



# **Financial Results 3Q16**

**Advanced Info Service Plc.**

**8 November 2016**

## 3Q16 Executive summary

- **Service revenue (excluding IC) momentum improved to 2.2% YoY and 1.5% QoQ in 3Q16**, underpinned by improved 4G speed and footprints, reaching 65% of population coverage, amid intense market competition.
- **Fixed-broadband business, continued to expand to 3mn homepass in 28 cities**, and recorded 195K subscribers at ARPU of Bt498.
- **In 3Q16, EBITDA decreased 13% YoY and 10% QoQ** from active marketing campaign, handset subsidy and TOT payment. EBITDA margin stood at 41.1% in 3Q16.
  - Aggressive handset campaigns to acquire and retain subscribers reflected in negative sales margin ( -16%) and higher marketing spending.
  - Toward partnership deal with TOT, AIS started paying monthly rental for tower and equipment (Bt1.4bn/quarter) from 3Q16 and expected to record the cost for 2100MHz commercial trial agreement in 4Q16.
- **9M16 service revenue (excluding IC) improved 0.2%** and aligned with the full year guidance. The fast network rollout resulted in high capex (Bt37bn vs Bt40bn guidance). EBITDA margin was 41.2%, above the FY16 guidance of 38-39% while market competition would be the pressure toward year end.

# 3Q16 Financial Highlights

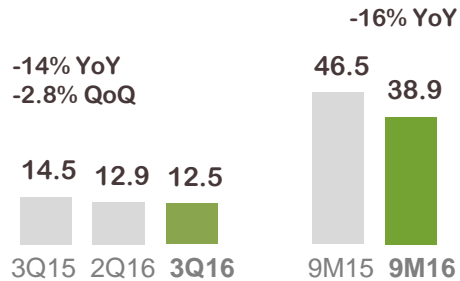


Bt mn	3Q15	2Q16	3Q16	% YoY	% QoQ	9M15	9M16	%YoY
Service revenue ex. IC	29,956	30,169	30,626	▲ 2.2%	▲1.5%	90,734	90,944	▲0.2%
Sales revenue	5,356	4,882	5,064	▼5.5%	▲3.7%	19,376	15,609	▼19%
Total revenue ex. Construction	<b>36,769</b>	<b>36,482</b>	<b>37,096</b>	▲0.9%	▲1.7%	<b>115,429</b>	<b>110,830</b>	▼4.0%
Cost of service ex. IC	(13,124)	(11,309)	(13,537)	▲3.1%	▲20%	(40,046)	(37,538)	▼6.3%
SG&A	(4,896)	(6,460)	(7,260)	▲48%	▲12%	(14,448)	(21,815)	▲51%
<b>NPAT</b>	<b>8,616</b>	<b>9,596</b>	<b>6,529</b>	▼24%	▼32%	<b>28,361</b>	<b>24,198</b>	▼15%
EBITDA	17,431	17,012	15,257	▼13%	▼10%	53,572	45,684	▼15%
EBITDA margin	47.4%	46.6%	41.1%	▼630bps	▼550bps	46.4%	41.2%	▼520bps
Sales margin	-11.1%	2.3%	-16.1%	▼500bps	▼1,840bps	-0.8%	-4.6%	▼380bps
Capex	(8,765)	(11,693)	(13,236)	▲51%	▲13%	(24,813)	(37,031)	▲49%
EPS	2.90	3.23	2.20	▼24%	▼32%	9.54	8.14	▼15%

# 3Q16 Revenue Breakdown

## Voice revenue

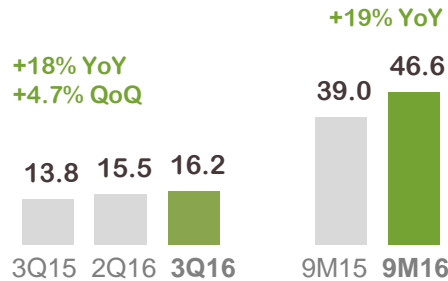
(Bt bn)



Cannibalized voice revenue due to rising smartphone adoption

## Non-voice revenue

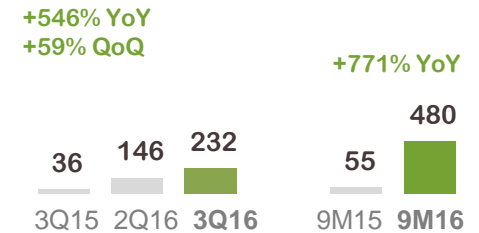
(Bt bn)



