

TRUE CORPORATION PLC

No. 49/2019
12 July 2019

CORPORATES

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

Last Review Date: 07/05/19

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	-

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RATIONALE

TRIS Rating affirms the company rating on True Corporation PLC (TRUE) and its existing senior unsecured debenture ratings 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 Bt12,000 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 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 the 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 TRUE’s core business segments.

TRUE’s operating performance for the first quarter of 2019 was in line with TRIS Rating’s expectation. The mobile services segment 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 times (annualized, from the trailing 12 months). The adjusted total debt to capitalization ratio was 70.1% at the end of March 2019.

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 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.

Several legal uncertainties, such as revenue sharing or excise tax issues, continue to 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:	
TRUE205A: Bt3,121.30 million senior unsecured debentures due 2020	BBB+
TRUE208A: Bt1,835 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+
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+
TRUE228A: Bt5,799.10 million senior unsecured debentures due 2022	BBB+
TRUE248A: Bt11,841.60 million senior unsecured debentures due 2024	BBB+
TRUE22NA: Bt8,330 million partially guaranteed debentures due 2022	A-
Up to Bt12,000 million senior unsecured debentures due within 6 years	BBB+
Rating Outlook:	Stable

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