

# **Full Year 2015 Analyst Briefing**

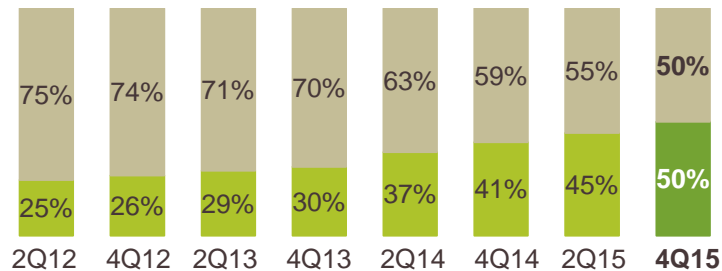
**Advanced Info Service Plc.**  
**23 Feb 2016**

# Agenda

- 2015 Highlights and summary
- 2016 Competitive landscape

# 2015 Highlights

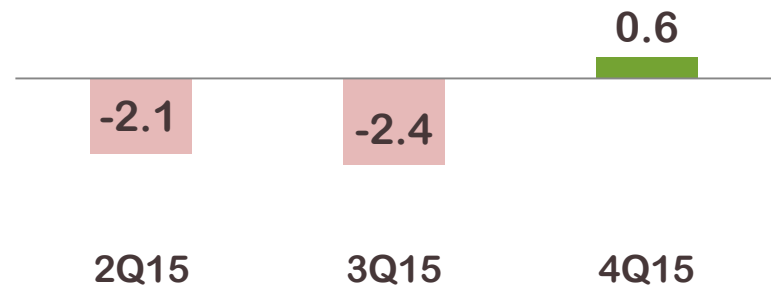
## In 4Q15, non-voice surpassed voice revenue



3-year CAGR Non-voice revenue **+30%**  
3-year CAGR Voice revenue **-11%**

## Negative net add due to PI stabilizing in 4Q15

(mn sub)



## AIS was granted 1800MHz license for 15MHz until 2033



launched in Jan 16

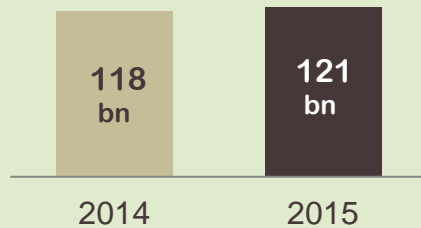
## AIS LAVA, low-cost smart phones drove 2G-to-3G migration



# 2015 Financial Summary

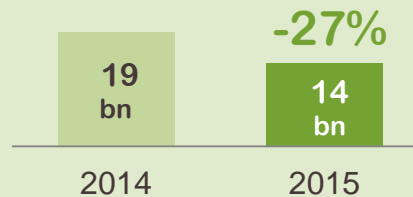


Service revenue  
(ex IC) **+2.2%**



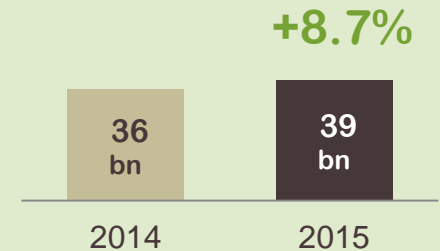
Stable growth driven by mobile data usage

Regulatory fee



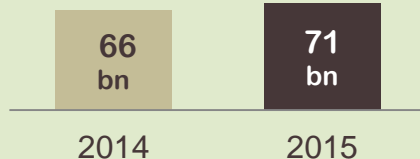
Driven by 3G device penetration of 70%

Net profit



Mainly from EBITDA growth despite higher D&A

EBITDA **+6.5%**



Mainly from revenue growth and a decrease of regulatory fee

Consol. EBITDA margin



Above guidance of flat EBITDA margin

Net debt / EBITDA



Higher leverage from spectrum auction

# 2016 Competitive Landscape

## Aggressive 2G to 3G migration

- AIS targets for mass migration to protect customers and revenue base
- Competition will focus on handset subsidies to enhance 3G

