

TRUE CORPORATION PLC

No. 110/2022
7 October 2022

CORPORATES

Company Rating:	BBB+
Issue Ratings:	
Senior unsecured	BBB+
Partially guaranteed	A-
CreditAlert:	Positive

Last Review Date: 05/07/22

Company Rating History:

Date	Rating	Outlook/Alert
24/05/22	BBB+	Alert Positive
03/10/14	BBB+	Stable
11/06/14	BBB	Alert Positive
11/03/14	BBB	Negative
19/02/14	BBB	Stable
01/10/12	BBB	Negative
21/10/11	BBB	Stable
22/10/10	BBB	Negative
11/04/07	BBB	Stable
25/05/06	BBB	Positive
12/07/04	BBB	Stable
29/08/01	BBB	-

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RATIONALE

TRIS Rating assigns a “BBB+” rating to True Corporation PLC (TRUE)’s proposed issue of up to THB16 billion senior unsecured debentures, with a tenor of up to six years. TRUE will use the proceeds from the new debentures to refinance existing debt and to fund its working capital. All our ratings on TRUE remain on CreditAlert with a “positive” implication. These include the company rating on TRUE and the ratings on its senior unsecured debentures of “BBB+”, as well as the rating on TRUE’s partially guaranteed debentures of “A-”.

The ratings on TRUE and its debt issues continue to reflect its strong business profile as a leading integrated telecom company in Thailand, with its solid market position in both wireless communications and broadband internet services. The ratings also incorporate our expectation of the ongoing support TRUE receives from its major shareholder, the Charoen Pokphand Group (CP Group) and its strategic partner, China Mobile International Holdings Ltd. (China Mobile). However, the ratings are constrained by its high financial leverage and intense competition in the telecommunications industry.

Based on its existing business, TRUE’s operating results for the first half of 2022 remained in line with our expectations. TRUE reported THB71.8 billion of total operating revenue, a 3% year-on-year (y-o-y) increase. The total revenue was mainly driven by the mobile business, with increasing subscribers and rising revenue from sales. However, the average revenue per user (ARPU) was under pressure from lower consumer spending. As a result, TRUE’s service revenues posted a 2.8% y-o-y decline, to THB59 billion.

Despite facing pressures on the service revenues, TRUE’s earnings before interest, taxes, depreciation, and amortization (EBITDA) rose by 5% y-o-y to THB31.5 billion in the first half of 2022, and EBITDA margin at 43.8%. TRUE’s funds from operations (FFO) were THB21.5 billion.

During 2022-2024, we expect TRUE’s operating revenue to range between THB148-THB152 billion, backed by its strong competitive position in mobile and broadband internet services. Its pay television (TV) service revenue will likely remain under pressure from changes in consumer behavior. We forecast the company’s EBITDA to be THB61-THB65 billion per annum, with an EBITDA margin of 41%-43%, and FFO to be THB42-THB43 billion annually.

As of June 2022, TRUE’s adjusted debt totaled about THB422.5 billion with a debt to EBITDA ratio of 6.6 times. The FFO to debt ratio was 10.3%. The priority debt ratio was 40%. We expect TRUE’s leverage to remain high during the next three years, with its debt to EBITDA ratio remaining at 6.5-7 times, and the FFO to debt ratio remaining at about 10%. We assess TRUE’s liquidity to remain tight but manageable. TRUE has debt obligations of about THB56.7 billion in debentures due in the next 12 months. We expect a large part of the debt coming due to be refinanced. Given TRUE’s strengthening market position and satisfactory performance, we view the refinancing risk as manageable.

CREDIT ALERT

On 24 May 2022, we placed all our ratings on TRUE on CreditAlert as the planned merger between TRUE and Total Access Communication PLC (DTAC) had made significant progress. On completion of the merger, we expect all debts of TRUE,

including the debentures rated by TRIS Rating, to be transferred to a combined entity (NEWCO).

The “positive” implication reflects our view that NEWCO will have a stronger credit profile relative to TRUE. We expect the merger will bring about synergies, significantly enlarge business scale, enhance competitiveness, and improve cost efficiency. Numerically, the merger will result in NEWCO commanding the largest market share in mobile phone service revenue. The financial profile of NEWCO could also be significantly stronger than TRUE’s existing financial position. Following the merger, we estimate the debt to EBITDA ratio of NEWCO to be 5-5.5 times, significantly lower than that of TRUE at about 7 times.

We hold the view that challenges remain for the prospective merger to obtain the required regulatory approvals. We will remove the CreditAlert once the merger closes and its impact on TRUE’s creditworthiness has been thoroughly analyzed. We will closely monitor developments related to the merger and take appropriate rating actions accordingly.

