

TRUE CORPORATION PLC

No. 82/2018

13 December 2018

CORPORATES

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

Last Review Date: 26/06/18

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	-

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RATIONALE

TRIS Rating affirms the company rating on True Corporation PLC (TRUE) at “BBB+” and also affirms the rating on TRUE’s partially guaranteed debentures at “A-”. At the same time, TRIS Rating assigns a rating of “BBB+” on TRUE’s proposed issue of up to Bt12,246 million in senior unsecured debentures. The company will use the proceeds from the new debentures to refinance its existing debts and for working capital.

The ratings continue to reflect TRUE’s competitive strength as an integrated telecom operator with extensive network coverage in mobile service and broadband Internet, plus improving performance in mobile service segment. The ratings also reflect the expectation of continued support from its major shareholders, CP Group and China Mobile International Holdings Ltd. (China Mobile). However, the ratings are weighed down by a 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 Bt104 billion in revenue, excluding revenue from divesting assets to Digital Telecommunications Infrastructure Fund (DIF). This is a 2.6% year-on-year (y-o-y) rise. 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.

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% of 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 mobile services and broadband Internet segments. TRIS Rating also expects TRUE to receive ongoing support from its major shareholders, 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.

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-
Up to Bt12,246 million senior unsecured debentures due within 3 years	BBB+
Rating Outlook:	Stable

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