

TRUE MOVE H UNIVERSAL COMMUNICATION CO., LTD.

No. 46/2024
29 March 2024

CORPORATES

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

Last Review Date: 03/08/23

Company Rating History:

Date	Rating	Outlook/Alert
01/03/23	A+	Stable
24/05/22	BBB+	Alert Positive
15/06/15	BBB+	Stable

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RATIONALE

TRIS Rating affirms the company rating on True Move H Universal Communication Co., Ltd. (TUC) and the ratings on its senior unsecured debentures at “A+”, with a “stable” outlook.

We assign the same ratings on TUC with those on TRUE Corporation PLC (TRUE, rated “A+/Stable”) as we continue to view TUC as a “core subsidiary” of TRUE. This reflects our view of the strategic alignment and integration between the two entities. We believe TRUE remains highly committed to supporting TUC in times of stress, given the latter’s importance as the holder of the group’s spectrum licenses and assets for mobile operations, as well as the key revenue contributor.

KEY RATING CONSIDERATIONS

TRUE’s group credit profile

The company rating of “A+” on TRUE, which reflects the Group Credit Profile (GCP), is predicated upon TRUE’s leading market position in the telecommunication and digital service markets in Thailand, the strength of its extensive networks, diverse frequency spectrums, and wide brand recognition.

TRUE operates as a telecom-tech company across various business platforms, including wireless communications service, broadband internet, television (TV) networks, as well as digital platforms and services. TUC oversees TRUE’s wireless telecommunication service business. TRUE holds the largest market share among mobile service operators with about 54%¹ in terms of mobile service subscribers. We view TRUE’s substantial businesses and operational scale as a vital competitive advantage.

The company rating on TRUE incorporates expected post-merger synergies and potential enhancements in operating efficiencies. In addition, the rating also recognizes the ongoing support from major shareholders, led by the CP Group and Telenor ASA (Telenor), along with China Mobile International Holdings Ltd. (China Mobile) as a strategic partner. The rating is also embedded in our expectation of a more rationalized competition in the telecommunication industry and moderating integration risk. We view TRUE will gradually realize the benefits from the merger over the next three years.

On the other hand, the rating is mainly weighed down by TRUE’s debt-heavy capital structure, due to considerable capital expenditures for network integration and scheduled payments for spectrum license fees.

TUC: a core subsidiary of TRUE

We continue to view TUC as a “core subsidiary” of TRUE. As of February 2024, TUC was entirely owned by TRUE. TUC, as the flagship company of the TRUE Group, focuses on the mobile phone service business. Our assessment of TUC’s group status is based mainly on the operational integration, alignment of strategies and financial policies, and the reputation linkage of both entities. The management and strategies of the two companies are closely integrated and interdependent. TUC’s business strength is further reinforced by leveraging the “TRUE” brand, offering mobile services under the “TrueMove H” brand. TRUE’s ongoing support has significantly enhanced TUC’s competitive position, serving as a supporting factor in our assessment of TUC’s credit profile.

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

As the group's flagship company, TUC operates license-based wireless communication services and owns TRUE's core operating assets. Overall, we expect TUC's operations will remain the main revenue contributor within the TRUE Group, contributing about 80% to the group's revenue and around 65% of earnings before interest, taxes, depreciation, and amortization (EBITDA). We believe TUC will remain the critical component of TRUE's integrated telecom service strategy over the long term. Given the crucial role of TUC within the group and the linkages, we believe TRUE remains highly committed to supporting TUC in times of stress.

Market leader in wireless telecommunication industry

On 3 August 2023, TUC completed its merger with dtac Trinet Co., Ltd. (DTN), a fellow mobile service provider under TRUE's operations. Simultaneously, DTN ceased to exist, solidifying TUC's status as Thailand's leading mobile phone service provider in terms of service revenue and subscriber base. Its strong competitive position is underpinned by an extensive coverage network and high-quality cellular infrastructure, diverse frequency spectrums, and a strong brand.