Growing data usage supported by improved 4G network and smart device availability

## FBB revenue

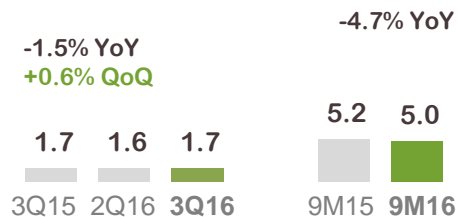
(Bt mn)



Expanded AIS Fibre footprints and increased subscribers

## Inter revenues & others

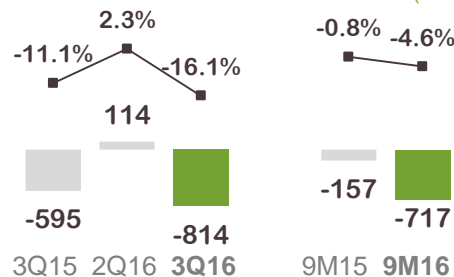
(Bt bn)



Slightly improved QoQ from international roaming revenue

## Net Sales & margin

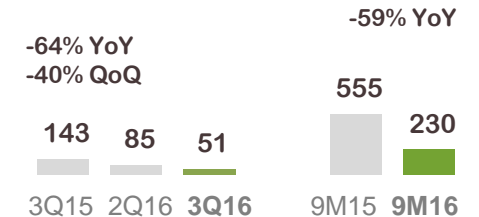
(Bt mn)



Attractive handset offerings to acquire and retain customers resulted in negative handset margin

## Net IC

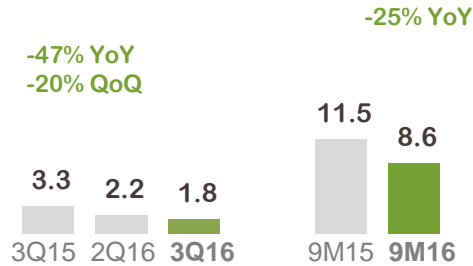
(Bt mn)



Dropped due to lower IC revenue both YoY and QoQ

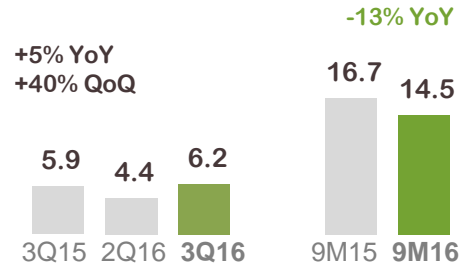
# 3Q16 Cost Breakdown

## Regulatory fee (Bt bn)



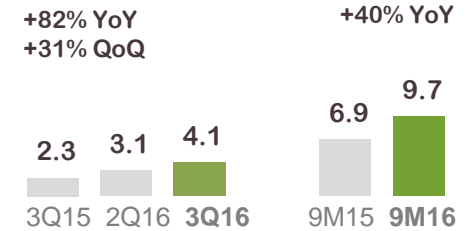
Fully operated under license and representing 5.8% to service revenue in 3Q16

## D&A (Bt bn)



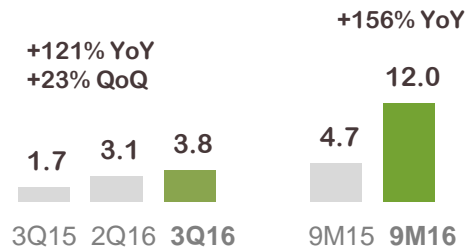
YoY, dropped from fully amortized 2G asset in 3Q15. QoQ, increased from network expansion.

## Network Opex (Bt bn)



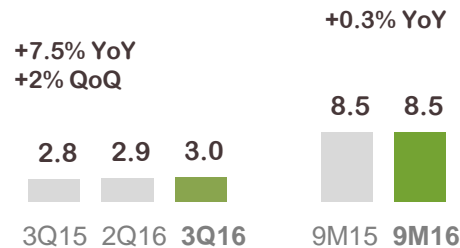
Started to pay TOT for use of towers & equipment at Bt1.4bn/quarter in 3Q16

## Marketing (Bt bn)



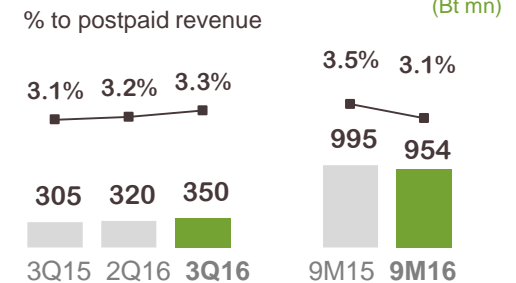
Aggressive handset campaigns and mass advertisement to enhance customer perception