## Experienced data users demand 4G

- Competition on 4G will focus on quality and price
- 4G coverage expansion to suit higher demand for data
- New pricing structure allows for higher data allowance

## New competition emerges

- New spectrum licenses support higher investment in the industry
- Competition focus on market share either to protect or gain economies of scale

## Fixed-mobile integration

- More operators are providing both fixed and mobile service
- Key strengths will be utilized to provide differentiated and competing proposition

# Mass migration of 2G to 3G



Handset campaigns will be continued to protect market share  
AIS is using direct and mass marketing



Network enhancement to maintain competitive advantage



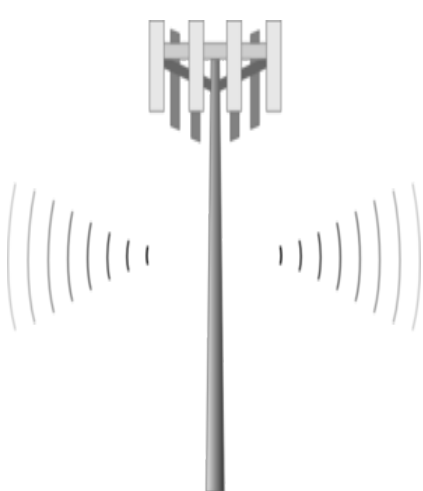
- Fill up gaps to fully substitute 2G network
- Increase capacity for migration
- Strengthen 3G network for leading position in quality

Strong brand and service quality differentiate AIS



# Current spectrum portfolio

## Sufficient for the next 3 years



**2.1GHz**  
15MHz bandwidth  
License until 2027

Fully deployed for **3G**  
Plan to aggregate with 1800MHz to provide **LTE-A**

new

**1800MHz**  
15MHz bandwidth  
License until 2033

Fully deployed for **4G**

new

**2.1GHz**  
Under TOT  
partnership deal

To be finalized  
New capacity for long-term  
competitiveness

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Expect future  
availability of  
spectrums

- 850MHz and 1800MHz expired in 2018
- 2600MHz from MCOT and 2300MHz from TOT

# Competition on 4G: Speed & Quality



Strong market positioning  
from **quality network**

**LTE-Advanced:**

aggregating 1800MHz with  
2.1GHz for higher speed

AIS was awarded

**THAILAND'S FASTEST MOBILE NETWORKS 2015**

by 



**Fastest Mobile Network AIS**

	↓	↑	
1. AIS	38.13	21.00	Mbps
2. CAT CDMA	18.64	11.00	Mbps
3. DTAC	14.30	8.80	Mbps

[www.speedtest.net/awards/th/carrier](http://www.speedtest.net/awards/th/carrier)



# Competition on 4G: Price plan



Expect **ARPU uplift** from  
attractive data allowance

Leading market with  
**limited data offering**

**Product differentiation** by  
offering AIS PLAY and AIS  
Cloud+



Monthly fee (Baht)	4G   3G Max Speed			All network calls (min.)	AIS SUPER WiFi	AIS Cloud+ 100GB	AIS Play Watch free 4 movies/week
	Total 4G   3G	4G   3G	4G				
299	1.5GB	1.5GB	-	100	☑	☑	-
399	5GB	4GB	1GB	150	☑	☑	-
488	10GB	8GB	2GB	200	☑	☑	☑
688	20GB	16GB	4GB	300	☑	☑	☑
888	30GB	24GB	6GB	400	☑	☑	☑
1,288	50GB	40GB	10GB	600	☑	☑	☑
1,888	75GB	60GB	15GB	1,500	☑	☑	☑

# TOT partnership deal



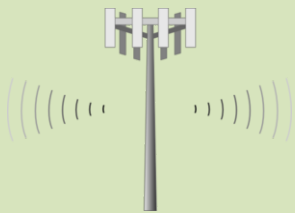
## 2.1GHz utilization

More capacity for network flexibility and competitiveness

## Towers

Long-term aim for JV to secure use of assets

Potential resolution of the dispute



## Equipment

Utilize useful assets to support current business and allow flexibility to CAPEX plan

