

TRUE CORPORATION PLC

No. 16/2019
15 February 2019

CORPORATES

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

Last Review Date: 13/12/18

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 its existing senior unsecured debenture rating at “BBB+” and also affirms the rating on its partially guaranteed debentures at “A-”. At the same time, TRIS Rating assigns a rating of “BBB+” to TRUE’s proposed issue of up to Bt11,500 million in senior unsecured debentures. The company will use the proceeds from the new debentures to refinance its debts coming due.

The ratings reflect TRUE’s competitive strength as an integrated telecom operator with extensive network coverage in mobile services and broadband Internet. Continuously improving performance in the mobile services supports the company’s credit metrics. The ratings also take into account the expectation of continued support from its major shareholders, the CP Group and China Mobile International Holdings Ltd. (China Mobile). These strengths are partially offset by the company’s high level of leverage and the immense competitive pressures TRUE faces in its core business segments.

TRUE’s operating performance for the first nine months of 2018 was in line with TRIS Rating’s expectation. TRUE reported a 2.6% year-on-year (y-o-y) rise in revenue to Bt104 billion, excluding revenue from divesting assets to Digital Telecommunications Infrastructure Fund (DIF). Funds from operations (FFO) were Bt19.4 billion, excluding the effect of the DIF transaction and one-time expenses for asset impairment and expenses related to the termination of a fixed-line concession.

The mobile services segment continues to deliver strong results. Service revenue (excluding interconnection charges or IC) continued to grow at a rate that outpaced the industry. In the first nine months of 2018, TRUE Mobile had 30.9% subscriber market share and 28.9% market share by service revenue. For TrueOnline, the absence of fixed-line service revenue is offset by growth in broadband service revenue.

TRUE’s leverage remains high. At the end of September 2018, the adjusted total debt to capitalization ratio was 63.7%. The adjusted ratio of debt to earnings before interest, tax, depreciation, and amortization (EBITDA) was 5.5 times (annualized, from the trailing 12 months), and the adjusted ratio of FFO to debt was 10.3 times (annualized, from the trailing 12 months).

RATING OUTLOOK

The “stable” outlook is based on TRIS Rating’s expectation that TRUE will sustain its strong market positions and continue to deliver solid operating results in the mobile services and broadband Internet segments. 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.

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 take time to be resolved. The ratings could be under downward pressure if the legal outcomes significantly affect TRUE'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 Corporation PLC (TRUE)

Company Rating:	BBB+
Issue Ratings:	
TRUE22NA: Bt8,330 million partially guaranteed debentures due 2022	A-
TRUE221A: Bt12,246 million senior unsecured debentures due 2022	BBB+
Up to Bt11,500 million senior unsecured debentures due within 3 years	BBB+
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

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

© Copyright 2019, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at www.trisrating.com/rating-information/rating-criteria