## Admin & Staff (Bt bn)



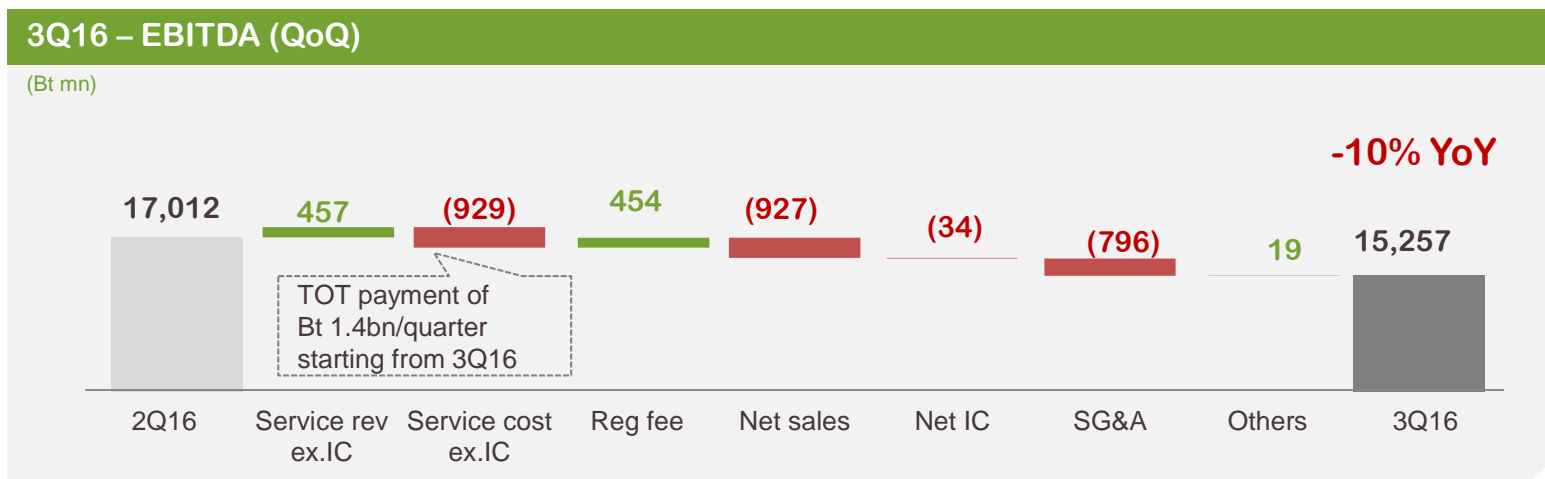
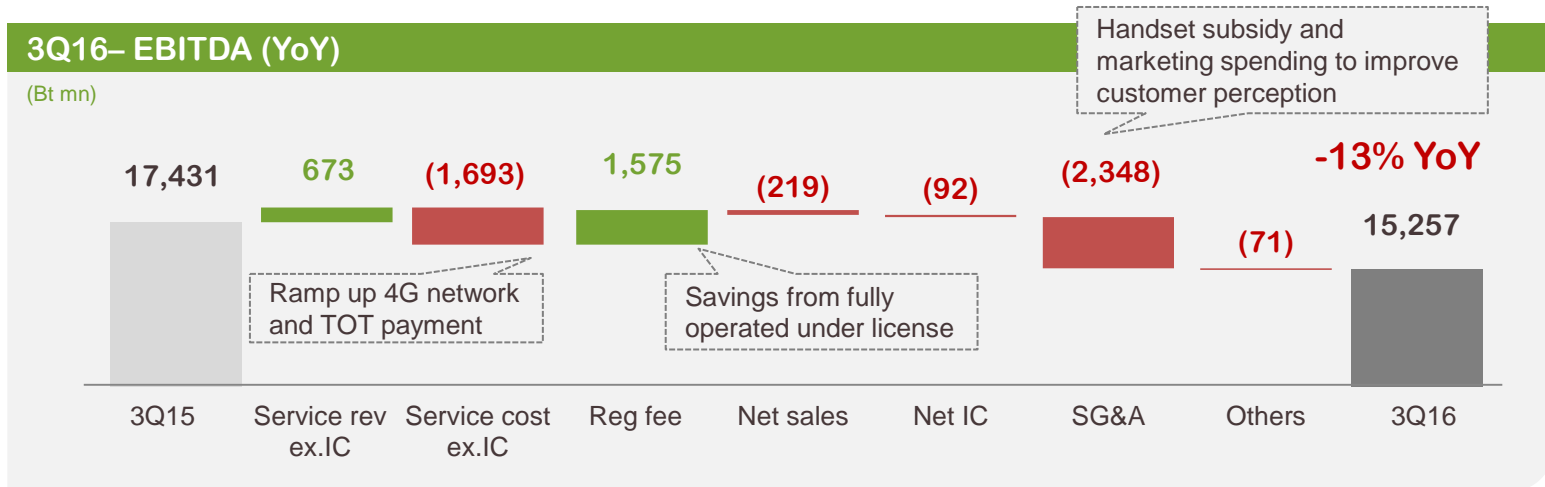
Increased from higher staff cost

