

DTAC TRINET CO., LTD.

No. 64/2020
21 August 2020

CORPORATES

Company Rating:	AA
Issue Ratings:	
Senior unsecured	AA
Outlook:	Stable

Last Review Date: 15/04/20

Company Rating History:

Date	Rating	Outlook/Alert
23/01/19	AA	Stable
29/03/17	AA+	Negative
17/06/15	AA+	Stable

Contacts:

Sarinthorn Sosukpaibul
sarinthorn@trisrating.com

Chanaporn Pinphithak
chanaporn@trisrating.com

Wajee Pitakpaibulkij
wajee@trisrating.com

Sauwarot Jirachaiphithak
sauwarot@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating on dtac TriNet Co., Ltd. (DTN) and the ratings on DTN's outstanding senior unsecured debentures at "AA", with a "stable" outlook. At the same time, TRIS Rating assigns the rating of "AA" to DTN's proposed issue of up to THB10 billion in senior unsecured debentures. The company intends to use the proceeds from the debenture issuance to refinance existing debts, investments, and/or for its working capital.

The ratings reflect DTN's strategic importance as a core subsidiary of Total Access Communication PLC (DTAC; rated "AA/Stable" by TRIS Rating), the third-largest mobile phone service provider in Thailand. DTN is a wholly-owned subsidiary of DTAC. The integral links between DTN and DTAC mean the company rating on DTN is equal to and moves in tandem with that on DTAC. The ratings are partly enhanced by the support the company receives from Telenor ASA (Telenor), DTAC's major shareholder. However, these strengths are partially offset by the intense competition in the industry, the hefty payments required for license fees, and the large capital expenditures needed to roll out next-generation networks.

In 2020, the travel bans and movement restrictions imposed to contain the spread of Coronavirus Disease 2019 (COVID-19) have caused a decline in revenues from travel SIM and international roaming (IR) services. Sales of handsets and the expansion of subscriber base have been hindered by the closure of DTAC's shops and handset retail shops during the national lockdown and the soft domestic economy. On the other hand, data usage has risen as a result of the work-from-home measures together with increased usage of online services and activities during this social distancing period.

The operating results for both DTAC and DTN in the first six months of 2020 were in line with TRIS Rating's expectations. DTAC's total operating revenue for the first six months of 2020 was THB39.2 billion, of which about THB30 billion was service revenues excluding interconnection charges (IC). DTAC's financial status remains sound, with strong cash flow, efficient expense controls, and sufficient liquidity. For the first six months of 2020, DTAC generated about THB15.8 billion in earnings before interest, tax, depreciation, and amortization (EBITDA), with an EBITDA margin of 40.1%. Funds from operations (FFO) were about THB13.7 billion. During 2020-2022, we forecast DTAC's FFO of THB25.5-THB27.5 billion per annum.

As of June 2020, DTN had 18.8 million subscribers, down from 20.6 million at the end of 2019. For the first six months of 2020, DTN's service revenues, excluding the IC, were THB27.8 billion, or about 93% of DTAC's service revenues. DTN's service revenues, excluding the IC, dropped by about 1% year-on-year (y-o-y), due mainly to the decline in revenues from travel SIM and IR services. Handset sales slipped by about 26% y-o-y.

DTN's revenue from voice and data services grew slightly, as average revenue per user (ARPU) rose to THB253 in the second quarter of 2020, up from THB249 in the same period of the previous year. DTN generated about THB11.6 billion of EBITDA for the first six months of 2020. Lower selling general and administrative expenses and cost control efforts have yielded some improvement in profitability.

DTN's interest-bearing debts as of June 2020 was THB61 billion, up from THB59.5 billion as of December 2019. During the next three years, TRIS Rating expects DTN's financial leverage will remain high, taking into account its obligation to pay the new licensing cost, the large capital expenditures needed for network rollout, as well as financial lease. TRIS Rating expects DTN to invest about THB45 billion to expand its network. The company also has to make scheduled license fee payments of THB5.6-THB13.2 billion per annum over the same period. The net adjusted debt to EBITDA ratio is forecast to range 5.5-6.5 times. DTN's main funding source will come from its internal cash generation. We expect DTN's ability to generate cash flow will gradually improve over the next three years. In addition, we expect DTN will have sufficient liquidity to meet its obligations over the next 12-24 months, considering DTAC's solid financial profile and the full support DTN receives from DTAC.

RATING OUTLOOK

The "stable" outlook reflects TRIS Rating's expectation that the company will keep its market position as the third largest mobile operator and maintain ample liquidity, and that DTN's status as a core subsidiary of DTAC to remain unchanged.

RATING SENSITIVITIES

Based on TRIS Rating's "Group Rating Methodology", DTN's ratings will move in tandem with the rating on DTAC. Any change in DTAC's rating and/or outlook will result in a corresponding change in the ratings and/or outlook on DTN.

RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018
- Group Rating Methodology, 10 July 2015

dtac TriNet Co., Ltd. (DTN)

Company Rating:	AA
Issue Ratings:	
DTN213A: THB1,500 million senior unsecured debentures due 2021	AA
DTN217A: THB1,000 million senior unsecured debentures due 2021	AA
DTN227A: THB3,000 million senior unsecured debentures due 2022	AA
DTN237A: THB1,500 million senior unsecured debentures due 2023	AA
DTN244A: THB500 million senior unsecured debentures due 2024	AA
DTN247A: THB1,500 million senior unsecured debentures due 2024	AA
DTN257A: THB6,000 million senior unsecured debentures due 2025	AA
DTN267A: THB1,000 million senior unsecured debentures due 2026	AA
DTN267B: THB500 million senior unsecured debentures due 2026	AA
DTN274A: THB5,000 million senior unsecured debentures due 2027	AA
DTN279A: THB2,000 million senior unsecured debentures due 2027	AA
DTN28DA: THB3,000 million senior unsecured debentures due 2028	AA
DTN299A: THB2,500 million senior unsecured debentures due 2029	AA
Up to THB10,000 million senior unsecured debentures due within 12 years	AA
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

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

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