

# Financial Results 3Q15

Advanced Info Service Plc.

10 November 2015

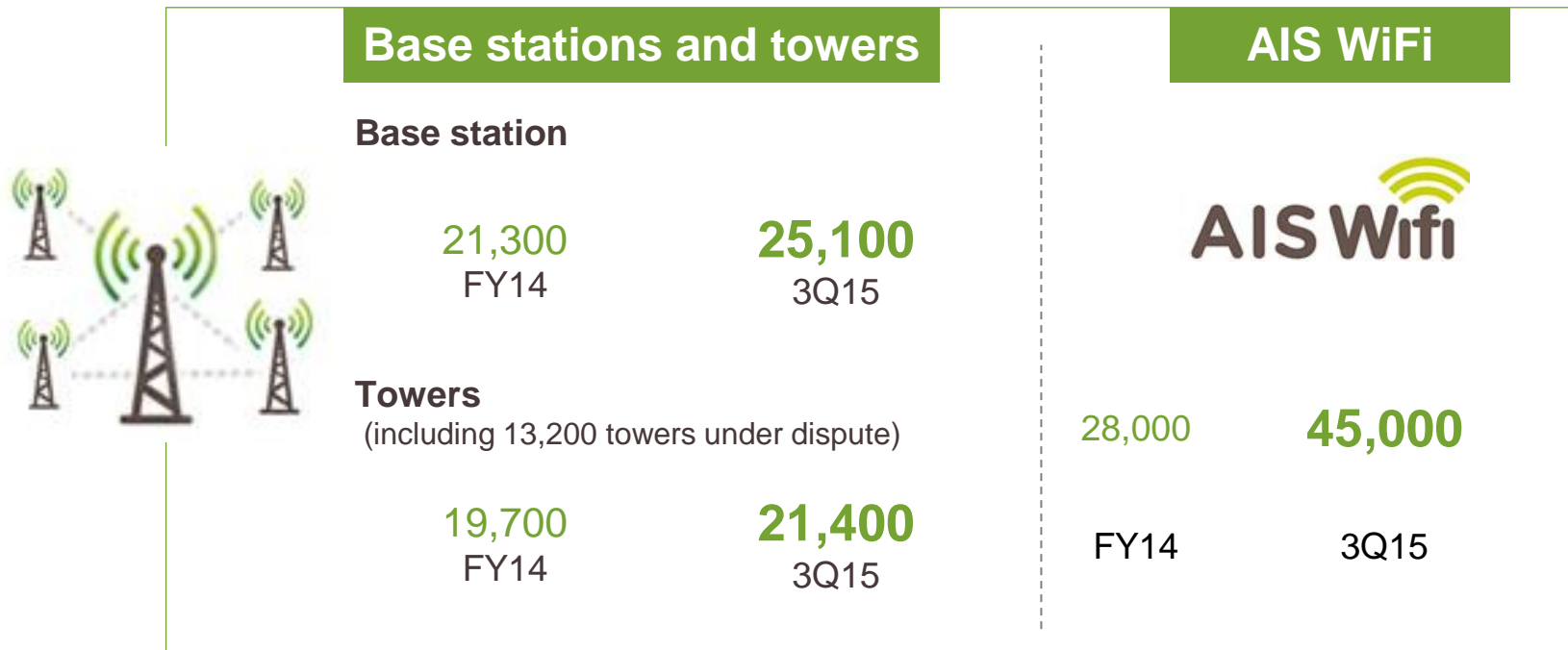
## 3Q15 Highlights

- Weak economy continued, affecting revenue. **Service revenue (ex IC) grew by 2% YoY and decreased 1.7% QoQ.** One-time revenue adjustment of Bt152mn was included in 3Q15, as well as Bt318mn in 2Q15. When normalized, service revenue (ex IC) grew by 1.4% YoY and declined by 1.1% QoQ. 9M15 revenue was still in line with FY guidance.
- Handset subsidy campaign started in 3Q15, resulting in 11% negative margin on sales revenue. However, it helped drive **3G device penetration to 67%**, with significant saving on regulatory fee.
- **EBITDA** remained strong with 6% YoY improvement to Bt17,431mn, while decreasing 3.5% QoQ.
- **Prepaid identification** caused YoY and QoQ decline in prepaid subscribers, causing a limited revenue impact in prepaid, as most of them were inactive and low-ARPU subscribers.
- **Guidance for FY2015** remained unchanged: YoY growth on service revenue (ex IC) around 3%, flat consolidated EBITDA margin, 200bps growth on service EBITDA margin and CAPEX of Bt36bn