## Bad debt (Bt mn)

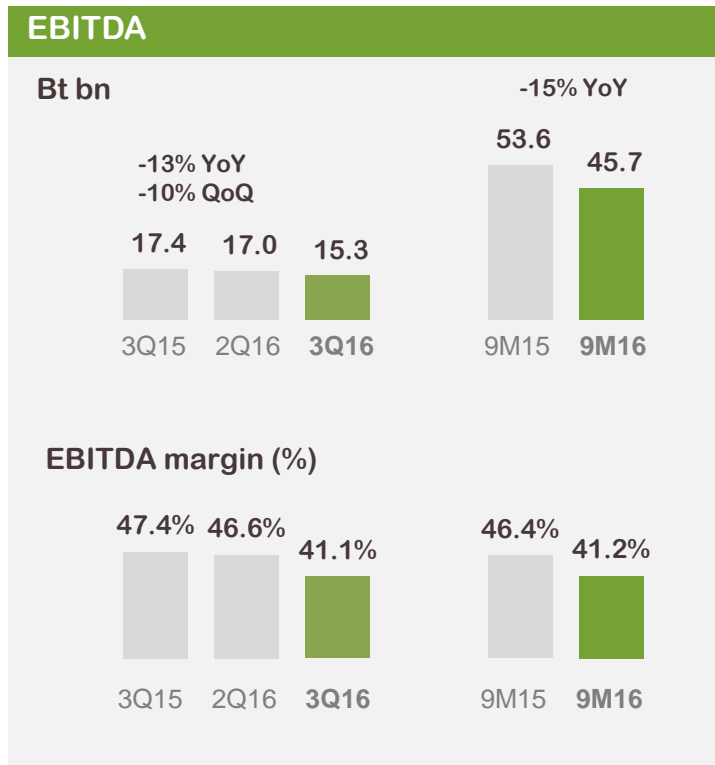


Remained at manageable level

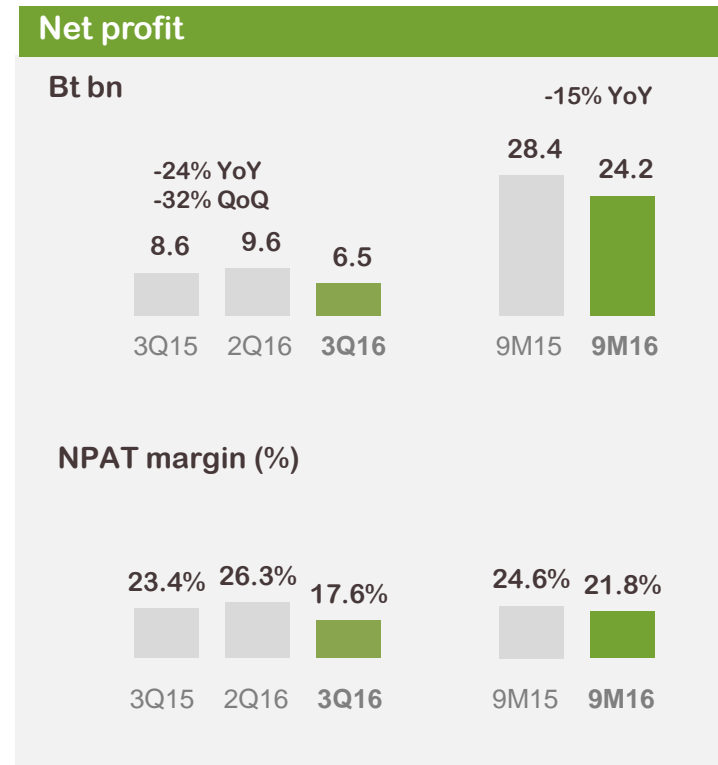
# EBITDA reflected continued investment on network and customer perception



