

TRUE CORPORATION PLC

No. 59/2024
11 July 2024

CORPORATES

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

Last Review Date: 29/03/24

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 (TRUE)'s 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 telecommunication services, the strength of its extensive cellular networks, wide range of frequency spectrum holdings, and well-recognized brands. The ratings also factor in the expected advantages arising from post-merger synergies, a more rationalized competition in the telecommunication industry, and lowering integration risk. Conversely, the ratings are weighed down by TRUE's high financial leverage.

TRUE's operating results are in line with our expectations. During the first quarter of 2024, TRUE reported a total operating revenue of THB51.7 billion, driven by sound revenue across its key business lines. During the same period, TRUE's EBITDA came in at THB25.1 billion, with an EBITDA margin of 48.5%. TRUE arrived at THB19.1 billion in funds from operations (FFO). However, a one-time extra expense stemming from asset impairment and loss from termination of related lease agreements led to a net loss of THB766 million.

The company maintains its strong market position as market leader in the mobile phone service business, with a large customer base of 51.1 million as of March 2024. Average revenue per user (ARPU) rose industry-wide, particularly in postpaid segments, driven by higher demand for data usage. In the high-speed broadband business, TRUE's customer base decreased to 3.7 million from 3.8 million at the end of December 2023. Despite a decline in customer numbers, the company's ARPU in the fixed broadband continued to rise due to less employment of discount strategy and customer quality emphasis as well as moderating competition in the market. Meanwhile, operations in the pay-TV business, particularly in the music and entertainment segments, have gradually rebounded.

We maintain our expectation that TRUE's operating results will continue improving during the next three years, realizing the potential benefits from the merger, particularly in cost efficiencies and other synergistic benefits. We forecast TRUE's total operating revenues to reach THB203-TH205 billion annually, with EBITDA ranging THB90-THB97 billion per annum. TRUE's EBITDA margin is likely to hover between 45%-47%. We expect improvement in TRUE's cash generation, with projected funds from operations (FFO) of THB67-THB73 billion per year.

The ratings remain constrained by TRUE's highly leveraged balance sheet. As of March 2024, the adjusted debt stood at THB511.9 billion, resulting in a debt to capitalization ratio of 85.7%. Over the next three years, we expect TRUE's leverage to remain high but gradually decline, factoring in the necessary capital expenditures for network integration, scheduled license fee payments, and improved profitability. We expect capital expenditures to be gradually reduced compared with the pre-merger periods, to around THB30-THB35 billion annually. Also, TRUE is obligated to pay license fees of about THB10-THB18 billion per

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Credit Updates are part of TRIS Rating's monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

annum over the same period. Consequently, we forecast the debt to EBITDA ratio to range between 4.5-6.0 times during 2024-2026, while the FFO to debt ratio should be in the 13%-16% range. We project the debt to capitalization ratio to remain high at 83%-85% over the forecast period.

As of March 2024, TRUE's total debt, excluding lease and license liabilities, was THB366.7 billion. TRUE remains heavily reliant on issuance of debentures as the key financing source, which represented about 80% of total debt. TRUE had a priority debt to total debt ratio of about 28%.

RATING OUTLOOK

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

RATING SENSITIVITIES

We are unlikely to upgrade the ratings in the near term. However, we could raise the ratings upon successful demonstration of integration, resulting in EBITDA surpassing our forecast, significant leverage reduction, or a notably strengthened market position. Contrarily, a downward rating action could be triggered if TRUE's operating performance and financial status deteriorate significantly, pushing the FFO to debt ratio below 10% on a sustained basis.

TRUE still has several lawsuits that will likely take some 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)

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| Company Rating: | A+ |
| Issue Ratings: | |
| TRUE248A: THB11,841.60 million senior unsecured debentures due 2024 | A+ |
| TRUE248B: THB605.40 million senior unsecured debentures due 2024 | A+ |
| TRUE240A: THB1,325 million senior unsecured debentures due 2024 | A+ |
| TRUE240B: 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+ |
| TRUE250A: 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+ |
| 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+ |

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| 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+ |
| TRUE260A: 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+ |
| 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+ |
| TRUE270A: THB5,116.60 million senior unsecured debentures due 2027 | A+ |
| TRUE27NA: THB3,062.80 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+ |
| TRUE280A: 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+ |
| 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+ |
| Up to THB18,000 million senior unsecured debentures due within 10 years | A+ |
| Outlook: | Stable |

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