

# TRUE MOVE H UNIVERSAL COMMUNICATION CO., LTD.

No. 27/2023  
1 March 2023

## CORPORATES

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

Last Review Date: 20/01/23

### Company Rating History:

Date	Rating	Outlook/Alert
24/05/22	BBB+	Alert Positive
15/06/15	BBB+	Stable

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## RATIONALE

TRIS Rating upgrades the company rating on True Move H Universal Communication Co., Ltd. (TUC) and the ratings on its outstanding senior unsecured debentures to “A+” from “BBB+”, with a “stable” rating outlook. At the same time, we remove all CreditAlert placed on TUC and its debt issues.

The upgrade of TUC’s ratings follows the company rating of “A+” we assign to its parent company, TRUE Corporation PLC (TRUE). TRUE is the newly formed entity as the result of the amalgamation between the former TRUE Corporation PLC (TRUEE) and Total Access Communication PLC (DTAC).

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

As we view TUC as a core subsidiary of TRUE, the ratings on TUC are equal to the rating on TRUE.

## KEY RATING CONSIDERATIONS

### The merged entity’s credit profile

The company rating of “A+” on TRUE reflects the company’s 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 principally carried out by TUC and dtac TriNet Co., Ltd. (DTN). TRUE currently commands the largest market share of about 53% in mobile phone service 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.

### TUC as a core subsidiary of TRUE

TUC is wholly owned by TRUE. We assess TUC as a core subsidiary of TRUE for its role as the core entity through which TRUE conducts its mobile phone service business. Our assessment also takes into consideration the expected operational integration, alignment of strategies and financial policy, and reputation.

As the flagship company of the group, TUC operates license-based wireless communication services and holds TRUE’s core operating assets. We believe TUC

will remain a core part of TRUE's integrated telecom service strategy over the long term. In addition, we project TUC will contribute around 50% of revenue and 50% of EBITDA of the group. Given the importance of TUC to the group and strong linkages, we believe TRUE will provide extraordinary support to TUC in times of stress.

### **Strong market position**

We expect TUC to maintain its market position in the mobile phone service business, backed by its wide coverage and the quality of its cellular network, its diverse frequency spectrums, and widely recognized brand. TUC was able to expand its customer base, both in the prepaid and postpaid segments. Its total customers reached 33.8 million as of December 2022, with its high-data consumed 5G (the fifth-generation mobile communications technologies) customers of more than 4.5 million. In terms of service revenue, TUC's service revenue, excluding interconnection charges (IC) was about THB79 billion in 2022. The company held a 31% market share in 2022, while DTN had about 21%.

### **Intense competition pressures service revenue**

In 2022, the total value of the Thai wireless communication market was about THB251 billion, down about 0.7% year-on-year (y-o-y). The market, particularly in the prepaid segment, was held back by a fragile economic recovery and inflationary pressure. Fierce competition is another factor cutting average revenue per user (ARPU) across the industry.

Despite Thailand's reopening to foreign travelers, 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 devices to help support ARPU during the next three years.

### **Significant contribution to the group**

Looking ahead, we expect TUC will continue to deliver a strong revenue base for TRUE. We further expect TUC's service revenue to gradually rebound over the next few years, following post-pandemic economic recovery, a larger base of high-data-usage subscribers, and more affordable 5G devices. We expect TUC's total revenue to represent a dominant contribution of about 50% of TRUE's consolidated revenue.

During the next three years, we expect TUC's earnings to improve, backed by its cost optimizing efforts, enhanced operating efficiency, and productivity improvement. The anticipated post-merger synergies will bring asset utilization improvement and benefits from economies of scale. We forecast TUC's EBITDA to range between THB37-THB42 billion per year during 2023-2025 and its funds from operations (FFO) to be THB24-THB29 billion per annum.

### **Highly leveraged balance sheet**

TUC has a high leverage ratio as the company has continued to expand its cellular network. In 2022, TUC's debt to EBITDA ratio rose to 8.9 times, from 7.5 times in 2021. This was largely because its operating performance in 2022 came under pressure by rising inflation and intense competition, which led to a decline in EBITDA in 2022. The FFO to debt ratio fell to 6.7% in 2022, from 8.5% in the prior year.