## 3Q15 Key financial highlights

Bt million	3Q14	2Q15	3Q15	% YoY	% QoQ	9M14	9M15	%YoY
Service revenue ex. IC	29,382	30,468	29,956	▲2.0%	▼1.7%	87,953	90,734	▲3.2%
Sales revenue	4,208	5,733	5,356	▲27%	▼6.6%	14,878	19,376	▲30%
Total revenue ex. construction	35,355	38,123	36,769	▲4%	▼3.6%	108,284	115,429	▲6.6%
Cost of service ex. IC	13,385	13,217	13,124	▼1.9%	▼0.7%	40,254	40,046	▼0.5%
Total SG&A	4,643	4,876	4,896	▲5.5%	▲0.4%	13,792	14,448	▲4.8%
EBITDA	16,442	18,068	17,431	▲6%	▼3.5%	48,701	53,572	▲10%
Consolidated EBITDA margin	46.5%	47.4%	47.4%	▲90bps	flattish	45%	46.4%	▲140bps
Service EBITDA margin	53.1%	55.4%	57.4%	▲430bps	▲200bps	52.1%	55.9%	▲380bps
Sales margin	-2%	2%	-11.1%	▼910bps	▼1310bps	0.2%	-0.8%	▼100bps
Capex	10,236	8,883	8,765	▼14%	▼1.3%	25,696	24,813	▼3.4%
EPS	3.01	3.31	2.90	▼3.8%	▼13%	9.05	9.54	▲5.4%

# Continue to invest in **network improvement** for coverage and capacity



# 3G handset penetration driven by handset campaign

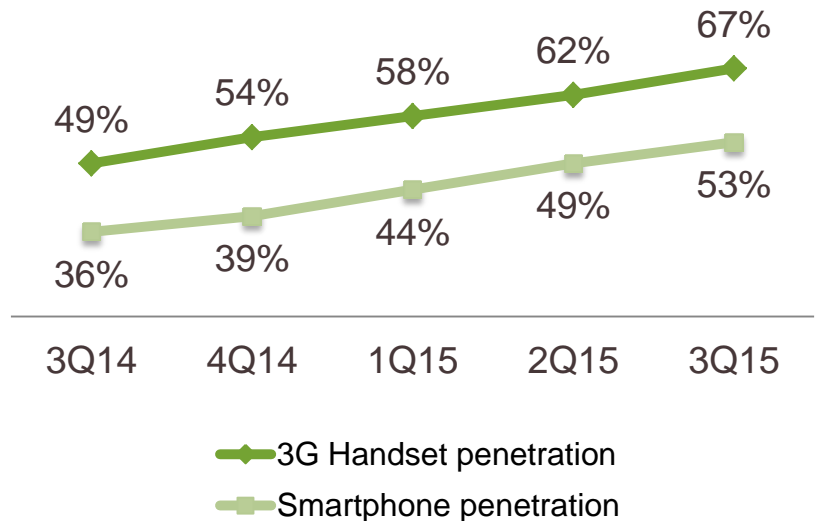
## AIS handset trade-in campaign with subsidy started in 3Q15

- Target AIS' existing customers
- Objectives
  - Migration from 2G to 3G network
  - Regulatory fee saving
- Customers can bring their old phone to trade with **AIS OLA POP** (feature phone) + Bt200 top-up or **AIS LAVA 3.5"** (entry level smart phone) at Bt690
- In 3Q15, **1.2 million 3G phones** were distributed to customers under trade-in campaign.

## AIS LAVA 4G handset was launched in September

- The first AIS LAVA 4G price point was Bt4,590.
- Price of later models became lower and would boost 4G handset penetration, around 7% at end of 3Q15.

### Phone penetration on 2.1GHz-License



**AIS SUPERCOMBO LAVA 4G**

ใหม่! สุดล้ำตอบรับทุกการใช้งาน



# AIS channels helped us achieve business targets

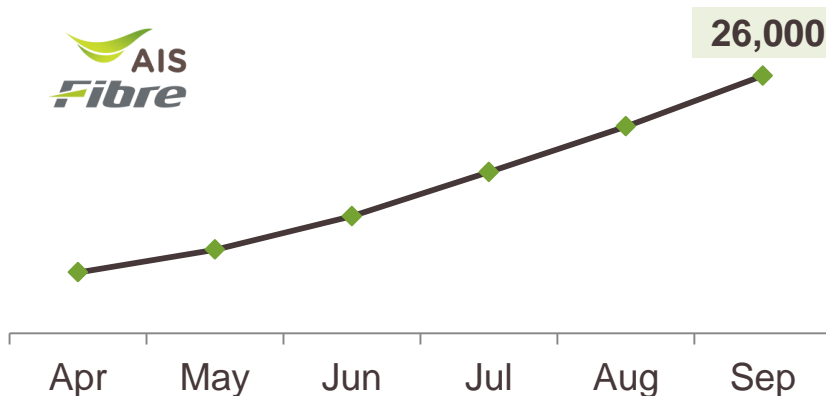
- Our strong distribution network and efficient service supported us in prepaid identification, and 3G handset trade-in in 3Q15
- To support upcountry marketing activities, subscriber acquisition and brand awareness, we uplifted sub-dealers to be branded “AIS Buddy”.