As of December 2023, TUC had 51.9 million subscribers, representing about 54% market share. Its main competitor held 46%. TUC's service revenue, excluding interconnection charges (IC), increased to about THB125 billion in 2023 following the merger with DTN, securing a revenue market share of 52%.

TUC has about 10.5 million 5G (fifth-generation mobile communication technologies) customers who are high data users. We expect its 5G subscribers to increase over the next three years, driving average revenue per user (ARPU) in the postpaid segment. Furthermore, market competition has become more rationalized since the merger, with only two major operators in the market. We expect the price competition to be moderating.

Key revenue contributor to the TRUE Group

We expect TUC to maintain its strong market position and remain the key revenue contributor of the TRUE Group. In 2023, TUC achieved a total operating revenue of about THB160 billion, with an EBITDA of THB57.3 billion. We project TUC's service revenue to increase gradually over the next three years, driven by the economic recovery, a larger base of high-data-usage 5G subscribers, and higher ARPU from market rationalization. We expect TUC's total revenue to represent a dominant contribution of about 80%-85% of TRUE's consolidated revenue.

TRUE's post-merger synergies to enhance asset utilization, network optimization, and leverage economies of scale in network and assets are likely to gradually materialize. We also expect a more rationalized competitive landscape over the next three years. With that, we expect TUC to make up about 65% of TRUE's consolidated EBITDA.

Highly leveraged balance sheet

TUC's balance sheet continues to reflect a high level of leverage, with an adjusted debt of THB347.8 billion at the end of 2023. The debt to EBITDA ratio was about 6.1 times, notably improved from 8.9 times as of December 2022, thanks to the increase in EBITDA following the merger with DTN. The ratio of funds from operations (FFO) to debt rose to 12.1% in 2023, compared with 6.7% in the prior year.

Over the next three years, we expect TUC's leverage to remain high but gradually decline, considering the post-merger capital expenditures required for network integrations and scheduled license fee payments, and its improvement in the operating performance. We project TUC to arrive at THB58-THB64 billion in EBITDA per year during 2024-2026. The FFO is forecast at THB42-THB48 billion per year. We assume annual capital investments of around THB20-THB25 billion per annum during the next three years. TUC is obliged to pay license fees of THB10-THB18 billion per annum over the same period. As a result, we expect the debt to EBITDA ratio to remain at around 5-6 times during the next three years, with the FFO to debt ratio at about 13%-16%. We forecast the debt to capitalization ratio to remain over 75%.

Debt structure

As of December 2023, TUC's debt, excluding lease and license liabilities, amounted to THB234.7 billion, comprising debentures of THB121.6 billion and long-term loans from its parent of THB113.1 billion. Given the absence of priority debt, we rate TUC's senior unsecured debentures at the same level as the company rating.

Manageable liquidity

We expect TUC's liquidity to be tight but manageable over the next 12 months. Sources of funds include TUC's cash as of December 2023 of THB24 billion and expected FFO of around THB42 billion. The uses of funds will be mainly for meeting debt servicing obligations including THB32.3 billion of debentures maturing in 2024, as well as the capital expenditures and the payment for license fees. The company also had current portion of lease obligation of THB13.3 billion. As a result, we expect TUC will still need to refinance a large portion of its maturing debt obligations. We assess the refinancing risk as manageable, given TUC's record of fund raising in the debt market.

BASE-CASE ASSUMPTIONS

- TRIS Rating's base-case assumption is that TUC will remain a core subsidiary of TRUE.

RATING OUTLOOK

The "stable" outlook on TUC mirrors that on TRUE and reflects our expectation that TUC will maintain its status as a core subsidiary of TRUE. We believe TUC will continue to represent a core component of TRUE's revenue and business profile.

RATING SENSITIVITIES

Based on TRIS Rating's "Group Rating Methodology", the rating on TUC will move in tandem with that on TRUE. Therefore, any change in the rating on TRUE will result in the same change to that on TUC. In addition, we could lower the rating on TUC if we view the company's group status within the TRUE Group changes to a weaker level.

