

DTAC TRINET CO., LTD.

No. 37/2021
20 May 2021

CORPORATES

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

Last Review Date: 27/04/21

Company Rating History:

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

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RATIONALE

TRIS Rating affirms the company rating on dtac TriNet Co., Ltd. (DTN) and the ratings on its outstanding senior unsecured debentures at "AA", with a "stable" outlook. At the same time, TRIS Rating assigns the rating of "AA" to DTN's proposed issue of up to THB7 billion in senior unsecured debentures. DTN will use the proceeds from the new debentures to refinance existing debts, to finance investments, and to fund its working capital.

The ratings reflect DTN's status as a core subsidiary of Total Access Communication PLC (DTAC; rated "AA/Stable" by TRIS Rating), the third-largest wireless communication service provider in Thailand. The company rating on DTN is equivalent to that on DTAC.

DTN was founded to operate license-based mobile phone services for DTAC. As a wholly-owned subsidiary, DTN is highly integrated with the parent company in terms of business and financial strategy. DTAC fully controls DTN's operations through its representatives in DTN's top management and board of directors.

The company rating on DTAC reflects DTAC's position as the third largest wireless communication service provider in Thailand with sufficient frequency spectrum to offer full range of cellular network services. The rating also takes into consideration DTAC's strong cash flow generation and liquidity position. In addition, the rating incorporates our expectation of strong parent support, based on the assessed status of DTAC as a strategically important subsidiary of Telenor ASA (Telenor).

We consider DTAC as a strategically important subsidiary of Telenor for a range of reasons, including DTAC's meaningful revenue and earnings contribution to the Telenor Group, its sound operating performance, and close linkage to the group's reputation. We expect Telenor will provide financial support to DTAC in times of need. As DTAC's core operations and assets, including spectrum licenses, are undertaken and held by DTN, we believe DTN will also receive similar support from Telenor.

DTAC's operating performance and leverage during the first quarter of 2021 were in line with our forecast. DTAC's service revenue, excluding interconnection charges (IC), came in at THB14.5 billion in the first quarter of 2021. Earnings before interest, taxes, depreciation, and amortization (EBITDA) were THB7.4 billion. DTAC's adjusted net debt to EBITDA stood at 3.9 times as of March 2021.

We hold our view that the competitions among mobile phone operators will remain intense for the foreseeable future as the market is saturated. In addition, we expect DTAC's earnings will remain under pressure, given the fragile economic recovery amid lingering repercussions of the Coronavirus Disease 2019 (COVID-19) pandemic. In our base-case forecast, we project DTAC's service revenue excluding the IC in 2021 to drop further from the previous year but to gradually revive from 2022 onward. We expect DTAC will continue to deliver strong EBITDA at a level of THB29-THB31 billion per annum during 2021-2023, with EBITDA margin of 38%-39%.

Our forecast assumes that DTAC's capital expenditures for its network rollout will be around THB13 billion per annum plus scheduled license fee payments of about THB20 billion in total during 2021-2023. That said, we expect DTAC's

leverage will decline over the forecast period as the company monetizes the newly acquired spectrum. We forecast the adjusted net debt to EBITDA ratio to be 3.4 times in 2021, and drop to 2.5-3 times in the following years.

RATING OUTLOOK

The “stable” outlook embeds our expectation that DTN will remain a core subsidiary of DTAC and continue to receive full support from the parent company.

RATING SENSITIVITIES

Based on TRIS Rating’s “Group Rating Methodology”, the rating on DTN is equal to and will move in tandem with the rating on DTAC. Any change in the rating on DTAC and/or outlook will result in the same change to the rating and/or outlook on DTN.

RELATED CRITERIA

- Group Rating Methodology, 13 January 2021
- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

dtac TriNet Co., Ltd. (DTN)

Company Rating:	AA
Issue Ratings:	
DTN217A: THB1,000 million senior unsecured debentures due 2021	AA
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
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
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
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
Up to THB7,000 million senior unsecured debentures due within 12 years	AA
Rating Outlook:	Stable

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