# Fixed broadband and digital content to support overall growth

2015

- Year of **establishing fundamental**
- Building sales, installation and technical support team
- Ensure **customer satisfaction**



2016



- More aggressive with Bt7bn budget to achieve **wider coverage and workforce** for fixed broadband
- Offer attractive **bundling package** and deploy **mass advert**
- Target to gain **significant market share** in three years

# Fixed broadband and digital content to support overall growth

- **Digital content:** more focused, more impactful
- Wide variety of content to boost data usage

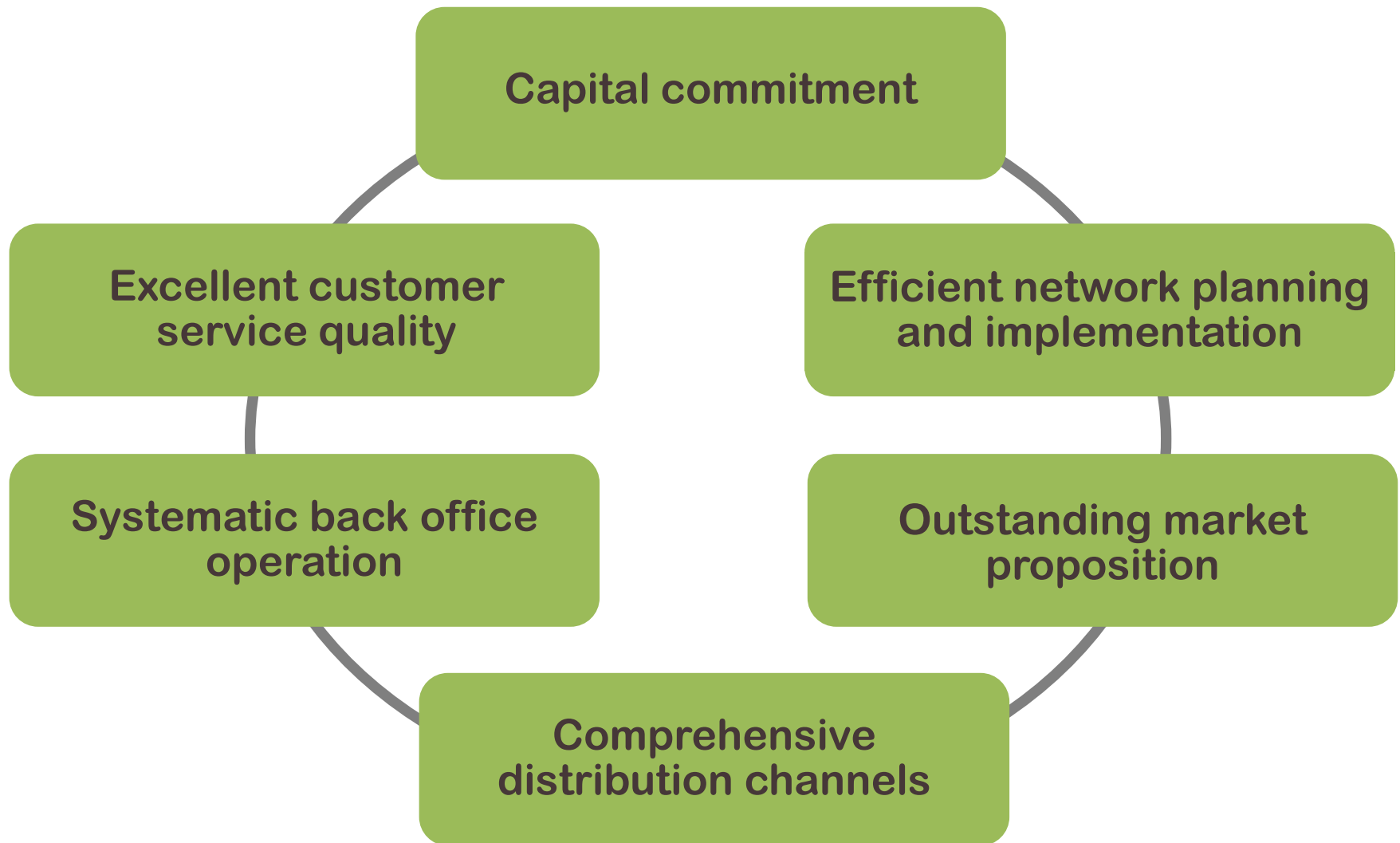
Entertainment gateway on FIXED: **AIS PLAYBOX**



