Total Access Communication Public Company Limited

Update

Ratings

Foreign Currency

Long-Term IDR	BBB−

Local Currency

Long-Term IDR	BBB−

National

Long-Term Rating	A+(tha)
Short-Term Rating	F1(tha)
Senior unsecured	A+(tha)

Outlooks

Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable
National Long-Term Rating	Stable

Financial Data

Total Access Communication Public Company Limited

	LTM	Dec 11
Revenue (THBm)	81,916	79,032
Revenue (USDm)	2,642	2,549
EBITDAR (THBm)	28,338	28,727
EBITDAR (USDm)	914	927
EBITDAR margin (%)	34.6	36.4
Free cash flow (THBm)	-25,264	13,415
Free cash flow (USDm)	-815	433
Capex/sales (%)	5.9	6.9
Net adjusted debt/EBITDAR (x)	0.9	Net cash
Cellular market share (%)	30	30

Related Research

2012 Outlook: South-East Asia Telecommunication (November 2011)

Rating Global Telecoms Companies: Sector Credit Factors (September 2010)

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Key Rating Drivers

Legal and Regulatory Risks: Key credit concerns for the Thai telecom sector remain uncertainty about regulatory, policy and legal issues. These include the pending review of concession amendments, tighter restrictions on foreign-ownership laws, and the concession expiration. However, Fitch Ratings considers that the upcoming issuance of 3G licences could prove a positive step in regulatory and policy frameworks as the telecom operators move away from high-risk concessions to a more transparent licence system.

Capex to Increase: The 3G spectrum auction and the subsequent capex to roll out the network could lead to a significant cash outflow for Total Access Communication Public Company Limited (DTAC) until 2015. However, Fitch considers that the spectrum cost by itself is unlikely to prompt credit rating downgrades, unless the licence auction price is significantly higher than the agency expects. DTAC's high rating headroom should give it flexibility to absorb the new investment.

Strong Non-Voice Growth: Fitch expects DTAC to continue to generate robust earnings and cash flow from operations into 2015. Steady growth in non-voice revenue should help offset a slowdown in the traditional voice segment. Funds flow from operations (FFO) is likely to remain at THB23bn-25bn per year over 2012-2014 (2011: THB22.5bn). This is despite a likely drop in operating EBITDAR margin in 2012 due to an increase in the revenue-sharing rate to 30% from 25% from September 2011.

Strong Market Position: DTAC has a strong market position as Thailand's second-largest cellular operator, with a 30% subscriber market share at end-Q112. The company has continued to expand its network capacity to support strong growth in the non-voice segment; and defended its market share despite intense competition since 2010.

Parent Support: Under Fitch's parent and subsidiary rating linkage methodology, the agency rates DTAC on a bottom-up basis. It receives a one-notch uplift to reflect implied support from its parent, Telenor of Norway, which has 65.5% economic interest in DTAC and strong board and management control. Consequently, any changes in Telenor's ownership of DTAC would result in a reassessment of the level of support from its parent.

What Could Trigger a Rating Action

Regulatory Clarity, Increased Revenue: DTAC's ratings may benefit from favourable resolution of regulatory issues and a sustainable improvement in non-voice revenue and EBITDAR margin, accompanied by FFO-adjusted net leverage sustained below 1.5x.

High Spending, Regulatory Pressure: The ratings may be negatively affected by higher-than-expected investment spending and/or further high dividends leading to significant sustained deterioration in FFO-adjusted net leverage to above 2.5x. Unfavourable changes in regulatory structure and weaker links between the company and its parent could also result in negative pressure on the ratings.

Liquidity and Debt Structure

Healthy Liquidity: Fitch takes a positive view of DTAC's liquidity, despite likely negative free cash flow (FCF) in 2012 due to the large special dividend payout and high upfront fee for the 3G licence. Liquidity is supported by a high cash balance of THB12.2bn at end-Q112, sturdy cash flow generation, and an available committed bank facility of THB10bn.

