

TRUE CORPORATION PLC

No. 84/2024
4 October 2024

CORPORATES

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

Last Review Date: 11/07/24

Company Rating History:

Date	Rating	Outlook/Alert
01/03/23	A+	Stable

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RATIONALE

TRIS Rating assigns a rating of "A+" to True Corporation PLC's (TRUE) proposed issue of up to THB18 billion senior unsecured debentures, with a tenor of up to 10 years. The company intends to use the proceeds from the proposed debenture issue for debt repayment. At the same time, TRIS Rating affirms the company rating on TRUE and the ratings on its outstanding senior unsecured debentures at "A+". The rating outlook remains "stable".

The ratings reflect TRUE's leading market presence in the wireless telecommunications services, the strength of its extensive cellular networks, wide range of frequency spectrum holdings, and well-recognized brands. The ratings also consider the potential advantages from post-merger synergies, a more rationalized competition in the telecommunications industry, and abated integration risk. Nonetheless, the ratings remain constrained by TRUE's high financial leverage.

TRUE's recent operating results aligned with our expectations. For the first half of 2024, the company reported a total operating revenue of THB103.3 billion. EBITDA came in at THB51.1 billion, with a sound EBITDA margin of 49.5%. Funds from operations (FFO) amounted to THB39.4 billion. However, a one-time extraordinary expense from asset impairments and losses from the termination of related lease agreements, resulted in a net loss of THB2.6 billion.

The company maintains its leading position in the mobile phone service business, with a substantial customer base of 50.5 million as of June 2024. The number of subscribers declined modestly by 0.7 million year-on-year (y-o-y) as TRUE focused on quality customer acquisition. Industry-wide average revenue per user (ARPU) increased, fueled by growing demand for data services. In the high-speed broadband business, TRUE's customer base was 3.7 million at the end of June 2024. The broadband ARPU exhibited a 9.6% y-o-y increase in the second quarter of 2024, reaching THB520. This was primarily due to a reduction in discount and easing competitive pressures in the market. Meanwhile, higher revenue from music and entertainment boosted the pay-TV business, despite a decline in TV subscription revenue.

We maintain our view of TRUE's operating results to strengthen over the next three years, supported by increasing service revenues in its core businesses and the realization of synergies from the amalgamation, particularly in cost optimization and enhanced operational efficiencies. We hold our forecast that TRUE's annual total operating revenues will add up to range between THB203-THB205 billion in 2024-2026, with EBITDA expected to reach THB90-THB97 billion per year. The EBITDA margin is likely to hover between 45%-47%. Furthermore, we expect TRUE's cash generation to improve, with forecasted FFO of THB67-THB73 billion annually.

The ratings remain constrained by TRUE's highly leveraged balance sheet. As of June 2024, the adjusted debt was THB501.3 billion, resulting in a high debt to capitalization ratio of 85.7%. Over the next three years, we expect TRUE's leverage to remain high but gradually decline, taking into account the necessary capital expenditures for network integration, scheduled license fee obligations, and improved profitability. We expect capital expenditures to be reduced compared with pre-merger levels. Consequently, we forecast the debt to EBITDA

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ratio to range between 4.5-6.0 times during 2024-2026, and the FFO to debt ratio at 13%-16%. We project the debt to capitalization ratio to remain high at 83%-85% during the forecast period.

As of June 2024, TRUE's total debt, excluding lease and license liabilities, was THB351.5 billion. TRUE remains heavily reliant on issuances of debentures as its key financing source, which represented about 84% of total debt. TRUE had a priority debt to total debt ratio of about 27%.

RATING OUTLOOK

The "stable" outlook embeds our expectation that TRUE will maintain its market-leading position in the telecommunications market in Thailand. We also expect TRUE's financial profile to steadily improve over the next three years, with EBITDA and financial leverage levels aligning with our forecast.

RATING SENSITIVITIES

A rating upgrade is unlikely in the near term. However, we could consider raising the ratings upon TRUE's successful demonstration of integration, resulting in EBITDA surpassing our forecast, significant leverage reduction, or a notably strengthened market position. Conversely, we could consider a downgrade if TRUE's operating performance and financial profile deteriorate considerably, pushing the FFO to debt ratio below 10% on a sustained basis.

TRUE still has several lawsuits that will likely take time to resolve. We could take negative rating actions if there are new developments on these pending legal issues that suggest potential material adverse effects on TRUE's financial profile.

RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

True Corporation PLC (TRUE)

Company Rating:	A+
Issue Ratings:	
TRUE24OA: THB1,325 million senior unsecured debentures due 2024	A+
TRUE24OB: THB6,212.40 million senior unsecured debentures due 2024	A+
TRUE24NA: THB4,268.70 million senior unsecured debentures due 2024	A+
TRUE24NB: THB4,240.80 million senior unsecured debentures due 2024	A+
TRUE24NC: THB3,500.10 million senior unsecured debentures due 2024	A+
TRUE251A: THB3,994.20 million senior unsecured debentures due 2025	A+
TRUE251B: THB4,971.30 million senior unsecured debentures due 2025	A+
TRUE251C: THB1,411 million senior unsecured debentures due 2025	A+
TRUE252A: THB4,207.20 million senior unsecured debentures due 2025	A+
TRUE253A: THB5,575.40 million senior unsecured debentures due 2025	A+
TRUE254A: THB1,790.80 million senior unsecured debentures due 2025	A+
TRUE257A: THB6,327.30 million senior unsecured debentures due 2025	A+
TRUE258A: THB650 million senior unsecured debentures due 2025	A+
TRUE258B: THB993 million senior unsecured debentures due 2025	A+
TRUE25OA: THB4,247.90 million senior unsecured debentures due 2025	A+
TRUE25NA: THB2,486.60 million senior unsecured debentures due 2025	A+
TRUE25NB: THB3,998.90 million senior unsecured debentures due 2025	A+
TRUE25NC: THB919.20 million senior unsecured debentures due 2025	A+
TRUE261A: THB7,130.30 million senior unsecured debentures due 2026	A+
TRUE261B: THB2,912.10 million senior unsecured debentures due 2026	A+
TRUE262A: THB3,864.90 million senior unsecured debentures due 2026	A+
TRUE263A: THB2,412.10 million senior unsecured debentures due 2026	A+
TRUE265A: THB3,234 million senior unsecured debentures due 2026	A+
TRUE266A: THB2,658 million senior unsecured debentures due 2026	A+
TRUE267A: THB7,779.10 million senior unsecured debentures due 2026	A+
TRUE267B: THB2,844.30 million senior unsecured debentures due 2026	A+
TRUE268A: THB1,689.40 million senior unsecured debentures due 2026	A+
TRUE26OA: THB4,854.70 million senior unsecured debentures due 2026	A+
TRUE26NA: THB5,805.80 million senior unsecured debentures due 2026	A+
TRUE26NB: THB2,142.50 million senior unsecured debentures due 2026	A+
TRUE26NC: THB3,456.40 million senior unsecured debentures due 2026	A+
TRUE272A: THB6,636.60 million senior unsecured debentures due 2027	A+
TRUE272B: THB2,421.80 million senior unsecured debentures due 2027	A+
TRUE272C: THB3,922.80 million senior unsecured debentures due 2027	A+
TRUE273A: THB3,656.90 million senior unsecured debentures due 2027	A+
TRUE274A: THB1,511.20 million senior unsecured debentures due 2027	A+
TRUE278A: THB6,958.60 million senior unsecured debentures due 2027	A+
TRUE278B: THB3,352.20 million senior unsecured debentures due 2027	A+
TRUE27OA: THB5,116.60 million senior unsecured debentures due 2027	A+
TRUE27NA: THB3,062.80 million senior unsecured debentures due 2027	A+
TRUE27NB: THB3,524.30 million senior unsecured debentures due 2027	A+
TRUE27DA: THB5,855.10 million senior unsecured debentures due 2027	A+
TRUE287A: THB7,060.20 million senior unsecured debentures due 2028	A+
TRUE288A: THB6,459.10 million senior unsecured debentures due 2028	A+
TRUE28OA: THB7,184.50 million senior unsecured debentures due 2028	A+

TRUE28NA: THB1,736.30 million senior unsecured debentures due 2028	A+
TRUE294A: THB2,809.60 million senior unsecured debentures due 2029	A+
TRUE298A: THB4,493.20 million senior unsecured debentures due 2029	A+
TRUE29NA: THB6,073.80 million senior unsecured debentures due 2029	A+
TRUE309A: THB1,741 million senior unsecured debentures due 2030	A+
TRUE30NA: THB450.90 million senior unsecured debentures due 2030	A+
TRUE329A: THB888 million senior unsecured debentures due 2032	A+
TRUE337A: THB3,833.40 million senior unsecured debentures due 2033	A+
TRUE33NA: THB948.40 million senior unsecured debentures due 2033	A+
TRUE341A: THB1,544.10 million senior unsecured debentures due 2034	A+
TRUE345A: THB2,705.20 million senior unsecured debentures due 2034	A+
TRUE348A: THB3,559.90 million senior unsecured debentures due 2034	A+
Up to THB18,000 million senior unsecured debentures due within 10 years	A+
Outlook:	Stable

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