# Challenging target for Fixed Broadband business

- 2015 target remains challenging during weak economy, operational issues and increasing competition.
- Sales force improvement should help ramp up subscriber base.

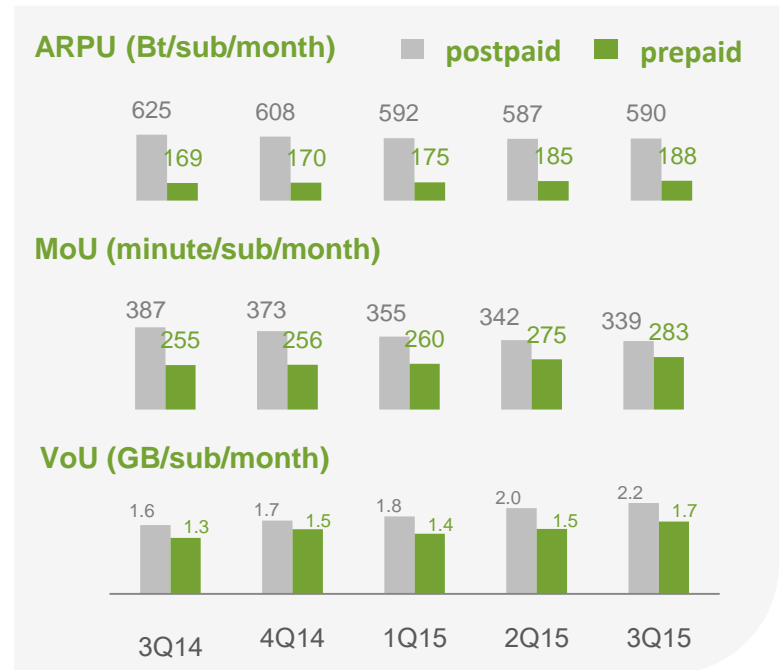
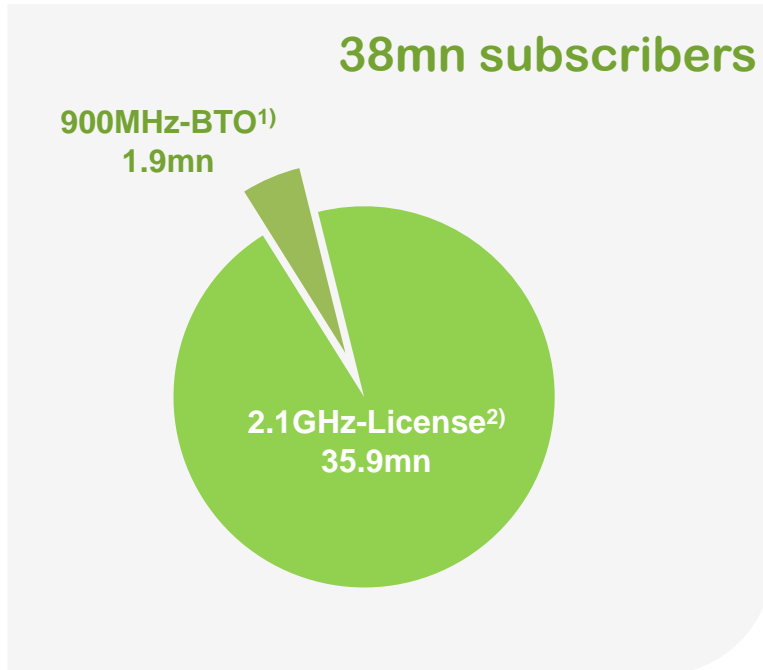
## Total subscribers



“**Power 3 Package**” was launched in August offering three services for AIS Postpaid customers:

*AIS fixed line number, fixed broadband, AIS Playbox*

# Continued effect from prepaid identification reflected in a decline of prepaid subscribers



- **Total prepaid subs decreased** to 32.4mn (net add: -2.4mn) because 1.7mn unregistered prepaid subscribers were churned while **postpaid subs** still increased to 5.4mn (net add: 0.1mn) following the benefit of data usage continuity and trend of pre-to-post shift.