# EBITDA and NPAT reflected continued investment

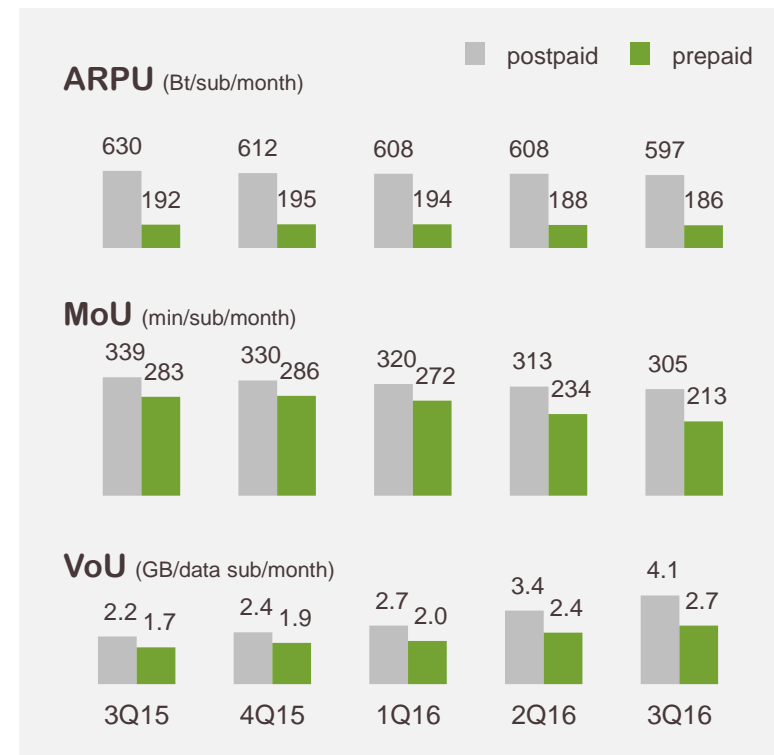
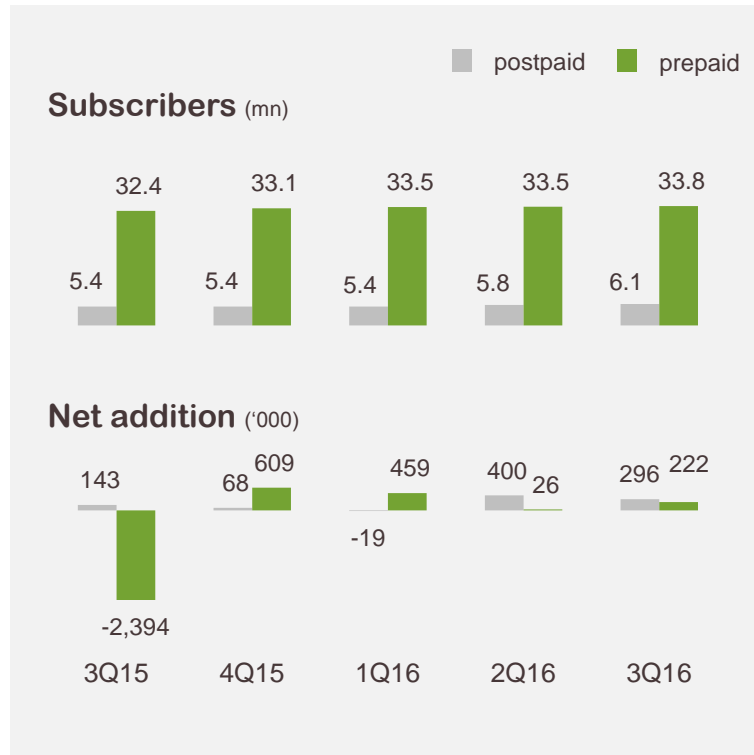


- In 3Q16, EBITDA declined both YoY and QoQ, mainly from aggressive handset campaigns and higher network opex and TOT payment starting from 3Q16.
- For 9M16, EBITDA margin remained strong above the FY16 guidance of 38%-39% while the competition could be pressured toward year end.



