

TRUE CORPORATION PLC

No. 68/2022

5 July 2022

CORPORATES

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

Last Review Date: 24/05/22

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 THB17 billion senior unsecured debentures. 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 TRUE’s strong business profile as a leading integrated telecom company in Thailand, with sound market position in both wireless communications and broadband internet services. The ratings also incorporate TRUE’s satisfactory operating results and 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). Conversely, the ratings are tempered by its high financial leverage and intense competition in the telecommunication industry.

Based on TRUE’s existing business, we expect its service revenues in mobile and broadband internet to exhibit low single-digit growth during 2022-2024. At the same time, its pay TV service revenue will likely remain under pressure from changes in consumer behavior. We forecast the company’s earnings before interest, taxes, depreciation, and amortization (EBITDA) to be THB61-THB65 billion per annum, with an EBITDA margin of 41%-43%. We project funds from operations (FFO) to range between THB42-THB43 billion annually.

As of March 2022, TRUE’s debt totaled about THB410 billion with net debt to EBITDA ratio of 6.5 times. The priority debt ratio was 38%. We expect TRUE’s leverage to remain high during the next three years, with its net adjusted debt to EBITDA ratio to remain at 6.5-7 times, and the FFO to adjusted net debt ratio to stay at about 10%. We assess TRUE’s liquidity to remain tight but manageable. TRUE has about THB59.8 billion in debentures and bank loans coming 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.

CreditAlert

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) has 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 the 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. We estimate the ratio of net debt to EBITDA of NEWCO to be 5-5.5 times after the merger, significantly lower than that of TRUE at about 7 times.

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

RELATED CRITERIA

- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021
- Group Rating Methodology, 13 January 2021
- Rating Methodology – Corporate, 26 July 2019

NOTE ON CreditAlert

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 to other loan segments.

True Corporation PLC (TRUE)

Company Rating:	BBB+
Issue Ratings:	
TRUE227A: THB945 million senior unsecured debentures due 2022	BBB+
TRUE228A: THB5,799.10 million senior unsecured debentures due 2022	BBB+
TRUE228B: THB830 million senior unsecured debentures due 2022	BBB+
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+
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+
TRUE240A: THB1,325 million senior unsecured debentures due 2024	BBB+
TRUE240B: THB6,212.90 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: THB4,207.70 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+
TRUE250A: THB4,247.90 million senior unsecured debentures due 2025	BBB+
TRUE25NA: THB2,486.60 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: THB3,865.20 million senior unsecured debentures due 2026	BBB+
TRUE263A: THB2,412.10 million senior unsecured debentures due 2026	BBB+
TRUE260A: 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+
TRUE270A: THB5,116.60 million senior unsecured debentures due 2027	BBB+
TRUE27DA: THB5,855.60 million senior unsecured debentures due 2027	BBB+
TRUE280A: THB7,184.50 million senior unsecured debentures due 2028	BBB+
TRUE22NA: THB8,330 million partially guaranteed debentures due 2022	A-
Up to THB17,000 million senior unsecured debentures due within 5 years	BBB+
CreditAlert:	Positive

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