

# TRUE CORPORATION PLC

No. 45/2024  
29 March 2024

## CORPORATES

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

Last Review Date: 27/09/23

### Company Rating History:

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

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## RATIONALE

TRIS Rating affirms the company rating on True Corporation PLC (TRUE) and the ratings on its outstanding senior unsecured debentures at “A+”, with a “stable” outlook. At the same time, we assign a rating of “A+” to TRUE’s proposed issue of up to THB18 billion senior unsecured debentures, with a tenor of up to 10 years. TRUE intends to use the proceeds from the new debenture issuance to refinance its existing debt and/or support working capital needs.

The ratings reflect TRUE’s leading market presence in the telecommunication and digital service markets in Thailand, the strength of its nationwide cellular networks, diverse frequency spectrum, and strong consumer brand recognition. The ratings incorporate expected post-merger synergies and potential enhancements in operating efficiencies. Nevertheless, the ratings are mainly held back by TRUE’s highly leveraged capital structure. The ratings also embed our expectation of a more rationalized competition in the telecommunication industry and lowering integration risk.

## KEY RATING CONSIDERATIONS

### Robust market position in Thai telecommunications

TRUE maintains its leadership in the telecommunication and digital service markets in Thailand, with multiple business platforms. TRUE was established through the merger of the businesses and assets of two former major mobile phone service operators, effective on 1 March 2023. Over the first 10 months since its commencement (March-December 2023), TRUE recorded total operating revenues of THB170.2 billion, derived from a diverse range of services. Of the total, wireless communication represented the majority of 80% while fixed broadband internet made up about 15%. The remainder came from pay-television (TV), digital TV and content distribution, and digital services.

TRUE operates nationwide license-based cellular networks, with a wide range of frequency spectrums. The merger has strengthened the company’s business profile and competitive position, leveraging the combined customer base, commercial and operational scale, and group synergies. The TRUE brand, positioned as the primary brand under TRUE Group, has a strong market position among Thais and foreigners for telecommunication services.

TRUE benefits from strong major shareholders, including Charoen Pokphand Group (CP Group) and Telenor ASA (Telenor). Telenor’s expertise in the telecom and wireless communication industry, coupled with the expansive business network of CP Group, strongly support TRUE’s operations. Also, the technological support from its strategic partner, China Mobile International Holdings Ltd. (China Mobile), enhances the company’s capabilities in advanced technology and infrastructure networks.

### Market leader in mobile phone service

TRUE is the market leader in Thailand’s wireless telecommunication service, excelling in both subscriber base and service revenues. The market is largely dominated by two major players, TRUE and Advanced Info Service PLC (AIS). TRUE has emerged as the market leader with 51.9 million subscribers as of December 2023, securing a 53.8%<sup>1</sup> market share, while AIS holds the remaining 46.2%.

<sup>1</sup> The total market share excludes the numbers of National Telecom PLC (NT).

In terms of mobile phone service revenues, excluding interconnection charges (IC), TRUE commanded a 51.6% market share, leaving AIS with a smaller share of 48.4%.

Looking ahead, we anticipate TRUE will maintain its position as the market leader in wireless communication services. The company's strength lies in its extensive network coverage, expansive spectrum of frequencies, and the strength of its brand. With a more rationalized competitive landscape and the economic recovery, we expect TRUE to attain sustained growth in the market.

#### **Positive ARPU trend expected from market rationalization**

In the mobile phone service industry, average revenue per user (ARPU) increased industry-wide for both prepaid and postpaid segments last year. Since the fourth quarter of 2023, ARPU, particularly in the prepaid segment, had seen a significant rise of 5%-6% from the previous quarter, driven by market rationalization. Also, the increase in ARPU can be attributed to a rise in tourists and immigrants entering Thailand.

We expect pressure from price competition to continue moderating throughout 2024. Furthermore, the ongoing network expansion of 5G, the fifth-generation mobile communication technology, is expected to be the key revenue driver in the industry going forward. As 5G users increasingly demand higher data usage, ARPU tends to increase. Currently TRUE's 5G coverage in Greater Bangkok extends to about 99%, and 90% of nationwide. TRUE aims to achieve a nationwide 5G coverage of about 97% by 2025. Also, the introduction of digital solutions, more affordable 5G devices, and strategic cross-selling and upselling initiatives are expected to contribute positively to TRUE's overall revenues and ARPU.

#### **Moderating competition in broadband market**

The Thai broadband internet industry went through a major restructuring in 2023, with the merger of AIS and Triple T Broadband PLC (3BB), solidifying their merged position as the market leader with a total of 4.8 million subscribers. With the consolidation, the market now features only three major broadband internet service providers, down from four. This is expected to bring about a more rationalized competitive landscape.