During the next three years, we expect TUC's leverage to remain high, considering the capital expenditures required for network rollouts and scheduled license fee payments. We estimate the company to make capital investments of around THB20-THB24 billion per annum during 2023-2025. TUC is obliged to pay license fees of around THB9.4-THB12 billion per annum over the same period. As a result, we project the debt to EBITDA ratio to remain at around 7-8 times during the next three years, with the FFO to debt ratio at about 8%-11%. The debt to capitalization ratio is forecast to stay at about 90%.

### **Refinancing needs**

As of December 2022, TUC had cash and cash equivalents of THB22.3 billion, against about THB33.45 billion debentures obligations coming due in 2023. The company also had current portion of lease obligation at THB8.1 billion. Considering the estimated capital spending and FFO, we expect TUC to refinance a large part of the maturing debt obligations.

### **BASE-CASE ASSUMPTIONS**

- TRIS Rating's base-case assumption is that TUC will remain a core subsidiary of TRUE.

### **RATING OUTLOOK**

The "stable" outlook follows TRUE's rating outlook and our expectation that TUC will maintain its status as a core subsidiary of TRUE. We believe TUC will continue to represent a core component of TRUE's revenue and business profile.

**RATING SENSITIVITIES**

Based on TRIS Rating’s “Group Rating Methodology”, the rating on TUC as a core subsidiary of TRUE, is equal to the rating assigned to TRUE. TUC’s rating and/or outlook could be revised in accordance with any changes in the rating on TRUE. Any change in our view in relation to the degree of support TUC will likely receive from TRUE, or any changes in TUC’s status relative to other subsidiaries or affiliates of TRUE could also trigger a negative rating action.

**COMPANY OVERVIEW**

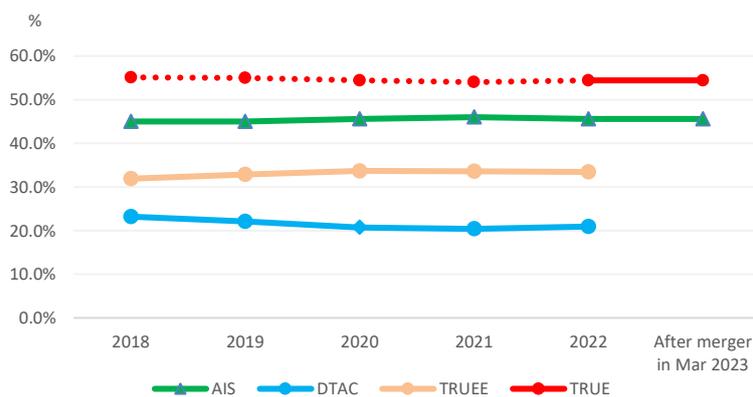
Incorporated in 2010, TUC was initially owned by TRUEE, an integrated telecom company in Thailand offering mobile phone, fixed-line broadband internet, and pay TV services.

TUC provides wireless telecommunication services in the 850-megahertz (MHz) spectrum under a 15-year wholesale-resale agreement with National Telecom PLC (previously known as CAT Telecom PLC), which will expire in 2025. TUC also provides services under three spectrum licenses from the NBTC covering the 2100-MHz spectrum under a 15-year license valid until 2027, the 1800-MHz spectrum under an 18-year license valid until 2033, and the 900-MHz spectrum under a 15-year license valid until 2031. TUC won the auctions for the 2600-MHz and 26-GHz spectrum license, in preparation for 5G service, in February 2020. In December 2020, TUC was granted a 700 MHz license valid until 2035.

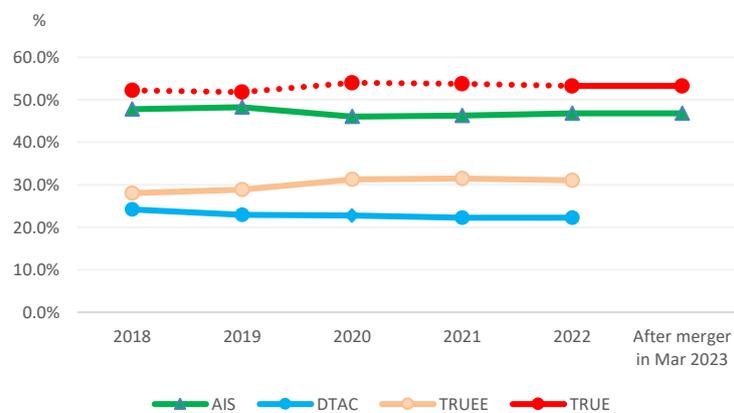
At the end of December 2022, TUC generated about THB79 billion in service revenue, excluding the IC, with a market share of about 31%. TUC has become a wholly-owned subsidiary of TRUE after the completion of the merger between TRUEE and DTAC.