COMPANY OVERVIEW

Incorporated in 2010, TUC was initially owned by the former TRUE Corporation PLC (TRUEE), a leading integrated telecom company in Thailand providing mobile phone services, fixed-line broadband internet, and pay-TV services. TRUEE completed its merger with Total Access Communication PLC (DTAC), the third-largest wireless communication service company in Thailand, on 1 March 2023. Subsequently, the new entity TRUE Corporation PLC (TRUE) was established, marking the cessation of both DTAC and TRUEE. TUC has become a subsidiary of TRUE as a result of the merger.

TUC offers wireless telecommunication services with spectrum licenses granted by the National Broadcasting and Telecommunications Commission (NBTC), along with wholesale agreements and partnerships with National Telecom PLC (NT), formerly known as CAT Telecom PLC and TOT PLC.

TUC completed the merger with DTN, its subsidiary under the TRUE Group, on 3 August 2023. DTN ceased to exist.

In 2023, TUC generated about THB125 billion in service revenue, excluding the IC, with a service revenue market share of about 52%.

KEY OPERATING PERFORMANCE

Chart 1: Mobile Phone Service Market Share by Subscribers

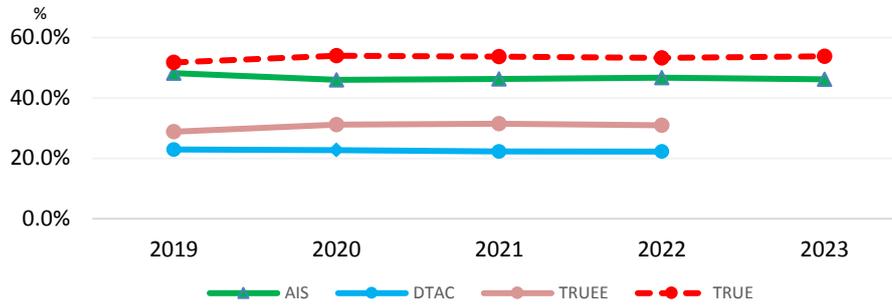
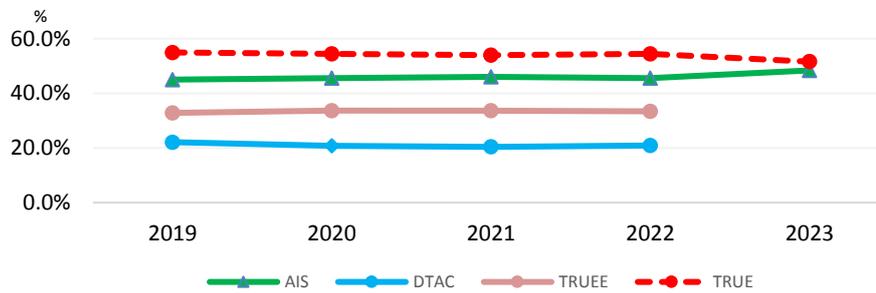


Chart 2: Mobile Phone Service Revenue Market Share, Excluding IC



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

Sources: 1) TRUE
2) Advanced Info Service PLC (AIS)

Table 1: TUC's Spectrum Bandwidth

Unit: MHz

Frequency Band	Frequency	TUC (Bandwidth/ Until Year)
Low-band	700 megahertz (MHz)	2 x 20 MHz 2035
	850 MHz	2 x 15 MHz 2025**
	900 MHz	2 x 10 MHz 2031 2 x 5 MHz 2033
Mid-band	1800 MHz	2 x 20 MHz 2033
	2100 MHz	2 x 30 MHz 2027
	2300 MHz	60 MHz 2025***
	2600 MHz	90 MHz 2035
High-band	26 gigahertz (GHz)	200 MHz 2035 800 MHz 2036