TRUE is a major player in the fixed broadband internet business, holding about 3.8 million subscribers as of December 2023. Despite a slight decline in customer numbers compared with the previous year, the company witnessed an increase in ARPU due to a strategic emphasis on customer quality and a less employment of discount strategy. TRUE's strategic targets include expanding its customer base to meet growing demand for data connectivity and smart living services. With the home internet service penetration rate in Thailand still at a moderate level of around 50%, there remains ample room for market expansion. The company aims to strengthen long-term customer loyalty by providing high-speed internet coupled with smart living services such as closed-circuit TV system (CCTV) connectivity.

The pay-TV business has experienced a revenue rebound in the live and entertainment segment, driven by an increase in organized concerts and events. However, due to the shift in customer behavior, subscriptions and subscription revenue have declined. The company is actively adapting its offerings to a streaming format, allowing users to access content at their convenience from any location. We anticipate that pay-TV will continue its role as a major service bundled with TRUE's other offerings in the medium term.

#### **Synergies to enhance profitability**

TRUE is starting to realize the benefits in operational efficiency resulting from the merger of two former competing operators. The merger has strategically positioned the company with a much larger customer base and achieved economies of scale. Over the 10-month period in 2023, TRUE reported THB78.5 billion in earnings before interest, taxes, depreciation, and amortization (EBITDA). However, a one-time extra expense in 2023, stemming from asset impairment, organizational development, and other non-cash items, led to a net loss of THB14.6 billion.

Over the next three years, we expect the company's operating results to improve, both in terms of revenues and profits. The expectation includes an expansion of TRUE's customer base, boosted by cross-sells, upsells, convergence package offerings, and market rationalization. Our projections forecast TRUE's total operating revenues to be THB203-TH205 billion annually.

Furthermore, the company is optimizing its network by minimizing cellular tower duplication and reallocating frequencies for optimal effectiveness. TRUE has also revamped its marketing and sales channels, incorporating promotions and upgrading services to provide clients with digital solutions. Other cost synergies are expected in terms of improved human resource management and procurement pooling which will bring stronger bargaining power. Capital expenditures for network integration as well as operational expenses should gradually decline. The ongoing synergies are poised to bring sustained benefits to the company. In our base-case projections covering 2024-2026, we forecast TRUE's EBITDA to range between THB90-THB97 billion per annum, with an EBITDA margin of 45%-47%. We expect an improvement in TRUE's cash flow, with funds from operations (FFO) projected to range between THB67-THB73 billion annually.

## Debt-heavy capital structure

TRUE's financial leverage remains high, with the adjusted debt of THB522 billion at the end of 2023. Based on pro forma financial statements for the full year ending 2023, the debt to EBITDA ratio was about 6.0 times and the FFO to debt ratio was 12.2%.

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 annum over the same period.

We expect TRUE's cash flow against debt obligations to steadily improve, driven by enhanced EBITDA resulting from anticipated cost savings. Our projections forecast the debt to EBITDA ratio to range between 4.5-6.0 times during the next three years, while the FFO to debt ratio should be in the 13%-16% range. That said, we project the debt to capitalization ratio to remain high at 83%-85% during 2024-2026.

## Debt structure

As of December 2023, total debt, excluding lease and license liabilities, was THB365 billion. TRUE remains heavily reliant on debentures, which represented about 83% of total debt as of 2023. TRUE had a priority debt to total debt ratio of about 33%. As the ratio is under our 50% priority debt threshold, we rate TRUE's senior unsecured debentures at the same level as the company rating.

## Manageable liquidity

We assess TRUE's liquidity to remain manageable over the next 12 months. As of December 2023, TRUE had cash and cash equivalents of THB33.6 billion while it had total debt obligations coming due in the next 12 months of THB98.3 billion, most of which were maturing debentures. Considering the estimated capital spending and FFO, we expect a large part of the debt coming due to be refinanced. Given TRUE's strengthening market position and expected improvement in operating performance, we view the refinancing risk is manageable.

## BASE-CASE ASSUMPTIONS

These are the key assumptions in TRIS Rating's base-case forecast for TRUE's operations during 2024-2026:

- Service revenues in mobile and broadband internet to grow by low-single digits.
- Service revenues in pay-TV to flat.
- EBITDA margin to be at 45%-47%.
- Capital expenditures to amount to THB30-THB35 billion per annum for the network integration.
- Scheduled license fee payments to add up to THB42.6 billion.

## RATING OUTLOOK

The "stable" outlook embeds our expectation that TRUE will maintain its market-leading position in the telecommunication and digital service markets in Thailand. We also expect a consistent 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 on TRUE upon successful demonstration of integration, resulting in EBITDA surpassing our forecast, significant leverage reduction, or a notably strengthened market position. However, 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 action on the ratings if there are new developments on these pending legal issues that suggest potential material adverse effects on TRUE's financial profile.

## COMPANY OVERVIEW

TRUE was established on 1 March 2023 following the merger of the former TRUE Corporation PLC (TRUEE), a leading integrated telecom company in Thailand, and Total Access Communication PLC (DTAC), the third-largest wireless communication service company. CP Group and Telenor coupled with its related companies, hold about one-third of TRUE's shares. China Mobile, a long-strategic partner, holds an 8% stake.

