

TRUE CORPORATION PLC

No. 5/2020
31 January 2020

CORPORATES

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

Last Review Date: 08/10/19

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	-

Contacts:

Sarinthorn Sosukpaibul
sarinthorn@trisrating.com

Chanaporn Pinphithak
chanaporn@trisrating.com

Wajee Pitakpaibulkij
wajee@trisrating.com

Sauwarot Jirachaipithak
sauwarot@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating on True Corporation PLC (TRUE) and the ratings on TRUE's outstanding senior unsecured debentures at "BBB+" and also affirms the rating on TRUE's partially guaranteed debentures at "A-". At the same time, TRIS Rating assigns a rating to TRUE's proposed issue of up to Bt6 billion in senior unsecured debentures at "BBB+". The proceeds from the new debentures are intended be used to refinance existing debts, fund new investments, and/or fund working capital needs.

The ratings reflect TRUE's strong competitive position as a leading integrated telecom company in Thailand, solid market positions, and extensive network coverage in mobile and broadband internet services. The ratings also take into account the support received from TRUE's 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 financial leverage and the intense competition in its core businesses.

For the first nine months of 2019, TRUE's operating performance was in line with TRIS Rating's expectation. TRUE's total operating revenue for the first nine months of 2019 was Bt111.9 billion. TRUE's service revenue (excluding interconnection charges or IC) increased by 2% year-on-year (y-o-y), to Bt78.6 billion. Service revenue growth was driven mainly by strong growth in the mobile phone services. However, revenue from the broadband internet and cable television services came under pressure as a result of the heightened competition.

TrueMove H continued delivering sound operating performance. The company continued to gain new subscribers both in the prepaid and postpaid segments. As of September 2019, TrueMove H had 30.1 million subscribers, up from 29.2 million subscribers at the end of 2018. For the first nine months of 2019, service revenue, excluding IC, rose by 5.3% y-o-y, to Bt57.9 billion. The growth continues to outpace the industry average of 2.7% y-o-y. TrueMove H maintains its strong market position as the second largest wireless telecommunication provider in Thailand, holding 29% service revenue market share.

TrueOnline currently faces intense competition. TrueVision had a high service revenue base in 2018 due to the 2018 FIFA World Cup broadcasting. As a result, revenue from the broadband internet and cable television services dropped by 1.8% and 11.4% y-o-y, respectively, for the first nine months of 2019.

TRUE's cash flow continued to improve, driven by higher service revenues and more careful control of selling, general, and administrative expense. Adjusted earnings before interest, tax, depreciation, and amortization (EBITDA) was about Bt40 billion for the first nine months of 2019. Funds from operations (FFO) were Bt27.5 billion. TRUE's adjusted net debt remains high, staying at Bt270.7 billion as of September 2019. The adjusted ratio of debt to EBITDA was 5.3 times (annualized, from the trailing 12 months) and the adjusted ratio of the FFO to debt was 13.2% (annualized, from the trailing 12 months) for the first nine months of 2019.

RATING OUTLOOK

The “stable” outlook is based on TRIS Rating’s expectation that TRUE will continue to maintain its strong market position and deliver sound operating results in the mobile phone services business. TRIS Rating also expects TRUE to receive on-going support from its major shareholders, the CP Group and China Mobile.

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 and cash flow improve significantly, providing cash flow protection against 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.

The ratings could also be under downward pressure if the legal outcomes on the prolonged dispute on revenue sharing or excise tax or other issues 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	
TRUE205A: Bt3,121.30 million senior unsecured debentures due 2020	BBB+
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+
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+
TRUE248A: Bt11,841.60 million senior unsecured debentures due 2024	BBB+
TRUE240A: Bt1,325 million senior unsecured debentures due 2024	BBB+
TRUE22NA: Bt8,330 million partially guaranteed debentures due 2022	A-
Up to Bt6,000 million senior unsecured debentures due within 5 years and 6 months	BBB+
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 0-2098-3000

© Copyright 2020, 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