- **ARPU** increased despite a slightly lower revenue, reflecting a drop in subscriber base.
- **VoU** continued to grow, supported by higher adoption of smart phones, (53% smart phone penetration on 2.1GHz)

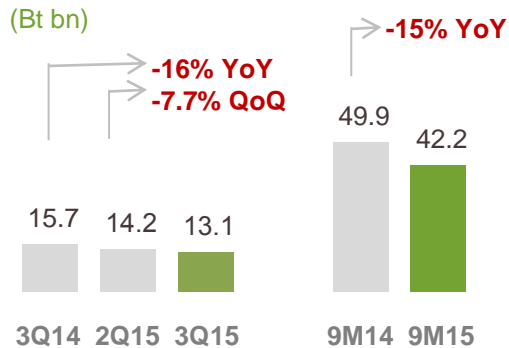
1) 900MHz-BTO refers to the subscription of customers under 900 & 1800MHz Build-Transfer-Operate contract

2) 2.1GHz-License refers to the subscription of customers under 2.1GHz license issued by NBTC. The subscribers who are holding 2G devices have to roam on the 900MHz network.



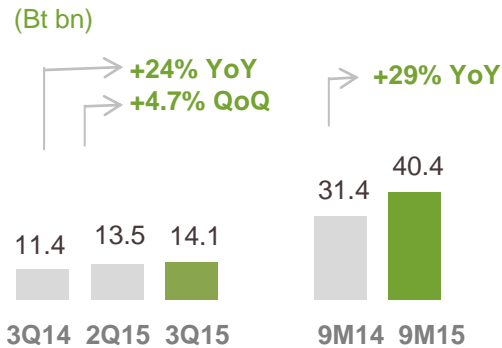
# 3Q15 Revenue Breakdown

## Voice revenue



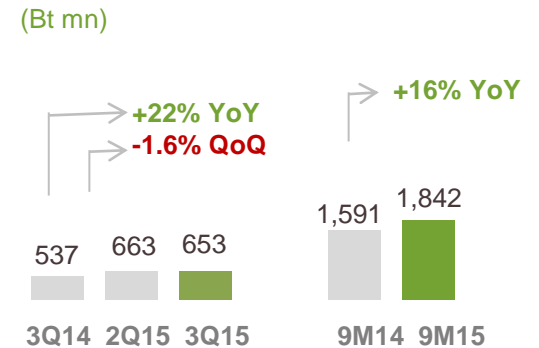
- Declining trend in voice usage and partly affected by a drop in sub base

## Non-voice revenue



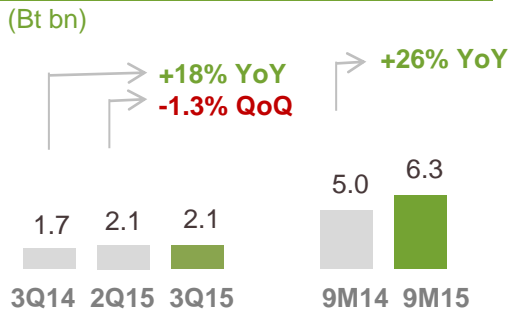
- Growing trend of data usage supported by handset campaign

## IR revenue



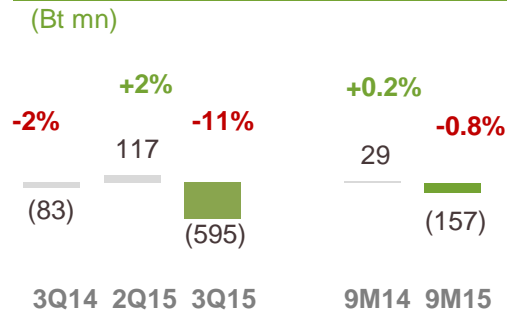
- Grew YoY from inbound roamers
- Slight decline YoY despite bombing

## IDD & other revenues



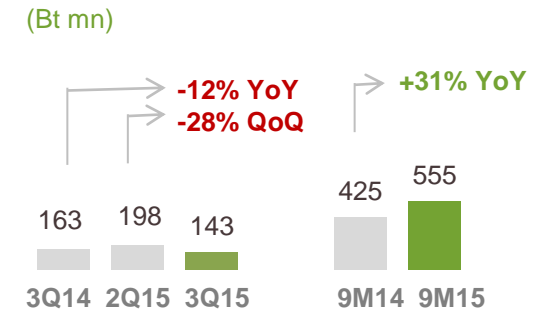
- Increased YoY mainly from WiFi revenue

## Sales margin



- 11% sales margin in 3Q15 due to handset subsidy campaign

## Net IC

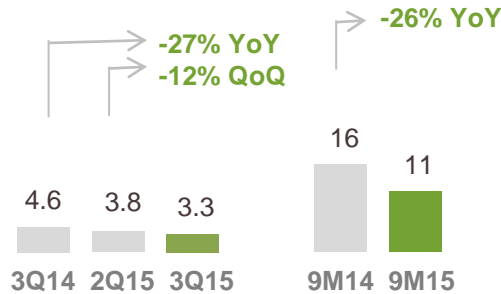


- Adjustment in interconnection rate from Bt0.45/minute to Bt0.34/minute starting in 3Q15.