Entertainment gateway on MOBILE: **AIS PLAY**



# Key success metrics for telco operation



# Outlook of AIS



+ Unlock spectrum limitation and regain customer perception

+ Leading in digital ecosystem to find new sources of revenue

+ Professional management

- Market competition

+ EBITDA recovered after 2G shutdown

+ Strong financial health

- Temporary impact from 2G shutdown

+ Upcoming availability of more spectrums

+ Cultivate sustainable working culture

Now

Medium-term

Long-term



# Q&A

# Appendix



# 2016 Outlook & Guidance (i)

- **Service revenue ex. IC**

Flat

- 1) **2G shutdown impact**

Shutdown of 2G network is expected to be in March. After that, the handset subsidy and migration will continue, in parallel with providing 2G service by roaming on another operator's 2G network.

- 2) **4G & 3G services revenue boost**

AIS launched 4G in January which will result in an immediate uplift of customer experience compared to last year. With higher data allowance on 4G plan, we expect double volume of data usage per subscriber. As mass adoption of low-cost smartphone continues, we also expect a continued strong demand for 3G.

- 3) **Attacking on fixed broadband**

AIS Fibre will expand coverage from 12 to full-city 24 provinces with more aggressive offerings. Larger determination is to achieve a significant market share in the next three years.

- **Handset sales and margin**

- 1) **Handset sales**

Expect continued demand for smartphone adoption

Flat

- 2) **Handset margin**

As handset subsidy cost is booked under market expense, normal handset sales margin should be positive.

(+) 3-4%

# 2016 Outlook & Guidance (ii)

## • Depreciation & Amortization

1)	D&A from 3G/4G investment will rise but the fully amortized 2G assets from concession expiry last year will more than offset.	(-) 25%
2)	Total license amortization for 1800MHz and 2100MHz	3.3bn

## • EBITDA

### Consolidated EBITDA margin

37-38%

With 2G network shutdown, effective regulatory fee will fall to near 5.25%. However, factors that will be strained to EBITDA are short-term revenue drop from 2G customer loss, the rise of marketing expenses due to handset subsidy and 2G roaming service to leftover 2G subscribers. In addition, we also factored in the cost from potential TOT partnership.

## • CAPEX

40bn

### 1) Mobile network

33bn

4G network rollout of 18k sites in all 77 provinces covering 50% of population  
3G network capacity expansion and additional coverage to fill in rural areas  
Shop renovation and expansion to increase brand attraction

### 2) Fixed broadband

7bn

Cover 6.5mn homepass in 24 provinces

## • Dividend policy maintained

100% payout

# FY15 & 4Q15 Key financial highlights



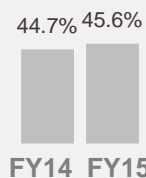
Bt million	4Q14	3Q15	4Q15	% YoY	% QoQ	FY14	FY15	%YoY
Service revenue ex. IC	30,037	29,956	29,887	▼0.5%	▼0.2%	117,990	120,621	▲2.2%
Sales revenue	8,454	5,356	8,422	▼0.4%	▲57%	23,332	27,798	▲19%
Total revenue ex. construction	40,444	36,769	39,784	▼1.6%	▲8.2%	148,729	155,213	▲4.4%
Cost of service ex. IC	12,780	13,124	10,578	▼17%	▼19%	53,034	50,624	▼4.5%
Total SG&A	5,069	4,896	5,643	▲11%	▲15%	18,860	20,091	▲6.5%
EBITDA	17,727	17,431	17,204	▼3.0%	▼1.3%	66,428	70,776	▲6.5%
Net profit	9,122	8,616	10,791	▲18%	▲25%	36,033	39,152	▲8.7%
Consolidated EBITDA margin	43.8%	47.4%	43.2%	▼60bps	▼420bps	44.7%	45.6%	▲90bps
Service EBITDA margin	54.9%	57.4%	55.1%	▲20bps	▼230bps	52.8%	55.7%	▲290bps
Sales margin	1.8%	-11%	-0.8%	▼260bps	▲1,030bps	0.8%	-0.8%	▼160bps
Capex	6,866	8,765	7,442	▲8.3%	▼15%	32,562	32,255	▼1%
EPS (Baht / share)	3.07	2.90	3.64	▲19%	▲26%	12.12	13.17	▲8.7%

