

# DTAC TRINET CO., LTD.

No. 28/2023  
1 March 2023

## CORPORATES

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

Last Review Date: 01/06/22

### Company Rating History:

Date	Rating	Outlook/Alert
24/05/22	AA	Alert Negative
23/01/19	AA	Stable
29/03/17	AA+	Negative
17/06/15	AA+	Stable

### Contacts:

Suchana Chantadisai  
suchana@trisrating.com

Sarinthorn Sosukpaibul  
sarinthorn@trisrating.com

Wajee Pitakpaibulkij  
wajee@trisrating.com

Monthian Chantarklam  
monthian@trisrating.com



WWW.TRISRATING.COM

## RATIONALE

TRIS Rating downgrades the company rating on dtac TriNet Co., Ltd. (DTN) and the ratings on its senior unsecured debentures to “A+” from “AA”. We also remove all CreditAlert placed on the ratings on DTN and its debt issues. The rating outlook is “stable”.

The rating downgrade on DTN follows our assignment of the company rating of “A+” to its parent company, TRUE Corporation PLC (TRUE). TRUE is the merged entity from the merger of Total Access Communication PLC (DTAC) and the former TRUE Corporation PLC (TRUEE).

TRUEE and DTAC announced the completion of the merger on 1 March 2023. The entire assets and liabilities of DTAC were transferred to and assumed by TRUE. As a result, DTN has become a subsidiary of TRUE while its senior unsecured debentures remain outstanding.

We assess DTN’s group status as a core subsidiary of TRUE. Based on our “Group Rating Methodology”, the rating assigned to DTN as a core subsidiary is equivalent to the rating on TRUE.

## KEY RATING CONSIDERATIONS

### The merged entity’s credit profile

The company rating on TRUE at “A+” reflects its leading market position in the wireless telecommunication service and broadband markets in Thailand, the strength of its nationwide networks, its diverse frequency spectrums, and strong brands recognition.

TRUE is engaged in multiple business platforms: wireless communication service, broadband internet, television (TV) networks, and digital services. TRUE’s wireless telecommunication services business is primarily carried out by DTN and True Move H Universal Communication Co., Ltd. (TUC). TRUE currently commands the largest market share of about 53% in mobile phone services revenues.

We view TRUE has emerged as a formidable player in the telecommunications industry in Thailand with its large business scale and leading competitive position. We view large business scale as a key competitive advantage for TRUE, enabling the viability of required continuing investments in networks, its diverse frequency spectrums, and digitization. We believe that TRUE will expedite its efforts to materialize the anticipated post-merger synergies and improvements in operating efficiencies.

However, we opine that the full benefits from the merger may take time to materialize. TRUE will carry and need to manage integration risks in the near term. Moreover, fierce competition in the telecommunication industry, and the company’s high financial leverage will constrain its credit profile. We project TRUE’s ratio of debt to earnings before interest, taxes, depreciation, and amortization (EBITDA) to range 5.3-6.4 times over 2023-2025.

### DTN as a core subsidiary of TRUE

DTN is wholly owned by TRUE. We assess DTN as a core subsidiary of TRUE for its role as a core entity through which TRUE conducts its mobile services business. DTN holds licenses to use a range of frequency spectrums for its cellular network services, including low frequencies: 700 megahertz (MHz) and

900 MHz, mid-range frequencies: 1800 MHz, 2100 MHz, and 2300 MHz (in partnership with National Telecom PLC (NT)), and high frequencies: 26 gigahertz (GHz).

As of December 2022, the number of combined subscribers of DTAC and TRUEE was 55 million, with combined mobile services revenues of THB134.8 billion. DTN had 21.2 million subscribers, representing approximately 39% of the combined subscribers under TRUE. We expect DTN to contribute about 34% of TRUE's total revenue and 25% of TRUE's EBITDA.

Our view of DTN as a core subsidiary of TRUE also takes into consideration the expected operational integration, alignment of strategies, and financial policy. With its important revenue contribution and holding of key operating assets, we believe TRUE will provide extraordinary support to DTN in times of stress.