# 3Q15 Cost Breakdown

## Regulatory fee

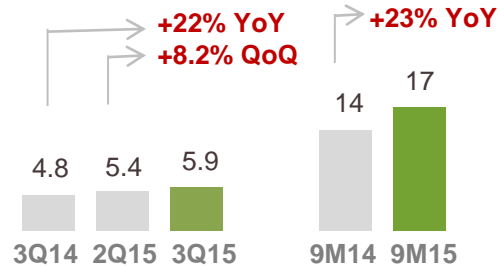
(Bt bn)



- Higher 3G handset penetration

## D&A

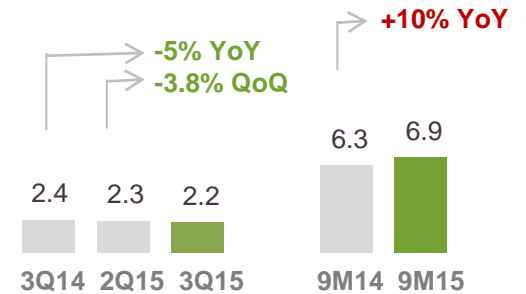
(Bt bn)



- Continuous 3G investment
- Bt3bn of 2G fully amortized in 3Q15

## Network Opex

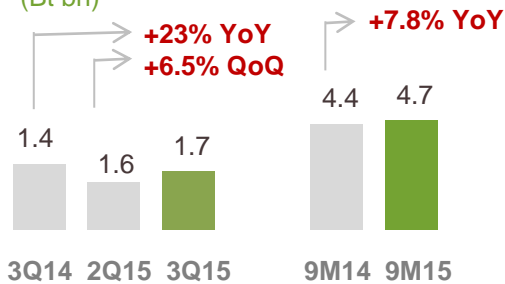
(Bt bn)



- Decreased YoY from high maintenance cost last year

## Marketing

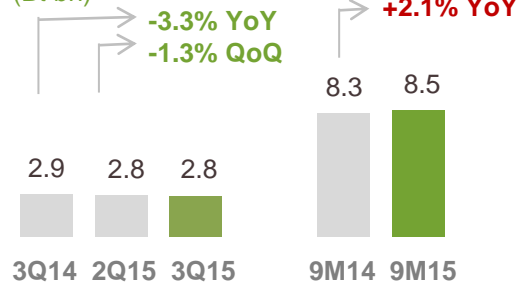
(Bt bn)



- YoY and QoQ increase from handset campaign

## Admin & Staff

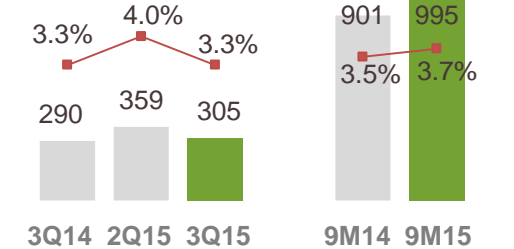
(Bt bn)