# Lower regulatory fee reflected in increased EBITDA

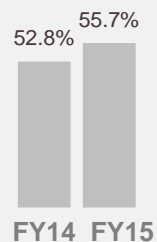


## EBITDA margin

### Conso. EBITDA margin

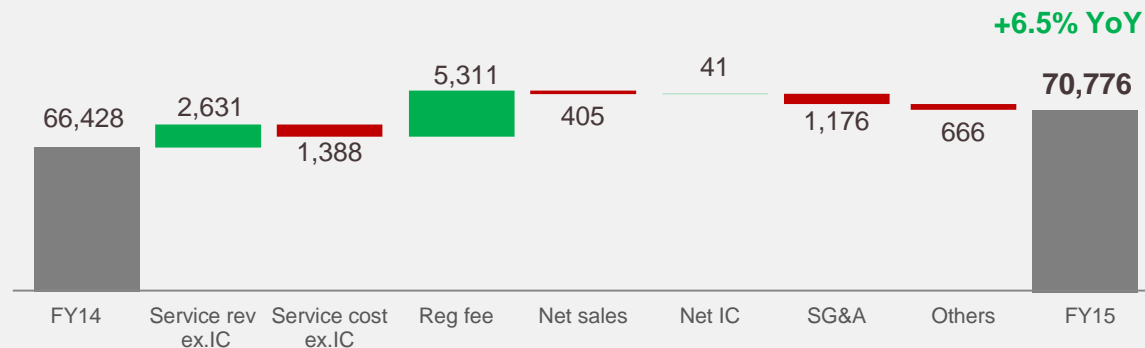


### Service EBITDA margin\*



## FY15– EBITDA (YoY)

(Bt mn)



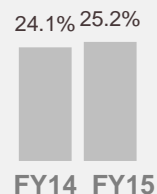
\*Service EBITDA margin = (EBITDA – Net sales) divided by (Total revenue – Sales revenue)

## Profit margin

### Operating profit margin

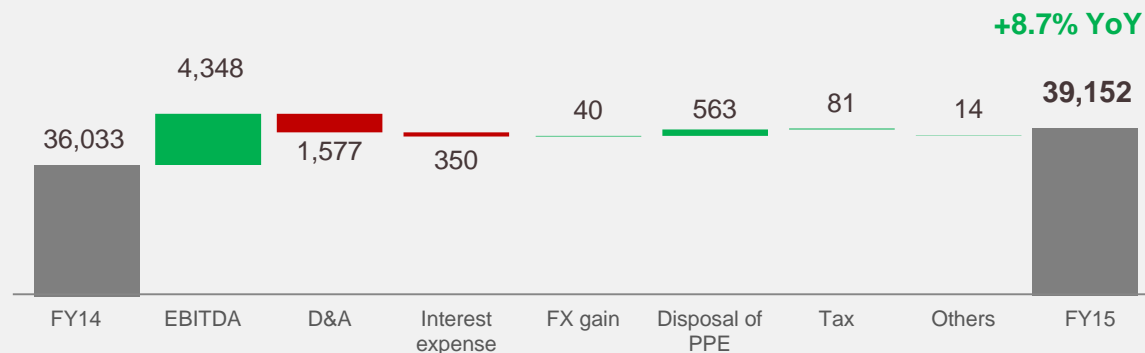


### Net profit margin



## FY15– Net profit (YoY)

(Bt mn)

