

TRUE CORPORATION PLC

No. 27/2021
8 April 2021

CORPORATES

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

Last Review Date: 01/12/20

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 THB22 billion in senior unsecured debentures. The proceeds from the new debentures will be used to refinance existing debt and/or make investments, and/or fund its working capital needs.

The ratings reflect TRUE's strong business profile as a leading integrated telecom company in Thailand, its strong competitive position in both the wireless communications service and broadband internet markets, as well as the company's satisfactory 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, these strengths are partially offset by the company's huge debt burden from necessary capital expenditures and payments due for the scheduled spectrum license fee, as well as intense competition in the industry, and the negative effects of the Coronavirus Disease 2019 (COVID-19) pandemic.

In 2020, TRUE's operating results remained satisfactory and in line with TRIS Rating's expectation, despite part of its businesses being impacted by the fallout from the COVID-19. The total operating revenue in 2020 was THB138.2 billion, of which THB107.2 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 solid performance in wireless communications service and broadband internet service businesses.

As of December 2020, TRUE's wireless communications service, under the "TrueMove H" brand had 30.63 million mobile subscribers. This generated THB80.1 billion of service revenue, excluding IC, for 2020. TrueMove H's service revenues, excluding IC, rose by 3.1% y-o-y, compared with a 3.3% contraction across the industry. The rise was bolstered by the increased usage of data services and larger base of postpaid subscribers with a higher average revenue per user (ARPU). Blended ARPU rose to THB215 in 2020, up from THB209 in 2019, despite the shrinkage in the number of foreign tourists which resulted in lower revenue from travel SIM and international roaming services. TrueMove H maintains its strong market position as the second largest wireless telecommunication provider in Thailand, holding service revenue market share of about 31%.

We anticipate TRUE will continue to maintain its market leader position in the broadband internet market. As of September 2020, TRUE held a market share of around 36.5% of the total number of broadband internet subscribers in Thailand. Service revenue from its broadband internet business in 2020 rose by about 3.7% from 2019, driven by a larger subscriber base and increasing demand for broadband internet services from the trend of remote working and work-from-home (WFH) adaptations. On the other hand, service revenue from cable television (TV) services dropped by about 11% y-o-y, due to lower consumer spending in the hotel segment as well as the absence of entertainment and live-sport events during the period of worldwide lockdowns. However, there were signs of recovery in the revenue in the second half of

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.

2020.

In 2020, TRUE's earnings before interest, taxes, depreciation, and amortization (EBITDA) was nearly THB58 billion. Funds from operations (FFO) were THB38.4 billion. TRUE's ability to generate operating profit gradually improved during the last two years, driven by solid performance in both mobile and broadband internet segments and the company's efforts to optimize costs. The enlarged operating cash flow helps alleviate the company's high financial leverage.

TRUE's credit ratings have been constrained by its highly leveraged financial risk profile. As of December 2020, its interest-bearing debt stood at about THB234 billion and adjusted net debt was around THB401 billion. The ratio of adjusted net debt to net capitalization was 80%. The ratio of adjusted net debt to EBITDA was about 7 times. The ratio of FFO to adjusted net debt was about 10%. TRIS Rating expects TRUE's leverage to remain high over the next few years, taking into account the necessary capital expenditures required for network investments and scheduled license fee payments. TRUE will need to refinance a large part of its existing debts due over the next 12-24 months.

Several major disputes and/or litigations such as access charges, interconnection charges, excise tax issues on mobile services, and others have been settled. However, there are still a number of ongoing litigations that will likely take time to resolve. The ratings could come under downward pressure if there are new developments on these pending legal issues that suggest potential material adverse effects on TRUE's financial profile.

RATING OUTLOOK

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

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. A rating upgrade is unlikely in the next 12-18 months, given TRUE's debt-heavy capital structure. However, an upgrade could occur if TRUE significantly improves its profitability and capital structure.

RELATED CRITERIA

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

True Corporation PLC (TRUE)

Company Rating:	BBB+
Issue Ratings	
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+
TRUE23NA: THB7,438.90 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+
TRUE24NA: THB4,268.70 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+
TRUE25NA: THB2,486.60 million senior unsecured debentures due 2025	BBB+
TRUE261A: THB7,130.30 million senior unsecured debentures due 2026	BBB+
TRUE26NA: THB5,805.80 million senior unsecured debentures due 2026	BBB+
TRUE22NA: THB8,330 million partially guaranteed debentures due 2022	A-
Up to THB22,000 million senior unsecured debentures due within 6 years	BBB+
Rating Outlook:	Stable

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