### **Fierce competition lingers**

While mobile phone subscriptions are still on a rising trend, average revenue per user (ARPU) has continued to decrease despite the post-pandemic economic recovery. In 2022, the total value of the Thai wireless communications market was about THB251 billion, down about 0.7% year-on-year (y-o-y).

The reopening to foreign visitors and the government's easing of border restrictions have helped push up the subscriber number, mainly tourists and migrant workers. However, we expect the market in 2023 will likely be impacted by consumers' softening purchasing power resulting from soaring inflation and increased interest rates. We expect competition in the market to remain intense but to become more rational in the next few years as the merger will leave the market with merely two major telecom operators. We also expect increased demand for data services and more affordable 5G (the fifth-generation mobile communications technologies) devices to help support ARPU during the next three years.

### **Profitability under pressure though with prospective improvement**

We expect DTN's stand-alone profitability to be in line with TRUE's. Revenue in 2023 will likely be impacted by the remedy measures of the National Broadcasting and Telecommunications Commission (NBTC). At the same time, we expect DTN to cushion the potential decline in revenue with several post-merger synergies. We expect the immediate benefit in 2023 from the merger synergies to be in capital expenditure (CAPEX) reduction. Network equipment and infrastructure can be shared between TUC and DTN. Moreover, DTN can improve its network coverage and signal efficiency with new technologies. The visibility and service shops can be combined and therefore managed at lower cost. Other cost synergies are expected in terms of procurement pooling from stronger bargaining power. However, we expect cost savings from operation to be gradually realized during the forecast period.

In our base-case forecast, we project DTN's service revenue to significantly decline in 2023 by 15%, before gradually growing at 1%-2% per annum in 2024-2025. Total operating revenue would range THB62-THB66 billion per year. We project EBITDA will decline to THB15 billion in 2023, down from THB21 billion in the prior year. EBITDA should gradually improve to range THB18-THB21 billion per year in 2024-2025.

With the expected post-merger network optimization, we project DTN's spending for network rollouts over the forecast period to be lower, or at approximately THB5-THB7 billion per annum. During 2023-2025, we forecast total license fee payments of THB21.7 billion. Incremental investment in spectrum licenses is planned for 2025 since the contract with NT for usage of the 2300-MHz spectrum will expire. We expect DTN's ratio of debt to EBITDA will rise to 7 times in 2023, before declining to 5-6 times in 2024-2025.

### **Adequate liquidity profile**

We assess DTN as having adequate liquidity over the next 12 months. At the end of September 2022, DTN's sources of funds consisted of THB4 billion in cash and undrawn committed credit facilities of THB18 billion. Funds from operations (FFO) are forecast to be around THB13 billion in the next 12 months.

As of September 2022, DTN's debt maturing over the next 12 months will amount to THB13 billion, comprising THB6 billion in debentures, THB2 billion in bank loans, and THB4.5 billion in lease liabilities. We project DTN's CAPEX to amount to THB7 billion and THB5.6 billion for license payments in 2023. No dividend payment is expected during the forecast years.

### **BASE-CASE ASSUMPTIONS**

- DTN will remain a core subsidiary of TRUE.

### **RATING OUTLOOK**

The "stable" outlook follows the rating outlook on TRUE. We also expect our view on DTN's status as a core subsidiary of TRUE to remain unchanged in the foreseeable future.

---

**RATING SENSITIVITIES**

---

Based on TRIS Rating's "Group Rating Methodology", the rating on DTN is equal to and will move in tandem with the rating on TRUE. Any change in the rating on TRUE and/or outlook will result in the same change to the rating and/or outlook on DTN. In addition, any change in our view in relation to the degree of support DTN will likely receive from TRUE or its group status, could also trigger a negative rating action.