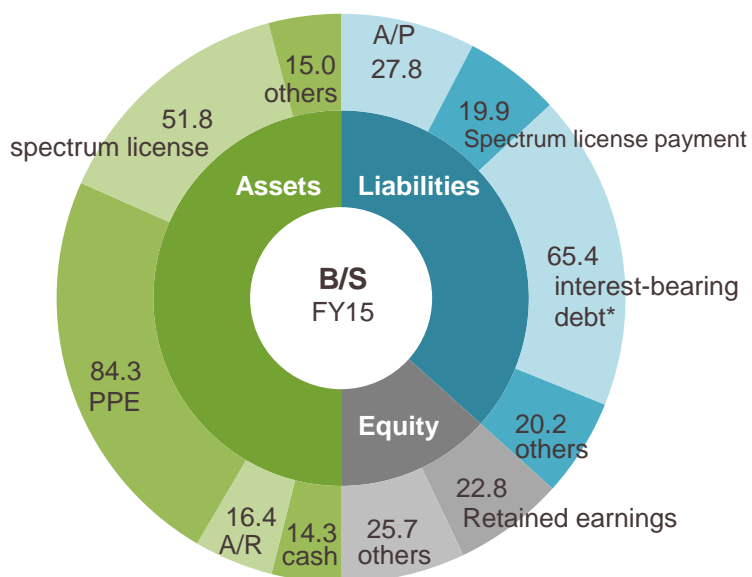


# Strong balance sheet for further strategic executions



## FY15 Balance Sheet

(Bt mn)



**Net debt to EBITDA = 0.7x**  
remained strong and support further gearing

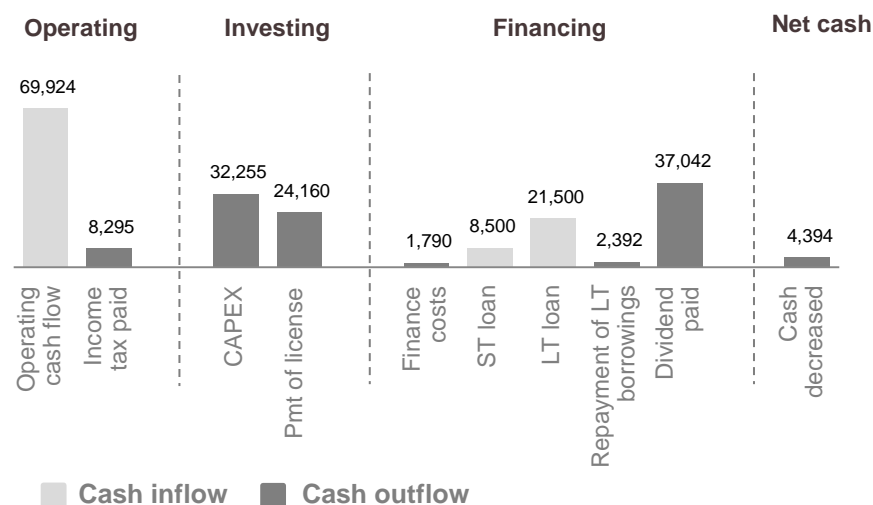
**Debt to Equity = 1.3x**  
higher leverage from spectrum acquisition

**ROE = 82%**  
one of highest profitability to shareholders among Listed companies

\*interest-bearing debt excludes net forward/swap receivable of 1.4bn

## FY15 Cash flow

(Bt mn)



**CAPEX to sales = 27%**  
3G investments for long-term mass market

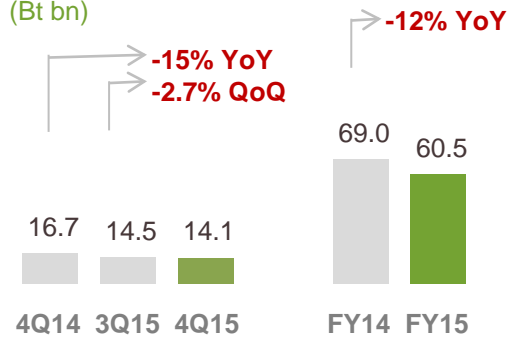
**Average finance costs = 3.6%**  
stayed low from excellent credit ratings

