

TRUE CORPORATION PLC

No. 87/2020
1 December 2020

CORPORATES

| | |
|------------------------|--------|
| Company Rating: | BBB+ |
| Issue Ratings: | |
| Senior unsecured | BBB+ |
| Partially guaranteed | A- |
| Outlook: | Stable |

Last Review Date: 23/06/20

Company Rating History:

| Date | Rating | Outlook/Alert |
|----------|--------|----------------|
| 03/10/14 | BBB+ | Stable |
| 11/06/14 | BBB | Alert Positive |
| 11/03/14 | BBB | Negative |
| 19/02/14 | BBB | Stable |
| 01/10/12 | BBB | Negative |
| 21/10/11 | BBB | Stable |
| 22/10/10 | BBB | Negative |
| 11/04/07 | BBB | Stable |
| 25/05/06 | BBB | Positive |
| 12/07/04 | BBB | Stable |
| 29/08/01 | BBB | - |

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RATIONALE

TRIS Rating affirms the company rating on True Corporation PLC (TRUE) and the ratings on TRUE's outstanding senior unsecured debentures at "BBB+", as well as the rating on TRUE's partially guaranteed debentures at "A-", with a "stable" outlook. At the same time, TRIS Rating assigns the rating of "BBB+" to TRUE's proposed issue of up to THB20 billion in senior unsecured debentures. The proceeds from the new debentures will be used to refinance existing debt and/or for spectrum license payment and/or working capital needs.

The ratings reflect TRUE's strong business profile as a leading integrated telecom company in Thailand, its solid competitive positions in both the wireless communications services and broadband internet markets, as well as the company's improving operating results. The ratings also take into account the ongoing support it receives from the CP Group, its major shareholder, and China Mobile International Holdings Ltd. (China Mobile) as a strategic partner. However, the ratings are weighed down by the company's high level of financial leverage and the intense competition in its core businesses. The ratings also take into consideration the capital expenditures required to roll out networks and for spectrum license payments.

For the first nine months of 2020, TRUE's operating performance was in line with TRIS Rating's expectation. The total operating revenue for the first nine months of 2020 was THB104.4 billion, of which THB79.7 billion was service revenues (excluding interconnection charges – IC). Service revenues, excluding IC, grew by around 1.4% year-on-year (y-o-y), driven mainly by sound performance in wireless communications services and broadband internet services businesses.

As of September 2020, TRUE's wireless communications services, under the TrueMove H brand, had 30.1 million mobile subscribers, generating THB60.2 billion of service revenue, excluding IC, for the first nine months of 2020. Revenue from travel SIM and international roaming (IR) services have been negatively affected by the shrinkage in the number of foreign tourists due to cross-border travel restrictions induced by the Coronavirus Disease 2019 (COVID-19) pandemic. Expansion of the mobile subscriber base has been hindered by the weak domestic economy and intense competition. However, TrueMove H's service revenues, excluding IC, in the first nine months of 2020 rose by 4% y-o-y, compared to a 2.3% contraction in the revenue of industry peers. The rise was bolstered by the increased usage of data services. Average revenue per user (ARPU) rose to THB217 in the third quarter of 2020, up from THB210 in the same period of the previous year. TrueMove H maintains its strong market position as the second largest wireless telecommunication provider in Thailand, holding service revenue market share of about 31%.

TRUE maintains its market leader position in the broadband internet market, with a 37.6% market share of the total number of broadband internet subscribers in Thailand. Revenue from its broadband internet business in the first nine months of 2020 rose by about 2.2% y-o-y, driven by a larger subscriber base and increasing demand for broadband internet services. On the other hand, revenue from cable television (TV) services dropped by 12% y-o-y, reflecting the absence of entertainment and live-sports events during the period of worldwide

lockdowns. However, there have been signs of recovery in pay-TV subscription revenue. Revenue from cable TV subscriptions in the third quarter of 2020 slightly improved from the second quarter level, which hit bottom during the height of the COVID-19 outbreak.