**COMPANY OVERVIEW**

---

Established in 2006, DTN was formerly owned by DTAC. Initially, DTN provided international direct dialing (IDD) services. In December 2012, DTN was awarded a 15-year license for the 2100-MHz spectrum, granted by NBTC. DTN is currently providing wireless communication services using 3G and 4G technologies. In 2018, DTN entered into an agreement with NT to provide 4G wireless broadband services on NT's 2300-MHz spectrum. Under the agreement, DTN will use up to 60% of the total network capacity of 60-MHz bandwidth.

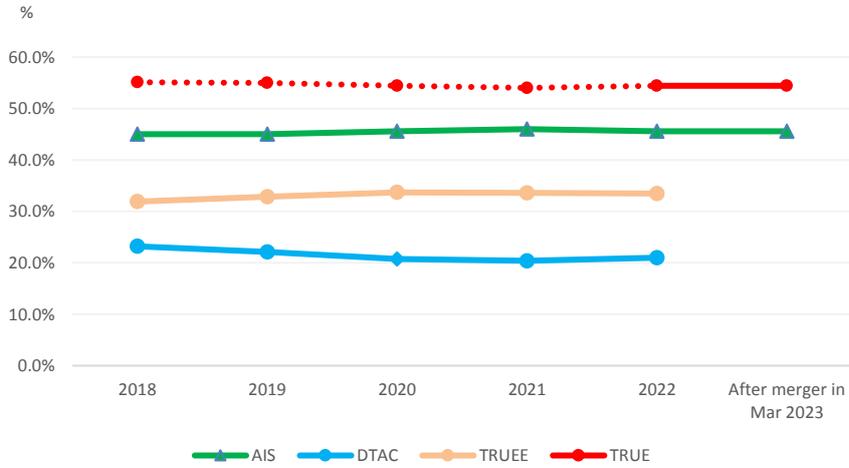
In September 2018, the concession with NT expired. In August and October 2018, DTN won two new licenses for the 900-MHz and 1800-MHz spectrum bands, granted by the NBTC. In June 2019, DTN was allocated a 700-MHz license.

DTN was awarded the 26-GHz spectrum, in preparation for 5G, in February 2020 and has started to operate the frequency band of 700 MHz since December 2020. For 900 MHz, DTN has secured the licenses since 2018 but is currently operating on 850 MHz per NBTC's approval. DTN completed the filter installation of 900 MHz and has gradually switched the operation on 850 MHz to operate on 900 MHz.

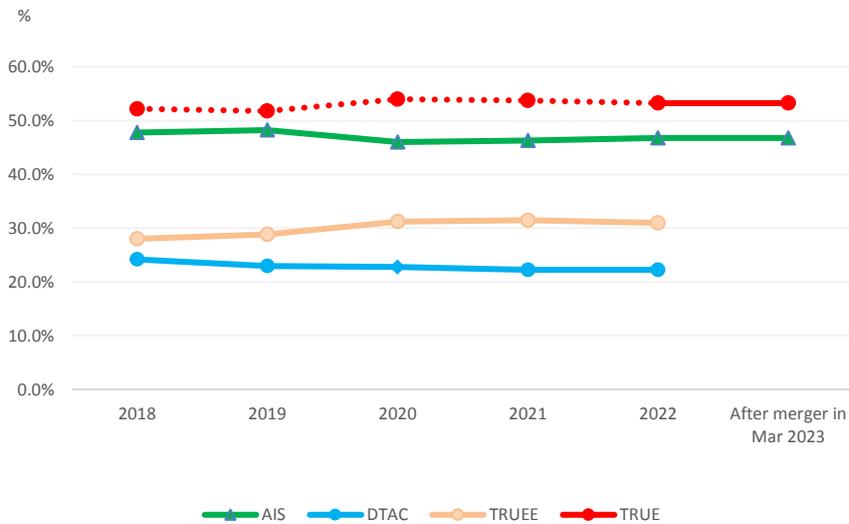
At the end of 2022, DTN had 21.2 million subscribers, with a service revenue market share of 22%. DTN became TRUE's core subsidiary following the amalgamation of DTAC and TRUEE.