# 4Q15 Revenue Breakdown



## Voice revenue\*

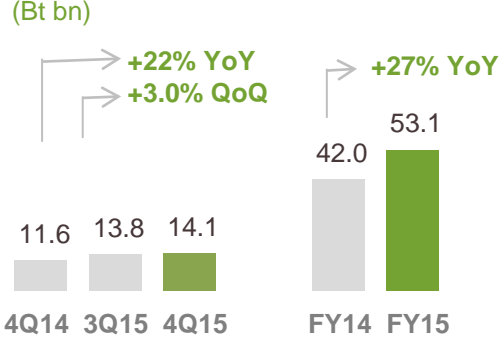
(Bt bn)



- Lower voice usage trend

## Non-voice revenue\*

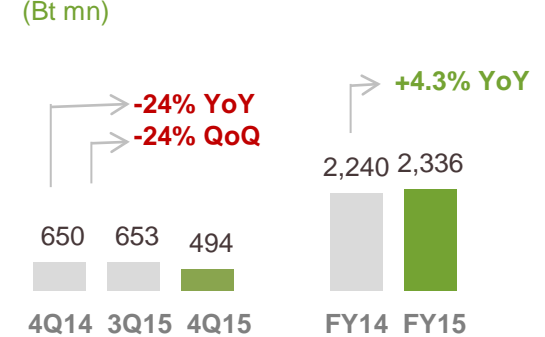
(Bt bn)



- Driven by higher smartphone penetration and mobile data usage

## IR revenue

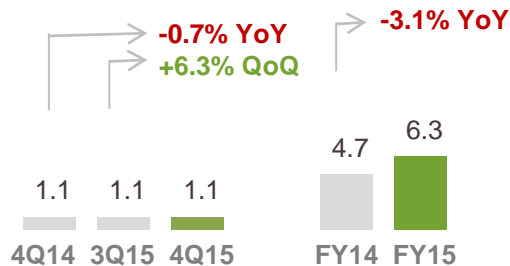
(Bt mn)



- Slow growth from impact of 2G-900MHz international roaming termination

## IDD & other revenues\*

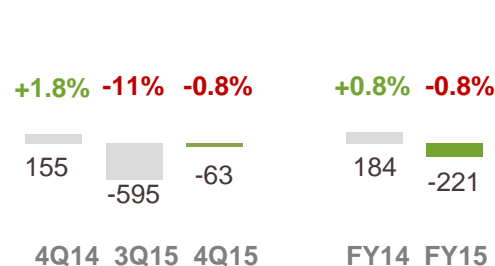
(Bt bn)



- WiFi revenue reallocated to service revenue
- Declining trend of IDD

## Sales margin

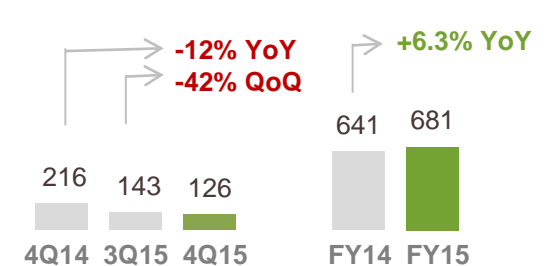
(Bt mn)



- Sales of new iPhone models and 4G LAVA supported margin

## Net IC

(Bt mn)



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

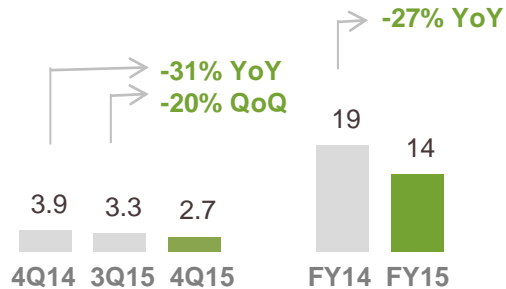
\*restated since 4Q13

# 4Q15 Cost Breakdown



## Regulatory fee

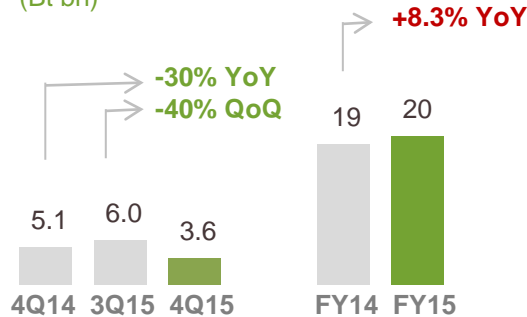
(Bt bn)