For the first nine months of 2020, TRUE's earnings before interest, tax, depreciation, and amortization (EBITDA) was about THB43 billion, up from THB30 billion in the same period of the previous year. The improved profitability was attributed to higher service revenues and the company's cost control efforts. Funds from operations (FFO) for the first nine months of 2020 were THB29.7 billion. The enlarged operating cash flow helps alleviate the risk of the company's high financial leverage.

TRUE's credit ratings have been constrained by its aggressive financial risk profile. As of September 2020, interest-bearing debts stood at about THB222 billion and adjusted net debt was THB376.2 billion. The ratio of adjusted net debt to net capitalization was 81% as of September 2020. The ratio of adjusted net debt to EBITDA was 7.2 times. The ratio of FFO to adjusted net debt was about 10%.

RATING OUTLOOK

The "stable" outlook reflects our expectation that TRUE will maintain its strong market positions and continue to deliver sound operating results in its mobile phone network services and broadband internet businesses. We also expect TRUE to receive ongoing support from the CP Group and China Mobile which enhances TRUE's credit profile.

RATING SENSITIVITIES

The ratings could be downgraded if TRUE's operating performance deteriorates materially, pushing the adjusted ratio of FFO to debt to fall below 5% on a sustained basis. The ratings could also come under downward pressure if there are new developments of the pending legal issues that suggest potential material adverse effects on TRUE's financial profile. The rating upgrade is unlikely in the next 12-18 months, given TRUE's debt-heavy capital structure. However, an upgrade could occur if TRUE's profitability improves significantly, while simultaneously lowering its financial leverage.

RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018
- Group Rating Methodology, 10 July 2015

True Corporation PLC (TRUE)

| | |
|--|--------|
| Company Rating: | BBB+ |
| Issue Ratings | |
| TRUE211A: THB2,640 million senior unsecured debentures due 2021 | BBB+ |
| TRUE212A: THB5,337.30 million senior unsecured debentures due 2021 | BBB+ |
| TRUE215A: THB5,224.30 million senior unsecured debentures due 2021 | BBB+ |
| TRUE215B: THB500 million senior unsecured debentures due 2021 | BBB+ |
| TRUE217A: THB1,625 million senior unsecured debentures due 2021 | BBB+ |
| TRUE217B: THB9,000 million senior unsecured debentures due 2021 | BBB+ |
| TRUE210A: THB3,360 million senior unsecured debentures due 2021 | BBB+ |
| TRUE221A: THB12,246 million senior unsecured debentures due 2022 | BBB+ |
| TRUE221B: THB100 million senior unsecured debentures due 2022 | BBB+ |
| TRUE224A: THB5,922 million senior unsecured debentures due 2022 | BBB+ |
| TRUE225A: THB300 million senior unsecured debentures due 2022 | BBB+ |
| TRUE227A: THB945 million senior unsecured debentures due 2022 | BBB+ |
| TRUE228A: THB5,799.10 million senior unsecured debentures due 2022 | BBB+ |
| TRUE228B: THB830 million senior unsecured debentures due 2022 | BBB+ |
| TRUE232A: THB4,330 million senior unsecured debentures due 2023 | BBB+ |
| TRUE237A: THB6,394.60 million senior unsecured debentures due 2023 | BBB+ |
| TRUE239A: THB4,800 million senior unsecured debentures due 2023 | BBB+ |
| TRUE248A: THB11,841.60 million senior unsecured debentures due 2024 | BBB+ |
| TRUE240A: THB1,325 million senior unsecured debentures due 2024 | BBB+ |
| TRUE251A: THB3,994.20 million senior unsecured debentures due 2025 | BBB+ |
| TRUE258A: THB650 million senior unsecured debentures due 2025 | BBB+ |
| TRUE261A: THB7,130.30 million senior unsecured debentures due 2026 | BBB+ |
| TRUE22NA: THB8,330 million partially guaranteed debentures due 2022 | A- |
| Up to THB20,000 million senior unsecured debentures due within 7 years | BBB+ |
| Rating Outlook: | Stable |

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