

TRUE MOVE H UNIVERSAL COMMUNICATION CO., LTD.

No. 85/2018

24 December 2018

CORPORATES

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

Last Review Date: 26/06/18

Company Rating History:

| Date | Rating | Outlook/Alert |
|----------|--------|---------------|
| 15/06/15 | BBB+ | Stable |

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RATIONALE

TRIS Rating affirms the company rating on True Move H Universal Communication Co., Ltd. (TUC) and the ratings on TUC's senior unsecured debentures at "BBB+". At the same time, TRIS Rating assigns a rating of "BBB+" to TUC's proposed issue of up to Bt10,000 million in senior unsecured debentures. The proceeds from the new debentures will be used to refinance debts coming due and for working capital.

The ratings reflect TUC's status as a core business unit of TRUE Corporation PLC (TRUE; rated "BBB+/Stable" by TRIS Rating) and its continued improving operating performance. TUC's competitive position has improved steadily, a result of its hefty investment in spectrum portfolio, network capacity and coverage, as well as selective marketing campaigns. However, the ratings are constrained by TUC's high leverage and the intensifying competitive pressure in the mobile service industry.

In the first nine months of 2018, the overall market in terms of service revenue (excluding interconnection charges or IC) grew by 2.8% year-on-year (y-o-y) to Bt196 billion. The market has somewhat shown signs of a slowdown, with the growth rate of service revenue (excluding IC) below 3% for two consecutive quarters, compared with an average growth of 4.5% per quarter since the first quarter of 2016. The slowdown was due in part to unlimited data plans offered by operators as competition intensified.

TUC, however, continues to deliver strong performance. TUC's service revenue (excluding IC) grew by 9.9% y-o-y to Bt55 billion, continuing to outpace the industry growth rate. Market share by service revenue (excluding IC) was 29%, compared with Advanced Info Service PLC (AIS) at 47% and Total Access Communication PLC (DTAC) at 24%.

TUC's financial profile was in line with TRIS Rating's expectation. For the first nine months of 2018, TUC reported Bt81 billion in revenue and Bt9 billion in funds from operations (FFO), excluding the effect of asset divestment to the Digital Telecommunications Infrastructure Fund (DIF). Leverage remains high. At the end of September 2018, the adjusted total debt to capitalization ratio was 60.2%. The adjusted ratio of debt to earnings before interest, tax, depreciation, and amortization (EBITDA) was 8.6 times (annualized, from the trailing 12 months), and the adjusted ratio of FFO to debt was 6.4% (annualized, from the trailing 12 months).

RATING OUTLOOK

The "stable" outlook is based on the expectation that TUC will continue to deliver sound operating performance and effectively monetize its investment without materially hurting its financial profile. TUC's status as a core subsidiary of TRUE is expected to remain unchanged. Any change in TRUE's credit ratings will impact TUC's ratings accordingly.

RATING SENSITIVITIES

TUC's rating upside is limited over the next 12-18 months, considering its current financial profile. TUC's ratings could be downgraded if the company's operating performance is notably weaker than TRIS Rating's expectation.

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.

Several legal uncertainties, such as access charges or excise tax issues, will persist and will not be resolved any time soon. However, the probability of seeing any material adverse legal consequences in the near term is believed to have subsided to some extent. The ratings could be under downward pressure if the legal outcomes significantly affect TUC's financial profile.

RELATED CRITERIA

- Key Financial Ratios and Adjustments, 5 September 2018
- Group Rating Methodology, 10 July 2015
- Rating Methodology – Corporate, 31 October 2007

True Move H Universal Communication Co., Ltd. (TUC)

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|---|--------|
| Company Rating: | BBB+ |
| Issue Ratings: | |
| TUC218A: Bt11,998.40 million senior unsecured debentures due 2021 | BBB+ |
| TUC21DA: Bt10,974.70 million senior unsecured debentures due 2021 | BBB+ |
| TUC225A: Bt6,258.30 million senior unsecured debentures due 2022 | BBB+ |
| TUC238A: Bt8,001.60 million senior unsecured debentures due 2023 | BBB+ |
| TUC23DA: Bt4,545.10 million senior unsecured debentures due 2023 | BBB+ |
| TUC245A: Bt2,789.50 million senior unsecured debentures due 2024 | BBB+ |
| TUC26DA: Bt7,480.20 million senior unsecured debentures due 2026 | BBB+ |
| TUC275A: Bt1,376.40 million senior unsecured debentures due 2027 | BBB+ |
| TUC295A: Bt2,575.80 million senior unsecured debentures due 2029 | BBB+ |
| Up to Bt10,000 million senior unsecured debentures due within 5 years | BBB+ |
| Rating Outlook: | Stable |

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