

TRUE CORPORATION PLC

No. 50/2020
23 June 2020

CORPORATES

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

Last Review Date: 02/06/20

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 the ratings on TRUE's outstanding senior unsecured debentures at "BBB+", as well as the rating on TRUE's partially guaranteed debentures at "A-", with a "stable" outlook. At the same time, TRIS Rating assigns the rating of "BBB+" to TRUE's proposed issue of up to Bt20 billion in senior unsecured debentures and the additional greenshoe portion of up to Bt5 billion. The proceeds from the new debentures will be used to refinance existing debts and/or meet working capital needs.

The ratings reflect TRUE's strong business profile as a leading integrated telecom company in Thailand, as well as its solid market positions across core lines of business, and satisfactory operating results. The ratings also take into account the ongoing support it receives from the CP Group, its major shareholders, and China Mobile International Holdings Ltd. (China Mobile) as a strategic partner. However, the ratings are weighed down by the company's high level of financial leverage and the intense competition in its core businesses. The ratings take into consideration the large capital expenditures required to roll out next-generation networks and for spectrum license payments.

In 2020, TRIS Rating expects the travel bans to contain the spread of the novel coronavirus (COVID-19) will cause a decline in revenue of "TrueMove H" from travel SIM and international roaming (IR) services. In addition, we expect the closure of hotels to impact revenue of "TrueVisions" as many of the temporarily closed hotels are subscribers of TrueVisions's cable television (TV) network services. On the other hand, we expect TRUE's data revenues to soar due to higher data usage on mobile platforms, resulting from the work-from-home measures. We also expect TRUE will gain new subscribers in the broadband internet business during the lockdown period.

For the first quarter of 2020, TRUE's operating performance was in line with TRIS Rating's expectation. The total operating revenue for the first quarter of 2020 was Bt35.4 billion, out of which Bt26.6 billion was service revenues. Service revenues grew by 3% year-on-year (y-o-y), driven mainly by strong growth in the wireless communications services and the broadband internet services. Revenue from the cable TV services declined due mainly to the COVID-19 impact, given an absence of entertainment events and live-sports postponement. However, their associated costs were also lower.

TRUE's mobile phone network services, under TrueMove H brand, continued delivering sound operating performance. As of March 2020, TrueMove H had 30.3 million subscribers. The service revenue (excluding the interconnection charges – IC) in the first quarter of 2020 was Bt20.1 billion, up by around 5% y-o-y. The growth continues to outpace the industry growth rate of 1.6% y-o-y. TrueMove H maintains its strong market position as the second largest wireless telecommunication provider in Thailand, holding a 30.6% service revenue market share.

TRUE maintains its market leader position in the broadband internet business in Thailand. Revenue from its broadband internet business in the first quarter of 2020 increased by about 2% y-o-y. On the other hand, the revenue from cable

TV services dropped by 7% y-o-y due to the decline in subscription, entertainment, and advertising revenues.

For the first quarter of 2020, TRUE's earnings before interest, tax, depreciation, and amortization (EBITDA) was Bt13.7 billion, up from Bt9.7 billion for the same period of the previous year. Funds from operations (FFO) were Bt11.6 billion. The enlarged operating cash flow helps alleviate the risk of its high financial leverage.

TRUE's ratings have been constrained by its aggressive financial risk profile. As of March 2020, the net reported debt stood at Bt382.9 billion. The ratio of adjusted net debt to net capitalization was 82% as of March of 2020, up from 72% at the end of 2019, as a result of reclassifications and adjustments under the new accounting standard (TFRS16). The ratio of adjusted net debt to EBITDA was 8.4 times. The ratio of FFO to adjusted net debt was 7%.

RATING OUTLOOK

The "stable" outlook reflects TRIS Rating's expectation that TRUE will sustain its strong market position and continue to deliver sound operating results in its mobile phone network services and broadband internet business. TRIS Rating also expects TRUE to receive ongoing support from the CP Group and China Mobile. This support enhances TRUE's credit profile.

RATING SENSITIVITIES

The 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, meanwhile lowering its financial leverage. The ratings could be downgraded if TRUE's operating performance deteriorates materially, pushing the adjusted ratio of FFO to debt to fall below 5% on a sustained basis.

The ratings could also be under downward pressure if the legal outcomes, such as revenue sharing or excise tax or other issues, on the protracted dispute significantly affect TRUE's financial profile.

RELATED CRITERIA

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

True Corporation PLC (TRUE)

Company Rating:	BBB+
Issue Ratings	
TRUE207A: Bt5,100 million senior unsecured debentures due 2020	BBB+
TRUE208A: Bt1,835 million senior unsecured debentures due 2020	BBB+
TRUE200A: Bt2,175 million senior unsecured debentures due 2020	BBB+
TRUE211A: Bt2,640 million senior unsecured debentures due 2021	BBB+
TRUE212A: Bt5,337.30 million senior unsecured debentures due 2021	BBB+
TRUE215A: Bt5,224.30 million senior unsecured debentures due 2021	BBB+
TRUE215B: Bt500 million senior unsecured debentures due 2021	BBB+
TRUE217A: Bt1,625 million senior unsecured debentures due 2021	BBB+
TRUE217B: Bt9,000 million senior unsecured debentures due 2021	BBB+
TRUE210A: Bt3,360 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+
TRUE227A: Bt945 million senior unsecured debentures due 2022	BBB+
TRUE228A: Bt5,799.10 million senior unsecured debentures due 2022	BBB+
TRUE228B: Bt830 million senior unsecured debentures due 2022	BBB+
TRUE232A: Bt4,330 million senior unsecured debentures due 2023	BBB+
TRUE239A: Bt4,800 million senior unsecured debentures due 2023	BBB+
TRUE248A: Bt11,841.60 million senior unsecured debentures due 2024	BBB+
TRUE240A: Bt1,325 million senior unsecured debentures due 2024	BBB+
TRUE258A: Bt650 million senior unsecured debentures due 2025	BBB+
TRUE22NA: Bt8,330 million partially guaranteed debentures due 2022	A-
Up to Bt20,000 million senior unsecured debentures and additional greenshoe portion of up to Bt5,000 million due within 5 years and 6 months	BBB+
Rating Outlook:	Stable

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