- Achieved 70% 2G to 3G migration
- Revenue sharing under remedy period paid to NBTC starting from 4Q15

## D&A

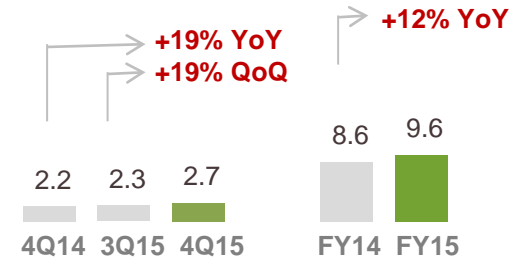
(Bt bn)



- Bt9bn of 2G fully amortized in 3Q15
- Continued in 3G investment to enhance network quality

## Network Opex

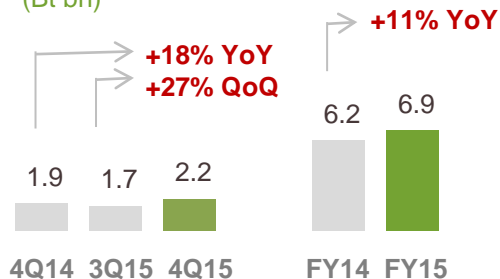
(Bt bn)



- Higher number of base stations and maintenance costs

## Marketing

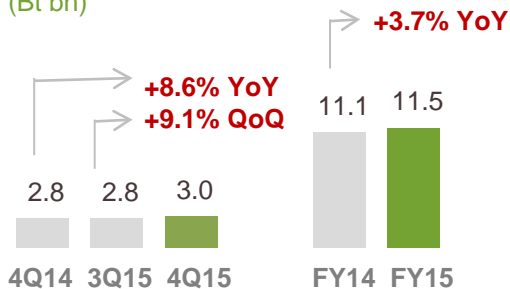
(Bt bn)



- Supporting handset migration
- Increase mobile and FBB brand awareness

## Admin & Staff

(Bt bn)

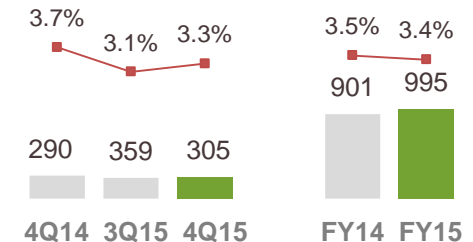


- Higher staff costs offset by small loss from asset write-offs

## Bad debt

% to postpaid revenue

(Bt mn)



- Still under manageable range of 3-4%

# Prepaid segment saw positive net addition after prepaid identification succeeded



## Servicing 38.5mn subscribers

Ending subscriber (mn) ■ postpaid ■ prepaid



Net addition (thousand)



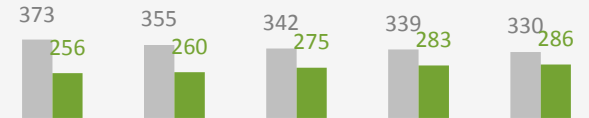
- **Total prepaid subs** gained a net addition of 609k subs after completion of prepaid identification while **total postpaid subs** still grew from a trend of continuous mobile data usage.
- SIM rotation should be lower going forward due to SIM registration process and ARPU should better reflect organic revenue.

ARPU (Bt/sub/month)

■ postpaid ■ prepaid



MoU (minute/sub/month)



VoU (GB/sub/month)



- **ARPU** of prepaid was quite stable while postpaid ARPU declined from acquisition of low-tier segment of customers. QoQ, lower voice usage in postpaid reflected in declining **MoU** whereas prepaid was quite stable.
- **VoU** continued to increase from higher smartphone penetration and attractive digital contents.





## 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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