**KEY OPERATING PERFORMANCE**

**Chart 1: Market Share by Subscribers**



**Chart 2: Service Revenue Market Share, Excluding IC**



Sources of all charts:  
 1) TRUEE  
 2) Advanced Info Service PLC (AIS)  
 3) DTAC

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	Jan-Sep 2022	-----Year Ended 31 December -----			
		2021	2020	2019*	2018
Total operating revenues	54,661	74,193	72,270	75,360	70,178
Earnings before interest and taxes (EBIT)	160	589	2,230	2,168	6,582
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	16,063	21,625	21,672	20,930	16,801
Funds from operations (FFO)	13,898	18,725	18,742	17,546	14,157
Adjusted interest expense	2,165	2,900	2,930	3,376	1,832
Capital expenditures	12,226	20,873	19,718	15,183	23,820
Total assets	153,662	156,167	162,113	151,397	127,767
Adjusted debt	123,824	129,215	130,858	119,139	92,586
Adjusted equity	2,087	3,624	5,282	7,095	9,107
<b>Adjusted Ratios</b>					
EBITDA margin (%)	29.39	29.15	29.99	27.77	23.94
Pretax return on permanent capital (%)	(0.47) **	0.43	1.66	1.84	7.28
EBITDA interest coverage (times)	7.42	7.46	7.40	6.20	9.17
Debt to EBITDA (times)	6.00 **	5.98	6.04	5.69	5.51
FFO to debt (%)	14.33 **	14.49	14.32	14.73	15.29
Debt to capitalization (%)	98.34	97.27	96.12	94.38	91.04

\* Early adoption of Thai Financial Reporting Standard 16 (TFRS16) for all lease obligations was enforced in the 2019 financial statement.

\*\* Annualized from the trailing 12 months

## 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

**dtac TriNet Co., Ltd. (DTN)**

<b>Company Rating:</b>	A+
<b>Issue Ratings:</b>	
DTN237A: THB1,500 million senior unsecured debentures due 2023	A+
DTN239A: THB4,500 million senior unsecured debentures due 2023	A+
DTN241A: THB3,881.90 million senior unsecured debentures due 2024	A+
DTN244A: THB500 million senior unsecured debentures due 2024	A+
DTN247A: THB1,500 million senior unsecured debentures due 2024	A+
DTN249A: THB1,000 million senior unsecured debentures due 2024	A+
DTN257A: THB6,000 million senior unsecured debentures due 2025	A+
DTN257B: THB2,301.50 million senior unsecured debentures due 2025	A+
DTN259A: THB2,000 million senior unsecured debentures due 2025	A+
DTN267A: THB1,000 million senior unsecured debentures due 2026	A+
DTN267B: THB500 million senior unsecured debentures due 2026	A+
DTN269A: THB1,500 million senior unsecured debentures due 2026	A+
DTN274A: THB5,000 million senior unsecured debentures due 2027	A+
DTN277A: THB1,557.30 million senior unsecured debentures due 2027	A+
DTN279A: THB2,000 million senior unsecured debentures due 2027	A+
DTN279B: THB1,000 million senior unsecured debentures due 2027	A+
DTN289A: THB2,000 million senior unsecured debentures due 2028	A+
DTN28DA: THB3,000 million senior unsecured debentures due 2028	A+
DTN297A: THB958.50 million senior unsecured debentures due 2029	A+
DTN299A: THB2,500 million senior unsecured debentures due 2029	A+
DTN309A: THB2,500 million senior unsecured debentures due 2030	A+
DTN317A: THB1,171.80 million senior unsecured debentures due 2031	A+
DTN319A: THB2,500 million senior unsecured debentures due 2031	A+
<b>Rating Outlook:</b>	Stable

**TRIS Rating Co., Ltd.**

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

© Copyright 2023, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at [www.trisrating.com/rating-information/rating-criteria](http://www.trisrating.com/rating-information/rating-criteria)