

# TRUE MOVE H UNIVERSAL COMMUNICATION CO., LTD.

No. 56/2019

6 August 2019

## CORPORATES

<b>Company Rating:</b>	BBB+
<b>Issue Ratings:</b>	
Senior unsecured	BBB+
<b>Outlook:</b>	Stable

Last Review Date: 07/05/19

### 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 on TUC's proposed issue of up to Bt12,500 million in senior unsecured debentures at "BBB+". The proceeds from the new debentures will be used to refinance its debts coming due.

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 and competitive pressure which may hinder the company's ability to monetize its hefty investment in spectrum portfolio, network capacity, and coverage.

At the end of March 2019, TUC had 29.6 million subscribers, or 32% of subscriber market share. TUC trails Advanced Info Service PLC (AIS), with 45% market share, but leads third-ranked Total Access Communication PLC (DTAC; 23%). Service revenue (excluding interconnection charges or IC) of TUC 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 AIS at 48% and DTAC at 23%.

TUC's financial profile was in line with TRIS Rating's expectation. For the first three months of 2019, TUC reported Bt26 billion in revenue, Bt5.8 billion in earnings before interest, tax, depreciation, and amortization (EBITDA), and Bt3.6 billion in funds from operations (FFO). Leverage remains high. At the end of March 2019, the adjusted ratio of debt to EBITDA was 9.6 times (annualized, from the trailing 12 months) and the adjusted ratio of FFO to debt was 5.3% (annualized, from the trailing 12 months).

The capital structure, measured by the adjusted total debt to capitalization ratio, weakened to 68.6% at the end of March 2019 from 65.7% at the end of 2018, in line with our expectation. The deteriorated capital structure was mainly due to the adoption of the new accounting standard (IFRS 15), which requires the company to write off the accumulated subscriber acquisition cost of approximately Bt10 billion through its retained earnings.

## RATING OUTLOOK

The "stable" outlook is based on our expectation that TUC will maintain its leading market position and effectively monetize its investment without significantly 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

The prospect of TUC's rating upside is constrained by 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 revenue sharing or excise tax issues, will take time to resolve. The ratings could be under downward pressure if the legal outcomes significantly affect the financial profile of TRUE, its parent company.

#### RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018
- Group Rating Methodology, 10 July 2015

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

<b>Company Rating:</b>	BBB+
<b>Issue Ratings:</b>	
TUC203A: Bt2,800 million senior unsecured debentures due 2020	BBB+
TUC205A: Bt9,000 million senior unsecured debentures due 2020	BBB+
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+
TUC246A: Bt200 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 Bt12,500 million senior unsecured debentures due within 6 years	BBB+
<b>Rating Outlook:</b>	Stable

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