January 2021
- Rating Methodology – Corporate, 26 July 2019

NOTE FOR "CreditAlert"

CreditAlert, as part of TRIS Rating's monitoring process as a public warning when there is insufficient information to fully assess and reconsider a debt instrument's current rating or when significant events have occurred that may affect the company's rating already assigned by TRIS Rating. Credit Alert designations may be "positive" or "negative" or "developing", depending on the likely impact of a particular situation. The existing rating continues unchanged for the present. Monitoring is done until the debt instrument matures, or the company's rating contract expires.

dtac TriNet Co., Ltd. (DTN)

Company Rating:	AA
Issue Ratings:	
DTN227A: THB3,000 million senior unsecured debentures due 2022	AA
DTN237A: THB1,500 million senior unsecured debentures due 2023	AA
DTN239A: THB4,500 million senior unsecured debentures due 2023	AA
DTN244A: THB500 million senior unsecured debentures due 2024	AA
DTN247A: THB1,500 million senior unsecured debentures due 2024	AA
DTN249A: THB1,000 million senior unsecured debentures due 2024	AA
DTN257A: THB6,000 million senior unsecured debentures due 2025	AA
DTN259A: THB2,000 million senior unsecured debentures due 2025	AA
DTN267A: THB1,000 million senior unsecured debentures due 2026	AA
DTN267B: THB500 million senior unsecured debentures due 2026	AA
DTN269A: THB1,500 million senior unsecured debentures due 2026	AA
DTN274A: THB5,000 million senior unsecured debentures due 2027	AA
DTN279A: THB2,000 million senior unsecured debentures due 2027	AA
DTN279B: THB1,000 million senior unsecured debentures due 2027	AA
DTN289A: THB2,000 million senior unsecured debentures due 2028	AA
DTN28DA: THB3,000 million senior unsecured debentures due 2028	AA
DTN299A: THB2,500 million senior unsecured debentures due 2029	AA
DTN309A: THB2,500 million senior unsecured debentures due 2030	AA
DTN319A: THB2,500 million senior unsecured debentures due 2031	AA
Up to THB13,000 million senior unsecured debentures due within 9 years	AA
CreditAlert:	Negative

TRIS Rating Co., Ltd.

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