- Decreased YoY due to loss from sales and 2G-assets write-off 3Q14

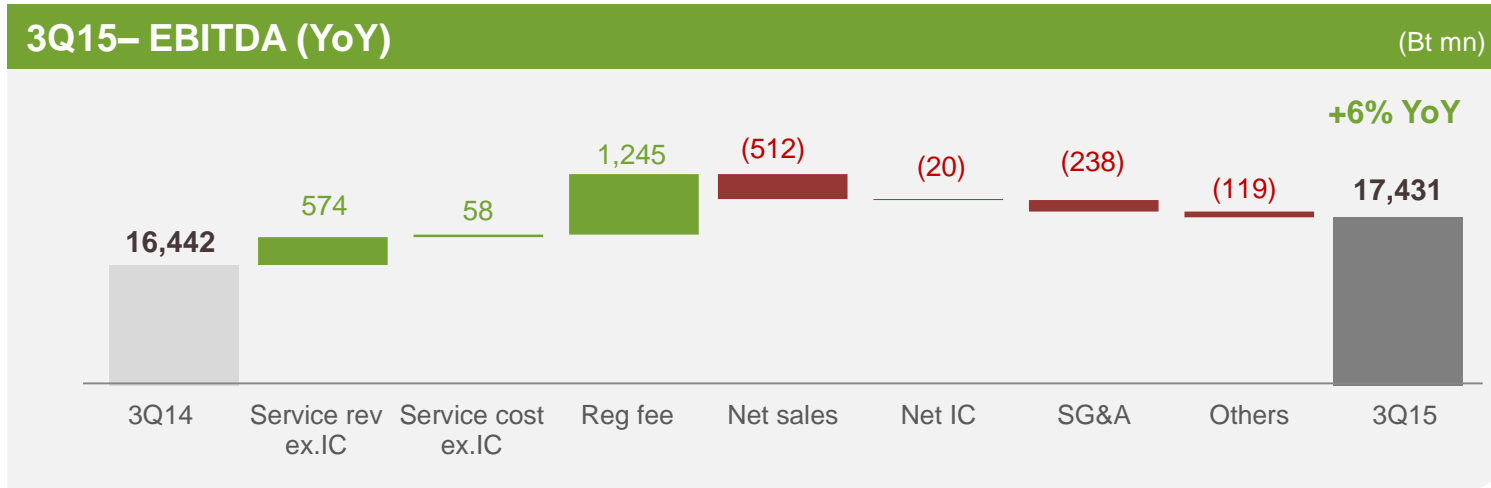
## Bad debt

% to postpaid revenue

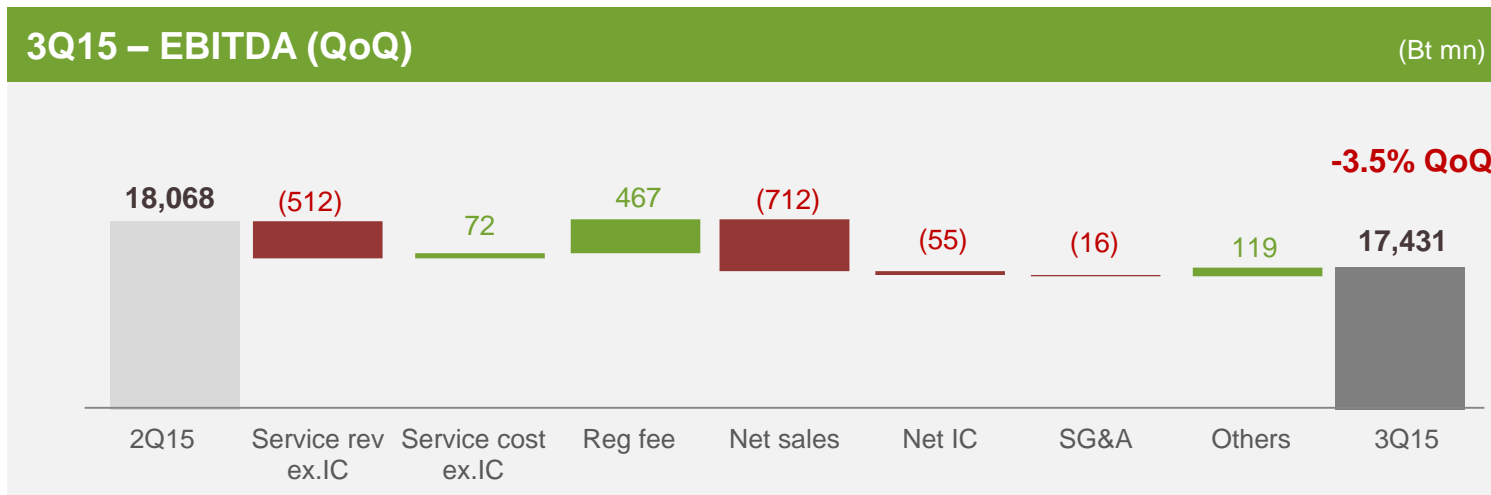


- 3.3% of postpaid revenue: stable and manageable trend

# EBITDA remained strong YoY while decreased QoQ

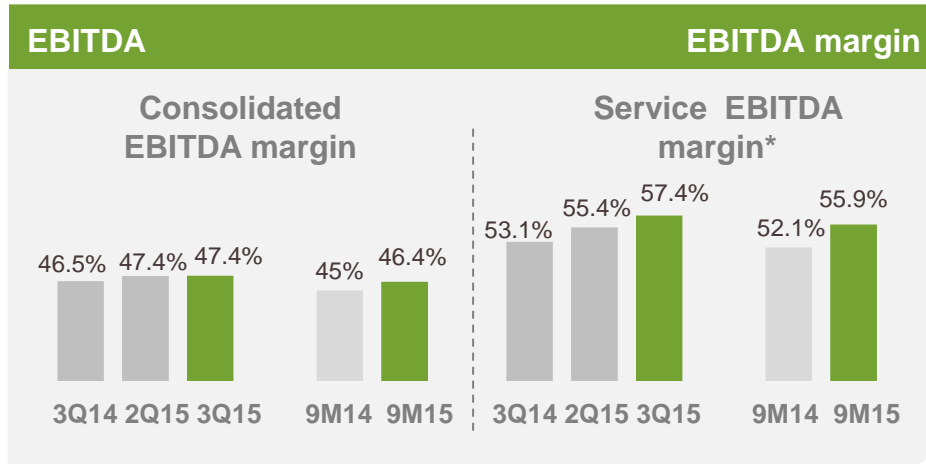


from better top line and regulatory cost saving offsetting with loss from handset subsidy and marketing expense