Peer Group

Issuer	Country
BBB+	
Advanced Info Service Public Company Limited	Thailand
BBB	
PT Telekomunikasi Selular (Telkomsel)	Indonesia
BBB−	
Globe Telecom, Inc.	Philippines
Total Access Communication Public Company Limited	Thailand

Issuer Rating History

Date	LT IDR (FC)	Outlook/ Watch
20 Dec 11	BBB−	Stable
18 Nov 11	BBB	Stable
22 Nov 10	BBB	Stable
13 Oct 09	BBB−	Stable
29 Sep 08	BBB−	Stable
11 Apr 08	BB+	Stable
23 Feb 07	BB+	RWN
12 Jan 07	BB+	Stable
18 Jul 06	BB+	Stable
20 Apr 06	BB+	Stable
27 Feb 06	BB	RWP
25 Oct 05	BB	RWP
31 May 05	BB	Stable

"RW" denotes Rating Watch

Snapshot Profile: Major Issuer-Specific Rating Factors and Trends

Rating Factor	Status[a]	Trend
Operations	Strong	Neutral
Market Position	Strong	Neutral
Finances	Strong	Deteriorate
Governance	Average	Neutral
Geography	Average	Neutral

[a] Relative to emerging telecoms operators
Source: Fitch

Related Criteria

Corporate Rating Methodology (August 2011)

Parent and Subsidiary Rating Linkage (August 2011)

Immediate Peer Group – Comparative Analysis

Sector Characteristics

Operating Risks

Cellular services remain the principal driver of growth in Asia's emerging telecoms markets. The rate of growth is slowing, however, with penetration now quite high in all major markets except China and India. Across Asian emerging markets, wireless growth is driven mainly by 2G services, with 3G take-up constrained by low handset affordability and the limited availability of compelling local content.

Financial Risks

Most emerging markets in Asia face regulatory uncertainty, concentration of market share among a few major operators, and leading players with high operating margins and investment needs to support rising data traffic. However, margins, although still high, have been falling in recent years due to competition, while the growth momentum in traditional voice service is slowing as markets approach saturation.

Peer Group Analysis

2011 (USDm)	AIS 'BBB+'/Stable	Telkomsel 'BBB'/Stable	DTAC 'BBB−'/Stable	Globe 'BBB−'/Stable
Revenue	4,078	5,115	2,549	1,664
EBITDAR	1,877	3,174	927	894
EBITDAR margin (%)	46.0	62.1	36.4	53.7
Funds from operations	1,472	2,647	724	656
Free cash flow	580	755	433	29
FFO adjusted net leverage (x)	0.3	0.3	Net cash	1.9
FFO fixed charge coverage (x)	16.0	15.1	12.3	7.1
Capex/revenue (%)	4.5	16.7	6.9	25.5

Source: Fitch, companies

Key Credit Characteristics

Most investment-grade Asian telecom operators have a strong financial profile with low financial leverage and high coverage ratios. However, regulatory risks and competitive pressure are different in each market. The Philippine telecom operators have low regulatory involvement and a better operating environment, but Thai operators continue to face uncertainty on legal and regulatory issues.

Overview of Companies

Advanced Info Service Public Company Limited (AIS, 'BBB+'/Stable) – Thailand's largest mobile phone operator. Fitch expects AIS to maintain its leading market position and strong cash flow generation, and a conservative capital structure.

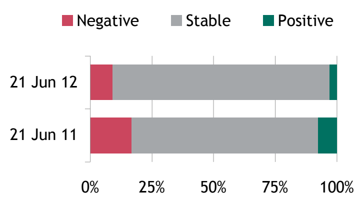
PT Telekomunikasi Selular (Telkomsel, 'BBB'/Stable) – the leading cellular services operator in Indonesia, and one of the highest-margin generators among global telecoms companies. Telkomsel has consistently achieved impressive operating and financial results, and has exceptionally strong credit ratios for its ratings.

Total Access Communication Public Company Limited (DTAC, 'BBB−'/Stable) – the second-largest telecoms operator in Thailand, with a market share of 30% at end-2011. The company has consistently generated strong earnings and operating cash flow from operations, with substantial commitment from its parent, Telenor.

Globe Telecom, Inc. (Globe, 'BBB−'/Stable) – the second-largest cellular operator in the Philippines. Although Globe will now be competing against a larger operator following Philippines Long Distance Telephone Company's ('BBB−'/Stable) acquisition of Digitel, Fitch believes that over the medium term Globe will benefit from market consolidation through a more stable pricing environment.

Total Access Communication Public Company Limited —— Telecommunications Median —— Emerging BBB Cat Median —— Source: Company data; Fitch.

