

TRUE MOVE H UNIVERSAL COMMUNICATION CO., LTD.

No. 23/2019

20 March 2019

CORPORATES

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

Last Review Date: 11/01/19

Company Rating History:

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

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 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 Bt12,000 million in senior unsecured debentures. The proceeds from the new debentures will be used to refinance debts coming due and used 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). The ratings also take into consideration TUC's sound competitive position in the mobile services industry. However, the ratings are constrained by its high leverage. In addition, intense competition in the industry may slow TUC's ability to monetize its hefty investment in spectrum portfolio, network capacity, and coverage.

The overall market in terms of service revenue (excluding interconnection charges or IC) grew by 1.9% year-on-year (y-o-y) in 2018 to Bt261 billion. This growth rate is notably lower than the average rise of 5.5% per annum during 2016 and 2017. The lower growth rate was due in part to unlimited data plans offered by operators as competition intensified.

In 2018, TUC's service revenue (excluding IC) grew by 7.6% y-o-y to Bt72.8 billion, slightly below TRIS Rating's forecast. Total operating revenue, excludes the effect of asset sold to the Digital Telecommunications Infrastructure Fund (DIF), was Bt108.8 billion, slightly below the estimate of Bt112 billion in our base case forecast. Operating revenue fell short of the forecast because of lower-than-anticipated network rental revenue which related to tower dispute settlement with CAT Telecom PLC (CAT).

In November 2018, the company settled several disputes with CAT. According to TRUE's financial reports, the company agreed to transfer to CAT the cell towers at the heart of the disputes and pay CAT Bt15.7 billion. In exchange, TUC has the rights to use the tower for 30 years. TUC incurred an additional charge of Bt1.1 billion related to the transaction. The settlement removes litigation risks on several disputes between the company and CAT totaling Bt75 billion.

With the one-time items related to the dispute settlement and lower-than-projected revenue, TRIS Rating expects TUC's financial profile for the full year will fall below our expectation. TUC's adjusted ratio of total debt to capitalization is forecast to finish 2018 at about 65%, and the adjusted ratio of debt to earnings before interest, taxes, depreciation, and amortization (EBITDA) will be 9-10 times.

RATING OUTLOOK

The "stable" outlook is based on the expectation that TUC will continue to maintain its competitive position and deliver sound operating performance. TUC will keep striving to monetize the investments it has made 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.

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)

Company Rating:	BBB+
Issue Ratings:	
TUC211A: Bt2,809.60 million senior unsecured debentures due 2021	BBB+
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+
TUC241A: Bt11,190.40 million senior unsecured debentures due 2024	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 Bt12,000 million senior unsecured debentures due within 6 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