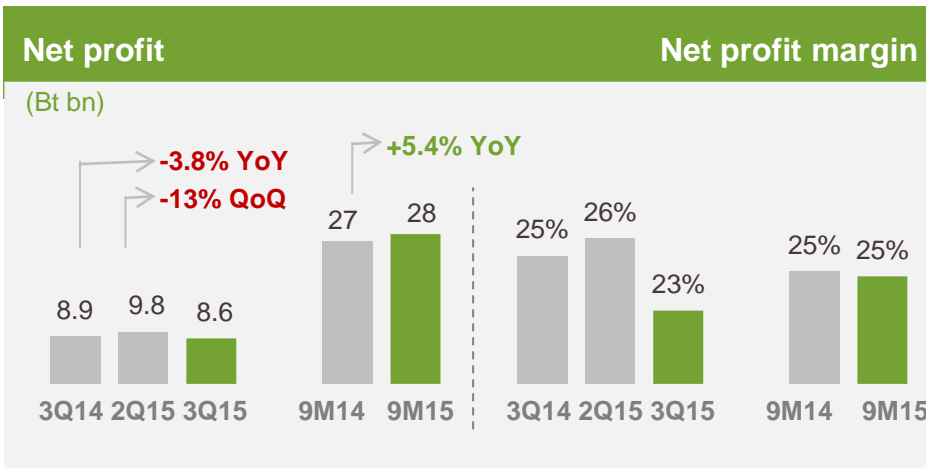
mainly from handset subsidy

# 9M15 Profitability enhanced on both EBITDA and net profit



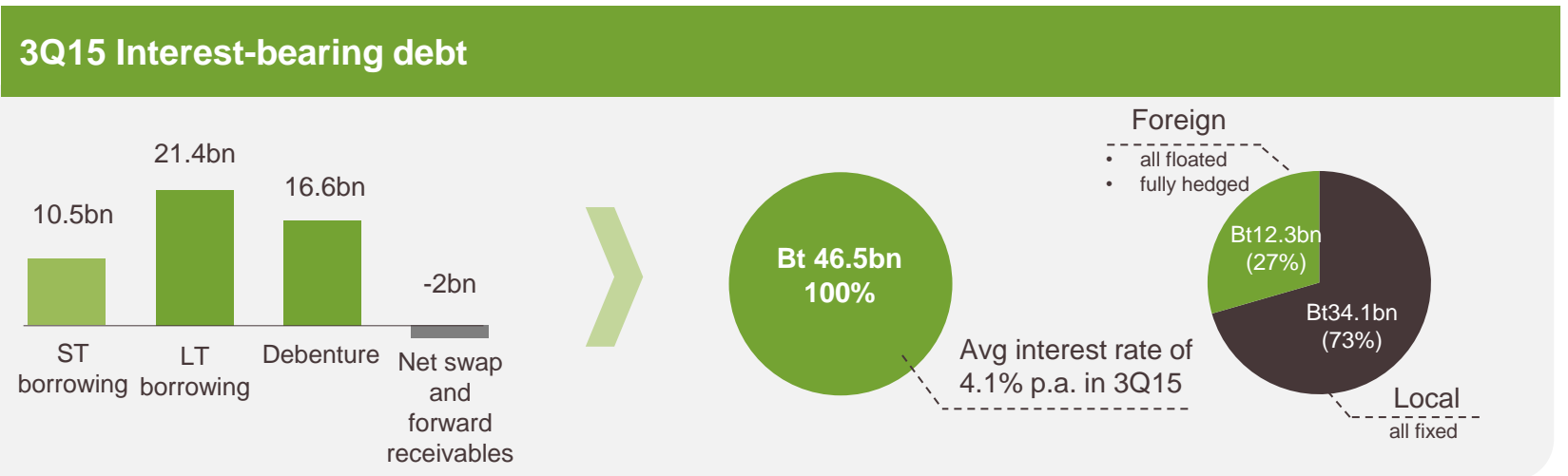
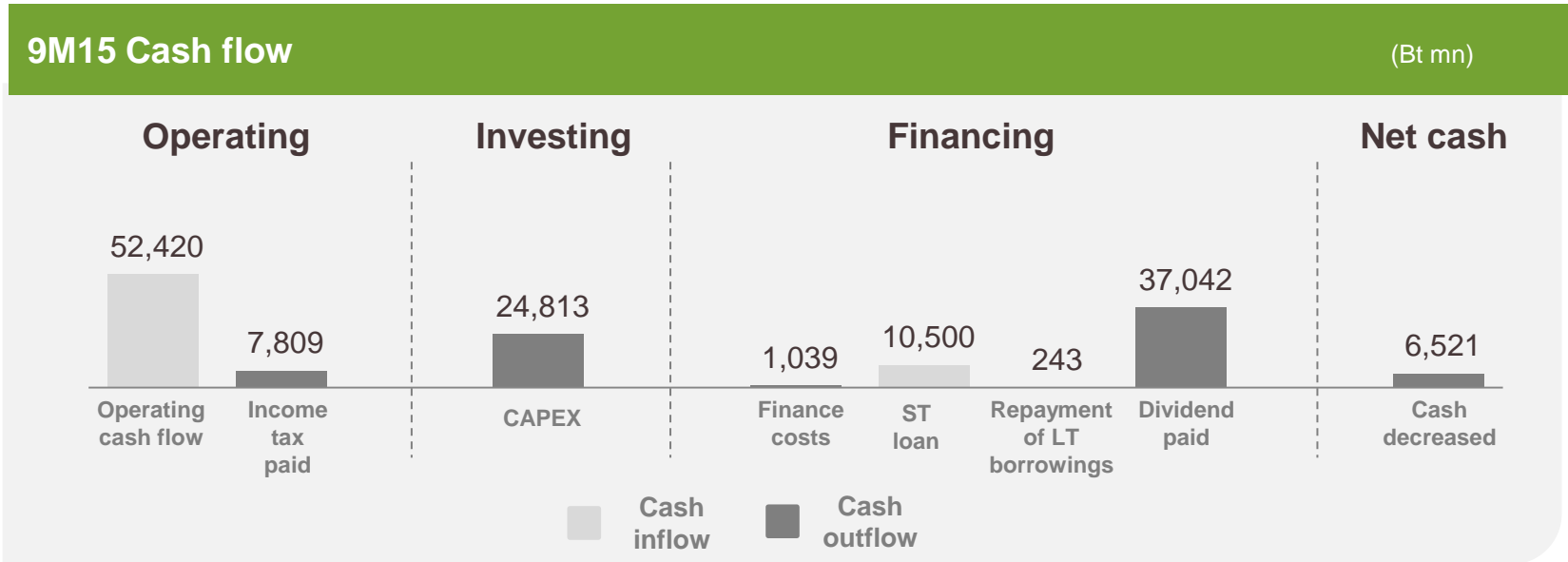
- Consolidated EBITDA margin (9M) rose YoY from growing service revenue and lower regulatory fee, despite the loss from handset
- Service EBITDA margin (9M) increased YoY from better top line and lower regulatory fee.

\*Service EBITDA margin = (EBITDA – Net sales)/(Total revenue – Sales revenue)



- YoY (9M), net profit improved due to EBITDA growth compensating rise in D&A and tax.
- 3Q15 net profit declined QoQ and YoY due the increase in D&A and FX loss.

# Strong free cash flow to support dividend



# Guidance for 2015

Service revenue ex. IC	<ul style="list-style-type: none"><li>• Increase around 3% YoY</li></ul>
Handset sales	<ul style="list-style-type: none"><li>• Maintain growth at 10% but with -5 to -6% margin<ul style="list-style-type: none"><li>• 70% 3G device penetration</li></ul></li></ul>
EBITDA margin	<ul style="list-style-type: none"><li>• Consolidated EBITDA margin remains flat</li><li>• Service EBITDA margin increases by 200 bps</li></ul>
CAPEX	<ul style="list-style-type: none"><li>• Bt36bn</li></ul>
Dividend	<ul style="list-style-type: none"><li>• 100% dividend payout</li></ul>

# Disclaimers

Some statements made in this material are forward-looking statements with the relevant assumptions, which are subject to various risks and uncertainties. These include statements with respect to our corporate plans, strategies and beliefs and other statements that are not historical facts. These statements can be identified by the use of forward-looking terminology such as “may”, “will”, “expect”, “anticipate”, “intend”, “estimate”, “continue” “plan” or other similar words.

The statements are based on our management’s assumptions and beliefs in light of the information currently available to us. These assumptions involve risks and uncertainties which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Please note that the company and executives/staff do not control and cannot guarantee the relevance, timeliness, or accuracy of these statements.

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