

# TRUE CORPORATION PLC

No. 48/2023

28 April 2023

## CORPORATES

<b>Company Rating:</b>	A+
<b>Issue Ratings:</b>	
Senior unsecured	A+
<b>Outlook:</b>	Stable

**Last Review Date:** 01/03/23

### 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 an “A+” rating to TRUE’s proposed issue of up to THB20 billion senior unsecured debentures and the additional greenshoe portion of up to THB5 billion, with a tenor of up to 12 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 spectrums, and strong brand recognition among consumers. The ratings also incorporate the expected post-merger synergies and potential improvements in its operating efficiencies. Contrarily, the ratings are weighed down by high competition in the telecommunications industry, the company’s high financial leverage, and integration risks.

TRUE is a newly formed entity as the result of the amalgamation between the former TRUE Corporation PLC (TRUEE) and Total Access Communication PLC (DTAC), taking effect on 1 March 2023. TRUE has a strong competitive position as the largest service provider in the wireless telecommunications service market, with a large subscriber base of 55 million, combining 33.8 million under TrueMove H brand and 21.2 million under DTAC brand. Moreover, TRUE is the market leader in the fixed broadband internet service market, with its subscriber base of 4.97 million at the end of 2022.

During 2023-2025, we expect TRUE to maintain its leading position, gaining new subscribers both in the mobile service and the broadband internet markets. However, the average revenue per user (ARPU) will likely be impacted by consumers’ softening purchasing power and intense competition. Its ARPU for the mobile phone service, particularly in 2023, is likely to come under pressure from the remedy measures. Pay-TV business is pressured by changes in consumer behavior. TRUE endeavors to use its digital platform TrueID to serve such changes. In all, we project total operating revenue to range between THB196-THB201 billion per year over the forecast period.

We anticipate the company to benefit from the synergies and cost savings out of the merger, with the economies of scale and improved utilization of shared assets and services, enhancing its profitability over coming few years. TRUE’s earnings before interest, taxes, depreciation, and amortization (EBITDA) is expected to reach THB82-THB98 billion per annum, with an EBITDA margin of 42%-49% during 2023-2025. Funds from operations (FFO) are projected to improve and range between THB58-THB72 billion annually over the same period.

The ratings on TRUE have been constrained by its high financial leverage, and integration risks. As of December 2022, based on pro forma consolidated financial statements, TRUE’s adjusted debt stood at THB520.2 billion. Going forward, we expect TRUE’s leverage to remain high, incorporating the capital expenditures required for network investments and scheduled license fee payments. We expect the capital expenditures to gradually decline over the next three years, ranging THB34-THB43 billion per year. Also, TRUE is obliged to

**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.

pay license fees of about THB15-THB23 billion per annum over the same period. We forecast the debt to EBITDA ratio to be about 6.4 times in 2023 and then decline to about 5.3 times two years thereafter. The FFO to debt ratio is projected to be 11%-14% over the forecast period, and the debt to capitalization ratio to remain over 85%.

We estimate TRUE to have priority debt of 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.

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#### **RATING OUTLOOK**

The "stable" outlook embeds our expectation that TRUE will maintain its market-leading position. TRIS Rating expects the integration of operations within the group to proceed well, with costs and capital expenditures to stay on track of the expected 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.

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#### **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 the company's demonstration of successful integration, which results in forecast-beating EBITDA, lower-than-expected leverage, or a significantly stronger market position. A downward rating action could be triggered if TRUE's operating performance and financial status deteriorate significantly, pushing the FFO to debt ratio below 10% on a sustained basis.

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#### **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)**

<b>Company Rating:</b>	A+
<b>Issue Ratings:</b>	
TRUE237A: THB6,394.60 million senior unsecured debentures due 2023	A+
TRUE238A: THB3,747.70 million senior unsecured debentures due 2023	A+
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+
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+
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+
TRUE288A: THB6,459.10 million senior unsecured debentures due 2028	A+
TRUE280A: THB7,184.50 million senior unsecured debentures due 2028	A+
Up to THB20,000 million senior unsecured debentures and additional greenshoe portion of up to THB5,000 million due within 12 years	A+
<b>Outlook:</b>	Stable

**TRIS Rating Co., Ltd.**

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