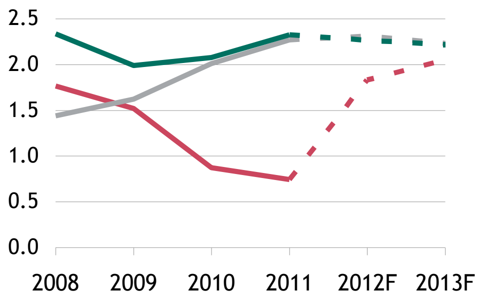
Distribution of Sector Outlooks
Directional Outlooks and Rating Watches



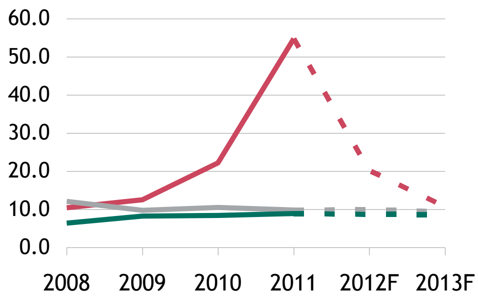
Fitch's expectations are based on the agency's internally produced, conservative rating case forecasts. They do not represent the forecasts of rated issuers individually or in aggregate. Key Fitch forecast assumptions include:

- mid-single-digit revenue growth, supported by non-voice revenue;
- slightly falling margin;
- higher capex for 3G investment, which includes licence fee and network rollout cost.

Leverage
including Fitch expectations



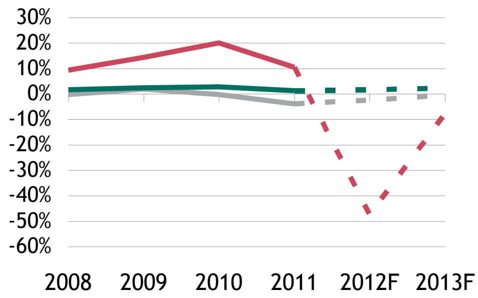
Interest Cover
including Fitch expectations



Debt Maturities and Liquidity at end-Q112

Debt maturities	(THBbn)
2012	5.7
2013	4.9
2014	6.3
2015	4.3
After 2016	3.4
Cash and equivalents	12.2
Undrawn Committed Facilities (Expiry)	
Bank Facility THB10bn due Dec 2012	10.0

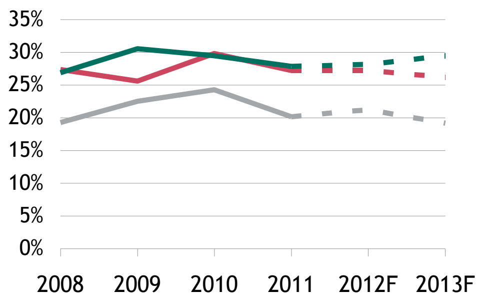
FCF/Revenues
including Fitch expectations



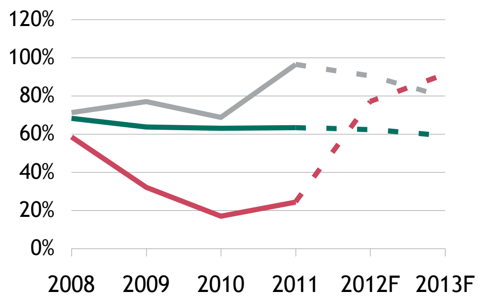
Definitions

- Leverage: Gross debt plus lease adjustment minus equity credit for hybrid instruments plus preferred stock divided by FFO plus gross interest paid plus preferred dividends plus rental expense.
- Interest cover: FFO plus gross interest paid plus preferred dividends divided by gross interest paid plus preferred dividends.
- FCF/revenue: FCF after dividends divided by revenue.
- FFO profitability: FFO divided by revenue.
- For further discussion of the interpretation of the tables and graphs in this report, see Fitch's *Interpreting the New EMEA and Asia-Pacific Corporates Credit Update Format*, dated 25 November 2009 and available at www.fitchratings.com.

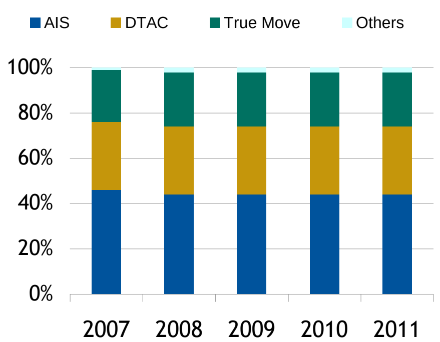
FFO Profitability
including Fitch expectations