NOTE ON CREDIT ALERT

CreditAlert is part of TRIS Rating’s rating monitoring process as a public warning when there is insufficient information to fully assess, and review ratings assigned to a rated entity or when significant events have occurred that may affect the ratings assigned to a rated entity. A CreditAlert may be designated as “positive”, “negative”, or “developing”, depending on the likely impact of a particular situation. The ratings remain unchanged when they are placed on a CreditAlert. A CreditAlert will be resolved once there is sufficient information to fully assess the rating impact.

GUARANTOR’S CREDIT PROFILE

TRUE’s partially guaranteed debenture rating is based on the credit profiles of both the issuer (TRUE) and the guarantor, Kasikornbank PLC (KBANK) (rated “AA+/Stable” by TRIS Rating). KBANK’s partial guarantee covers 45% of the debentures’ outstanding principal and accrued interest.

KBANK is rated “AA+” with a “stable” outlook by TRIS Rating. The rating assigned to KBANK is based on public information which TRIS Rating believes provides a sufficient basis for the assessment of KBANK’s credit profile. The rating is assigned without participation from KBANK.

The rating reflects the bank’s competitive position as the second-largest commercial bank in Thailand by assets as well as its well-diversified portfolio, strong capital position, and above-average profitability. The rating also takes into consideration its superior funding and liquidity profiles. However, the rating is constrained by its relatively high exposure to the small- and medium-enterprise (SME) segment, which poses a relatively high asset quality risk compared with other loan segments.

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:	BBB+
Issue Ratings:	
TRUE232A: THB4,330 million senior unsecured debentures due 2023	BBB+
TRUE232B: THB2,875 million senior unsecured debentures due 2023	BBB+
TRUE237A: THB6,394.60 million senior unsecured debentures due 2023	BBB+
TRUE238A: THB3,747.70 million senior unsecured debentures due 2023	BBB+
TRUE239A: THB4,800 million senior unsecured debentures due 2023	BBB+
TRUE23NA: THB7,438.90 million senior unsecured debentures due 2023	BBB+
TRUE245A: THB4,415.50 million senior unsecured debentures due 2024	BBB+
TRUE248A: THB11,841.60 million senior unsecured debentures due 2024	BBB+
TRUE248B: THB605.40 million senior unsecured debentures due 2024	BBB+
TRUE24OA: THB1,325 million senior unsecured debentures due 2024	BBB+
TRUE24OB: THB6,212.40 million senior unsecured debentures due 2024	BBB+
TRUE24NA: THB4,268.70 million senior unsecured debentures due 2024	BBB+
TRUE251A: THB3,994.20 million senior unsecured debentures due 2025	BBB+
TRUE251B: THB4,971.30 million senior unsecured debentures due 2025	BBB+
TRUE252A: THB4,207.20 million senior unsecured debentures due 2025	BBB+
TRUE253A: THB5,575.40 million senior unsecured debentures due 2025	BBB+
TRUE258A: THB650 million senior unsecured debentures due 2025	BBB+
TRUE25OA: THB4,247.90 million senior unsecured debentures due 2025	BBB+
TRUE25NA: THB2,486.60 million senior unsecured debentures due 2025	BBB+
TRUE25NB: THB3,998.90 million senior unsecured debentures due 2025	BBB+
TRUE261A: THB7,130.30 million senior unsecured debentures due 2026	BBB+
TRUE261B: THB2,912.10 million senior unsecured debentures due 2026	BBB+
TRUE262A: THB3,864.90 million senior unsecured debentures due 2026	BBB+
TRUE263A: THB2,412.10 million senior unsecured debentures due 2026	BBB+
TRUE268A: THB1,689.40 million senior unsecured debentures due 2026	BBB+
TRUE26OA: THB4,854.70 million senior unsecured debentures due 2026	BBB+
TRUE26NA: THB5,805.80 million senior unsecured debentures due 2026	BBB+
TRUE272A: THB6,636.60 million senior unsecured debentures due 2027	BBB+
TRUE273A: THB3,656.90 million senior unsecured debentures due 2027	BBB+
TRUE278A: THB6,958.60 million senior unsecured debentures due 2027	BBB+
TRUE27OA: THB5,116.60 million senior unsecured debentures due 2027	BBB+
TRUE27DA: THB5,855.10 million senior unsecured debentures due 2027	BBB+
TRUE28OA: THB7,184.50 million senior unsecured debentures due 2028	BBB+
TRUE22NA: THB8,330 million partially guaranteed debentures due 2022	A-
Up to THB16,000 million senior unsecured debentures due within 6 years	BBB+
CreditAlert:	Positive

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