The company is engaged in multiple business platforms, including mobile service business, broadband internet, as well as pay-TV services, digital TV channels, content provision, and digital services.

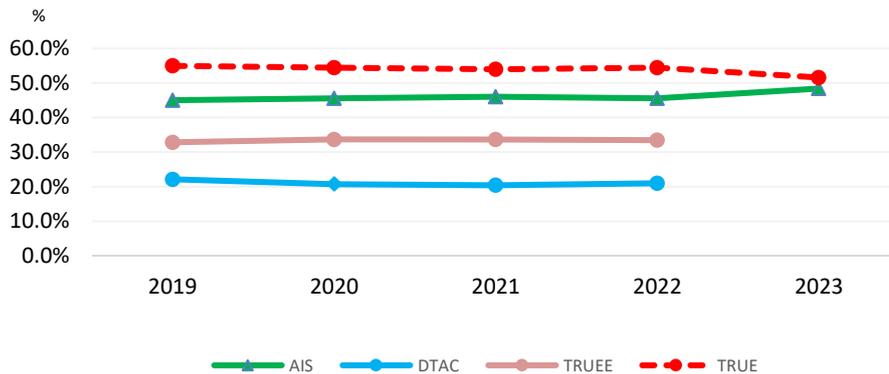
During its initial ten-month period in 2023, the company generated a total operating revenue of THB170.2 billion, with 80% of its revenue from the wireless telecom business.

**KEY OPERATING PERFORMANCE**

**Chart 1: Mobile Phone Service Market Share by Subscribers**



**Chart 2: Mobile Phone Service Revenue Market Share, Excluding IC**

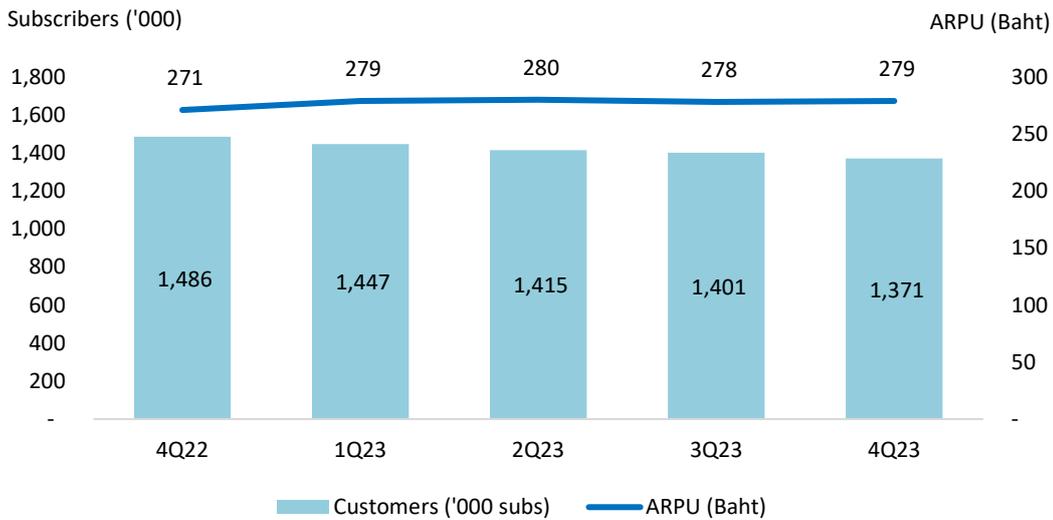


Note for Chart 1 and Chart 2: TRUUE is the former TRUE before merge

**Chart 3: TRUE's Broadband Internet Subscribers and ARPU**



Chart 4: TRUE's Pay-TV Subscribers and ARPU



Sources of charts: 1) TRUE  
2) AIS

#### FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\*

Unit: Mil. THB

	-----Year Ended 31 December ----- 2023
Total operating revenues	202,856
Earnings before interest and taxes (EBIT)	17,650
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	87,771
Funds from operations (FFO)	63,710
Adjusted interest expense	23,300
Capital expenditures	44,325
Total assets	744,722
Adjusted debt	522,132
Adjusted equity	86,140
<b>Adjusted Ratios</b>	
EBITDA margin (%)	43.3
Pretax return on permanent capital (%)	2.7
EBITDA interest coverage (times)	3.8
Debt to EBITDA (times)	5.9
FFO to debt (%)	12.2
Debt to capitalization (%)	85.8

\* Pro forma consolidated financial statements

#### 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+
<b>Issue Ratings:</b>	
TRUE245A: THB4,415.50 million senior unsecured debentures due 2024	A+
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+
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+
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+
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+
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+

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+
Up to THB18,000 million senior unsecured debentures due within 10 years	A+
<b>Rating Outlook:</b>	Stable

**TRIS Rating Co., Ltd.**

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