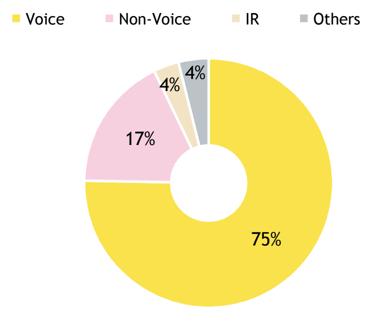
Capex/CFO
including Fitch expectations



Revenue Market Share



FY11 Revenue Breakdown



Total Access Communication Public Company Limited
FINANCIAL SUMMARY

	31 Dec 2011 THBm Original	31 Dec 2010 THBm Original	31 Dec 2009 THBm Original	31 Dec 2008 THBm Original	31 Dec 2007 THBm Original
Profitability					
Revenue	79,032	71,832	65,302	67,327	65,227
Revenue Growth (%)	10.02	10.00	(3.01)	3.22	35.40
Operating EBIT	16,663	14,786	9,974	11,481	10,613
Operating EBITDA	27,178	25,151	20,072	20,735	18,819
Operating EBITDA Margin (%)	34.39	35.01	30.74	30.80	28.85
FFO Return on Adjusted Capital (%)	47.12	26.63	21.14	22.13	18.97
Free Cash Flow Margin (%)	16.97	20.02	14.41	9.37	7.97
Coverages (x)					
FFO Gross Interest Coverage	53.12	22.20	12.49	10.46	6.94
Operating EBITDA/Gross Interest Expense	63.07	24.91	13.79	10.65	8.08
FFO Fixed Charge Coverage (inc. Rents)	12.34	9.65	7.05	6.77	5.41
FCF Debt-Service Coverage	7.90	2.80	1.23	0.63	0.78
Cash Flow from Operations/Capital Expenditures	4.83	5.86	3.11	1.71	1.41
Debt Leverage of Cash Flow (x)					
Total Debt with Equity Credit/Operating EBITDA	0.17	0.36	0.95	1.36	1.65
Total Debt Less Unrestricted Cash/Operating EBITDA	(0.64)	(0.14)	0.58	1.02	1.48
Debt Leverage Including Rentals (x)					
Annual hire lease rent costs for long-term assets (reported and/or estimate)	1,549	1,464	1,310	1,242	810
Gross Lease Adjusted Debt/Operating EBITDAR	0.59	0.78	1.39	1.74	1.91
Gross Lease Adjusted Debt /FFO+Int+Rentals	0.69	0.87	1.52	1.77	2.21
FCF/Lease Adjusted Debt (%)	79.00	69.21	31.76	16.54	13.85
Debt Leverage Including Leases and Pension Adjustment (x)					
Pension and Lease Adjusted Debt /EBITDAR + Pension Cost	0.59	0.78	1.39	1.74	1.91
Liquidity					
(Free Cash Flow+Available Cash+Committed Facils)/(ST Debt + Interest) (%)	2,044.82	510.81	207.68	116.34	112.17
Balance Sheet Summary					
Cash and Equivalents (Unrestricted)	21,973	12,648	7,491	7,082	3,277
Restricted Cash and Equivalents	0	0	0	1	1
Short-Term Debt	1,321	4,480	7,385	11,237	7,304
Long-Term Senior Debt	3,269	4,589	11,768	16,975	23,753
of which subordinated debt	0	0	0	0	0
Equity Credit	0	0	0	0	0
Total Debt with Equity Credit	4,589	9,069	19,153	28,212	31,058
Off-Balance-Sheet Debt	12,392	11,712	10,480	9,936	6,478
Lease-Adjusted Debt	16,981	20,781	29,633	38,148	37,535
Fitch- identified Pension Deficit	0	0	0	0	0
Pension Adjusted Debt	16,981	20,781	29,633	38,148	37,535
Cash Flow Summary					
Operating EBITDA	27,178	25,151	20,072	20,735	18,819
Gross Cash Interest Expense	(431)	(1,010)	(1,455)	(1,948)	(2,328)
Cash Tax	(5,266)	(3,670)	(2,242)	(3,126)	(2,846)
Associate Dividends	0	0	0	0	0
Other Items before FFO (incl. interest receivable)	978	935	347	2,756	178
Funds from Operations	**22,459**	**21,406**	**16,722**	**18,417**	**13,823**
Change in Working Capital	3,836	1,427	2,386	909	4,120
Cash Flow from Operations	**26,296**	**22,832**	**19,108**	**19,326**	**17,943**
Total Non-Operating/Non-Recurring Cash Flow	0	0	0	0	0
Capital Expenditures	(5,446)	(3,895)	(6,139)	(11,289)	(12,742)
Dividends Paid	(7,434)	(4,555)	(3,557)	(1,728)	0
Free Cash Flow	**13,415**	**14,383**	**9,412**	**6,309**	**5,200**
Net (Acquisitions)/Divestitures	0	0	0	(52)	(32)
Net Equity Proceeds/(Buyback)	0	0	0	0	2,913
Other Cash Flow Items	390	857	56	394	1,602
Total Change in Net Debt	13,805	15,240	9,468	6,651	9,683
Working Capital					
Accounts Receivable Days	30	33	38	41	44
Inventory Days	3	2	2	1	1
Accounts Payable Days	136	99	94	93	80

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.