

TRUE CORPORATION PLC

No. 95/2023
30 August 2023

CORPORATES

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

Last Review Date: 28/04/23

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, TRIS Rating assigns a rating of “A+” to TRUE’s proposed issue of up to THB5 billion senior unsecured debentures and an additional greenshoe portion of up to THB5 billion, with a tenor of up to 10 years. The company intends to use the proceeds from the new debenture issuance to refinance existing debt and/or support working capital needs.

The ratings reflect TRUE’s leading market position in the wireless telecommunication services and broadband internet markets in Thailand, the strength of its nationwide cellular networks, a wide range of frequency spectrum holdings, and broadly recognized brands. The ratings also incorporate the expected benefits stemming from post-merger synergies and the potential enhancements in operating efficiencies. Conversely, the ratings are weighed down by competition in the telecommunications industry, the company’s high financial leverage, and the inherent risks associated with the post-merger integration process.

TRUE’s operating performance is in line with our expectation. For the four-month period (from establishment in March until June 2023), TRUE reported total operating revenue of THB67.2 billion. Over the same period, TRUE’s earnings before interest, tax, depreciation, and amortization (EBITDA) came in at THB32.8 billion, with an EBITDA margin of around 49%. The funds from operations (FFO) were THB22.3 billion.

TRUE holds a strong competitive position as the leading service provider in the wireless telecommunications market. The company operates its mobile phone services under the TrueMove H and DTAC brands. As of June 2023, the company’s total mobile subscribers reached 51.1 million, combining 31 million subscribers under the TrueMove H brand and 20.1 million under the DTAC brand. TRUE gained additional 0.7 million mobile subscribers in the second quarter of 2023, or a 1.3% increase from March 2023. Notably, the bulk of new subscribers mainly came from the prepaid segment.

According to TRUE’s pro forma income statement, the mobile service revenue (excluding interconnection charges – IC) amounted to THB62.3 billion in the first half of 2023, representing a marginal 2% year-on-year (y-o-y) decline. The industry-wide average revenue per user (ARPU) continued to contract in the first quarter of 2023 due to the intense competition. However, a turnaround in ARPU was observed during the second quarter of 2023, attributed to a more rational competitive landscape and gradual rebound in numbers of tourists. We anticipate the positive momentum in ARPU to continue during the second half of the year, driven by the ongoing revival of tourism and the return of migrants.

In the fixed broadband internet service market, TRUE remains the market leader, with its subscriber base of 3.83 million at the end of June 2023. The pro forma broadband service revenue totaled THB11.7 billion in the first half of 2023, reflecting a slight 0.3% y-o-y increase amid intense competition in the industry. In the cable television (TV) services, the service revenue experienced a 3% y-o-y decline, due mainly to a decrease in subscriptions. Nonetheless, both segments observed an uplifting ARPU during the second quarter of this year.

CreditUpdate, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company’s current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been “upgraded,” “downgraded,” “affirmed” or “cancelled.” The update includes information to supplement the previously published ratings.

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.

We hold our expectation that TRUE will benefit from the merger, materializing the synergies and cost efficiencies. In our view, the economies of scale and optimization of shared assets and services should enhance the company's profitability over the next few years. We project the company's EBITDA to range THB82-THB98 billion annually during 2023-2025, with FFO of THB58-THB72 billion annually over the same period.

The ratings are held back by TRUE's highly leveraged balance sheet. As of June 2023, the adjusted debt stood at THB534.9 billion, with the debt to capitalization ratio of 84.3%. Looking ahead, we expect TRUE's leverage will remain high, considering the necessary capital expenditures for network enhancements and scheduled license fee obligations. We forecast a gradual reduction in capital expenditures over the next three years, in the range of THB34-THB43 billion annually. Also, TRUE is obliged to pay license fees of about THB15-THB23 billion per annum over the same period. In effect, we project the debt to EBITDA ratio to be 5.3-6.4 times during 2023-2025. The FFO to debt ratio is projected to be 11%-14% over the same period.

As of June 2023, TRUE's priority debt ratio was about 47%. As the ratio is under the 50% priority debt threshold, we rate TRUE's senior unsecured debentures at the same level as the company rating.

RATING OUTLOOK

The "stable" outlook embeds our expectation that TRUE will continue to maintain its market-leading position. We expect a smooth integration of operations within the group, with costs and capital expenditures aligning with projected levels. We also expect TRUE's financial profile to consistently improve over the next few years, with its EBITDA and financial leverage levels being in line with our forecast.

RATING SENSITIVITIES

A rating upgrade is unlikely in the near term due to the integration risk. However, we could raise the ratings on TRUE upon demonstration of successful integration, resulting in forecast-beating EBITDA, lower-than-expected leverage, or significantly stronger market position. Conversely, a downward rating action could be triggered if TRUE's operating performance and financial status deteriorate significantly, causing the FFO to debt ratio to fall below 10% on a sustained basis.

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 Corporation PLC (TRUE)

Company Rating:	A+
Issue Ratings:	
TRUE239A: THB4,800 million senior unsecured debentures due 2023	A+
TRUE23NA: THB7,438.90 million senior unsecured debentures due 2023	A+
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+
TRUE251A: THB3,994.20 million senior unsecured debentures due 2025	A+
TRUE251B: THB4,971.30 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+
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+
TRUE267A: THB7,779.10 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+
TRUE273A: THB3,656.90 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+
TRUE337A: THB3,833.40 million senior unsecured debentures due 2033	A+
Up to THB5,000 million senior unsecured debentures and additional greenshoe portion of up to THB5,000 million due within 10 years	A+
Outlook:	Stable

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