** Wholesale agreement with NT

*** Partnership with NT

Sources: TRUE

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	-----Year Ended 31 December -----				
	2023	2022	2021	2020	2019
Total operating revenues	159,512	108,231	116,441	112,604	110,803
Earnings before interest and taxes (EBIT)	1,848	(5,166)	3,027	2,511	3,038
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	57,250	32,810	36,824	33,631	24,517
Funds from operations (FFO)	42,185	19,620	23,453	20,991	14,660
Adjusted interest expense	15,018	13,190	13,229	12,434	9,785
Capital expenditures	51,223	39,811	39,502	57,498	35,826
Total assets	581,660	450,490	452,714	450,355	384,566
Adjusted debt	347,804	291,979	275,214	270,914	203,837
Adjusted equity	122,875	51,514	69,532	79,893	93,345
Adjusted Ratios					
EBITDA margin (%)	35.9	30.3	31.6	29.9	22.1
Pretax return on permanent capital (%)	0.4	(1.4)	0.8	0.7	0.9
EBITDA interest coverage (times)	3.8	2.5	2.8	2.7	2.5
Debt to EBITDA (times)	6.1	8.9	7.5	8.1	8.3
FFO to debt (%)	12.1	6.7	8.5	7.7	7.2
Debt to capitalization (%)	73.9	85.0	79.8	77.2	68.6

* Consolidated financial statements

RELATED CRITERIA

- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

True Move H Universal Communication Co., Ltd. (TUC)

Company Rating:

A+

Issue Ratings:

TUC245A: THB2,789.50 million senior unsecured debentures due 2024	A+
TUC245B: THB2,886.80 million senior unsecured debentures due 2024	A+
TUC245C: THB1,460.30 million senior unsecured debentures due 2024	A+
TUC246A: THB200 million senior unsecured debentures due 2024	A+
TUC24NA: THB1,200 million senior unsecured debentures due 2024	A+
TUC252A: THB3,733.70 million senior unsecured debentures due 2025	A+
TUC255A: THB2,306.10 million senior unsecured debentures due 2025	A+
TUC256A: THB18,476.80 million senior unsecured debentures due 2025	A+
TUC25NA: THB3,820.20 million senior unsecured debentures due 2025	A+
TUC262A: THB1,523.60 million senior unsecured debentures due 2026	A+
TUC262B: THB5,363.30 million senior unsecured debentures due 2026	A+
TUC262C: THB1,840 million senior unsecured debentures due 2026	A+
TUC265A: THB2,652.20 million senior unsecured debentures due 2026	A+
TUC26DA: THB7,477.20 million senior unsecured debentures due 2026	A+
TUC275A: THB1,376.40 million senior unsecured debentures due 2027	A+
TUC27NA: THB3,643.50 million senior unsecured debentures due 2027	A+
TUC282A: THB3,456.10 million senior unsecured debentures due 2028	A+
TUC28NA: THB6,419 million senior unsecured debentures due 2028	A+
TUC295A: THB2,575.80 million senior unsecured debentures due 2029	A+
DTN244A: THB442 million senior unsecured debentures due 2024	A+
DTN247A: THB644.30 million senior unsecured debentures due 2024	A+
DTN249A: THB184 million senior unsecured debentures due 2024	A+
DTN257A: THB4,755 million senior unsecured debentures due 2025	A+
DTN257B: THB1,979 million senior unsecured debentures due 2025	A+
DTN259A: THB479.90 million senior unsecured debentures due 2025	A+
DTN267A: THB560 million senior unsecured debentures due 2026	A+
DTN267B: THB113 million senior unsecured debentures due 2026	A+
DTN269A: THB96.90 million senior unsecured debentures due 2026	A+
DTN274A: THB3,936 million senior unsecured debentures due 2027	A+
DTN277A: THB1,554.80 million senior unsecured debentures due 2027	A+
DTN279A: THB1,370 million senior unsecured debentures due 2027	A+
DTN279B: THB215 million senior unsecured debentures due 2027	A+
DTN289A: THB265.80 million senior unsecured debentures due 2028	A+
DTN28DA: THB2,110.20 million senior unsecured debentures due 2028	A+
DTN297A: THB908.50 million senior unsecured debentures due 2029	A+
DTN299A: THB1,796 million senior unsecured debentures due 2029	A+
DTN309A: THB2,126.20 million senior unsecured debentures due 2030	A+
DTN317A: THB1,171.30 million senior unsecured debentures due 2031	A+
DTN319A: THB1,485 million senior unsecured debentures due 2031	A+

Rating Outlook:

Stable

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