

TRUE CORPORATION PLC

No. 57/2019
6 August 2019

CORPORATES

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

Last Review Date: 12/07/19

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	-

Contacts:

Chanaporn Pinphithak
chanaporn@trisrating.com

Sarinthorn Sosukpaibul
sarinthorn@trisrating.com

Wajee Pitakpaibulkij
wajee@trisrating.com

Sauwarot Jirachaiphithak
sauwarot@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating on True Corporation PLC (TRUE) and the ratings on TRUE's existing senior unsecured debenture at "BBB+" and also affirms the rating on TRUE's partially guaranteed debentures at "A-". At the same time, TRIS Rating assigns a rating on TRUE's proposed issue of up to Bt10,000 million in senior unsecured debentures at "BBB+". The company will use the proceeds from the new debentures to refinance its debts coming due.

The ratings reflect TRUE's satisfactory business risk profile, underpinned by its competitive strength as an integrated telecom operator with an established market position and extensive network coverage in mobile and broadband internet services. The ratings also take into account our expectation of continued support from its major shareholders, the CP Group and China Mobile International Holdings Ltd. (China Mobile). The ratings are weighed down by the company's high level of leverage and the intense competition in its core businesses.

TRUE's operating performance for the first quarter of 2019 was in line with TRIS Rating's expectation. The mobile services business continues to deliver sound results. Service revenue (excluding interconnection charges or IC) continued to grow at a rate that outpaced the industry. For the first three months of 2019, TRUE Mobile services revenue (excluding IC) was Bt19 billion, up by 7.6% year-on-year (y-o-y) compared with the industry average of 1%. Market share by service revenue (excluding IC) was 29%, compared with Advanced Info Service PLC (AIS) at 48% and Total Access Communication PLC (DTAC) at 23%. For TrueOnline, revenue from broadband internet and business data services was Bt6.2 billion, a 2.3% y-o-y drop due mainly to the competitive pressure in the broadband service segment.

Overall, TRUE's service revenue grew by 4.1% y-o-y, to Bt25.8 billion in the first quarter of 2019. Total operating revenue was Bt33.3 billion, a 1.4% y-o-y drop due mainly to lower revenue from network rental and product sales. Adjusted earnings before interest, tax, depreciation, and amortization (EBITDA) was Bt11.2 billion, flat from the same period last year. Leverage remains high. For the first three months of 2019, the adjusted ratio of debt to EBITDA was 6.9 times (annualized, from the trailing 12 months) and the adjusted ratio of funds from operations (FFO) to debt was 8.1% (annualized, from the trailing 12 months).

The capital structure, measured by the adjusted total debt to capitalization ratio, weakened to 70.1% at the end of March 2019, from 68.8% at the end of 2018, in line with our expectation. The deteriorated capital structure was mainly due to the adoption of the new accounting standard (IFRS 15), which requires the company to write off the accumulated subscriber acquisition cost of approximately Bt10 billion through its retained earnings.

RATING OUTLOOK

The "stable" outlook is based on TRIS Rating's expectation that TRUE will sustain its strong market position and continue to deliver solid operating results in the mobile services and broadband internet businesses. TRIS Rating also expects TRUE to receive ongoing support from its major shareholders, the CP Group and China Mobile. This support strengthens TRUE's credit profile.

RATING SENSITIVITIES

Any rating upside is unlikely in the next 12-18 months, taking into account TRUE's debt-heavy capital structure. However, an upgrade could occur if TRUE's profitability improves significantly. Cash flow protection would rise as a result, reducing the risk from the heavy financial burden. The ratings could be downgraded if TRUE's operating performance deteriorates, pushing the adjusted ratio of debt to EBITDA above 7 times on a sustained basis.

Several legal uncertainties, such as revenue sharing or excise tax issues, will take time to resolve. The ratings could be under downward pressure if the legal outcomes significantly affect TRUE's financial profile.

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:	
TRUE205A: Bt3,121.30 million senior unsecured debentures due 2020	BBB+
TRUE207A: Bt5,100 million senior unsecured debentures due 2020	BBB+
TRUE208A: Bt1,835 million senior unsecured debentures due 2020	BBB+
TRUE200A: Bt2,175 million senior unsecured debentures due 2020	BBB+
TRUE212A: Bt5,337.30 million senior unsecured debentures due 2021	BBB+
TRUE215A: Bt5,224.30 million senior unsecured debentures due 2021	BBB+
TRUE217A: Bt1,625 million senior unsecured debentures due 2021	BBB+
TRUE221A: Bt12,246 million senior unsecured debentures due 2022	BBB+
TRUE221B: Bt100 million senior unsecured debentures due 2022	BBB+
TRUE225A: Bt300 million senior unsecured debentures due 2022	BBB+
TRUE227A: Bt945 million senior unsecured debentures due 2022	BBB+
TRUE228A: Bt5,799.10 million senior unsecured debentures due 2022	BBB+
TRUE228B: Bt830 million senior unsecured debentures due 2022	BBB+
TRUE248A: Bt11,841.60 million senior unsecured debentures due 2024	BBB+
TRUE240A: Bt1,325 million senior unsecured debentures due 2024	BBB+
TRUE22NA: Bt8,330 million partially guaranteed debentures due 2022	A-
Up to Bt10,000 million senior unsecured debentures due within 2 years	BBB+
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 0-2098-3000

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