**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

	-----Year Ended 31 December -----				
	2022	2021	2020	2019	2018
Total operating revenues	108,231	116,441	112,604	110,803	106,640
Earnings before interest and taxes (EBIT)	(5,166)	3,027	2,511	3,038	(6,989)
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	32,810	36,824	33,631	24,517	21,034
Funds from operations (FFO)	19,620	23,453	20,991	14,660	12,943
Adjusted interest expense	13,190	13,229	12,434	9,785	8,025
Capital expenditures	39,811	39,502	57,498	35,826	57,249
Total assets	450,490	452,714	450,355	384,566	366,287
Adjusted debt	291,979	275,214	270,914	203,837	193,001
Adjusted equity	51,514	69,532	79,893	93,345	100,734
<b>Adjusted Ratios</b>					
EBITDA margin (%)	30.31	31.62	29.87	22.13	19.72
Pretax return on permanent capital (%)	(1.44)	0.85	0.71	0.94	(2.44)
EBITDA interest coverage (times)	2.49	2.78	2.70	2.51	2.62
Debt to EBITDA (times)	8.90	7.47	8.06	8.31	9.18
FFO to debt (%)	6.72	8.52	7.75	7.19	6.71
Debt to capitalization (%)	85.00	79.83	77.23	68.59	65.71

\* Consolidated financial statements

**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 Move H Universal Communication Co., Ltd. (TUC)**

<b>Company Rating:</b>	A+
<b>Issue Ratings:</b>	
TUC238A: THB7951.60 million senior unsecured debentures due 2023	A+
TUC23NA: THB1,500 million senior unsecured debentures due 2023	A+
TUC23DA: THB4,545.10 million senior unsecured debentures due 2023	A+
TUC241A: THB11,073.90 million senior unsecured debentures due 2024	A+
TUC243A: THB4,181.90 million senior unsecured debentures due 2024	A+
TUC245A: THB2,789.50 million senior unsecured debentures due 2024	A+
TUC245B: THB2,886.80 million senior unsecured debentures due 2024	A+
TUC245C: THB1,460.3 million senior unsecured debentures due 2024	A+
TUC246A: THB200 million senior unsecured debentures due 2024	A+
TUC24NA: THB1,200 million senior unsecured debentures due 2024	A+
TUC252A: THB3,733.70 million senior unsecured debentures due 2025	A+
TUC255A: THB2,306.10 million senior unsecured debentures due 2025	A+
TUC256A: THB18,476.80 million senior unsecured debentures due 2025	A+
TUC25NA: THB3,820.20 million senior unsecured debentures due 2025	A+
TUC262A: THB1,523.60 million senior unsecured debentures due 2026	A+
TUC262B: THB5,363.30 million senior unsecured debentures due 2026	A+
TUC262C: THB1,840 million senior unsecured debentures due 2026	A+
TUC265A: THB2,652.20 million senior unsecured debentures due 2026	A+
TUC26DA: THB7,477.20 million senior unsecured debentures due 2026	A+
TUC275A: THB1,376.40 million senior unsecured debentures due 2027	A+
TUC27NA: THB3,643.50 million senior unsecured debentures due 2027	A+
TUC282A: THB3,456.10 million senior unsecured debentures due 2028	A+
TUC28NA: THB6,419 million senior unsecured debentures due 2028	A+
TUC295A: THB2,575.80 million senior unsecured debentures due 2029	A+
Up to THB9,187.90 million senior unsecured debentures due within 7 years	A+
<b>Rating Outlook:</b>	Stable

**TRIS Rating Co., Ltd.**

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