- Net profit dropped both YoY and QoQ from higher finance cost and D&A.
- For 9M16, excluding one-time deferred tax asset and USO fee booked in 1Q16, net profit would dropped 12% YoY. mainly from softer EBITDA, higher D&A and finance costs.

# 39.9mn subscribers, supported by both postpaid and prepaid segments

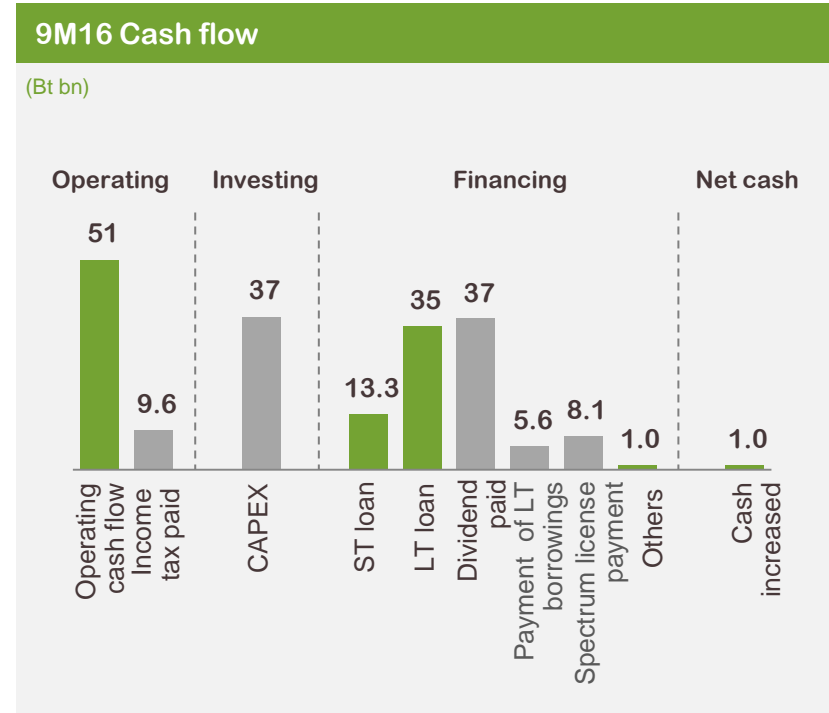
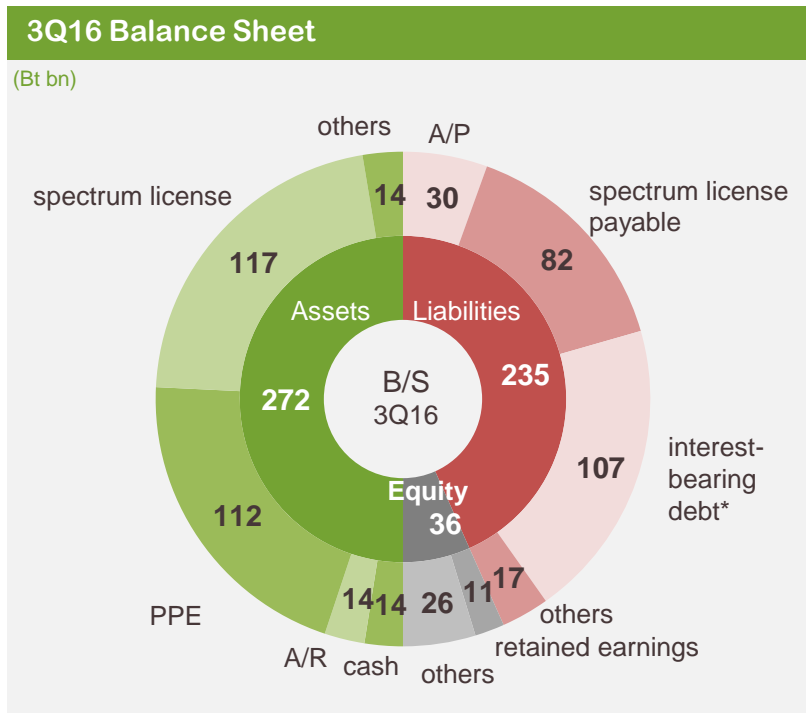


- AIS recorded **39.9mn subscribers**, representing 518k net additions. **Net addition** improved in both postpaid and prepaid segments, supported by attractive handset offerings.
- Postpaid customer base expanded to 16% of subscriber base from 15% in 2Q16.

- **Blended ARPU** was stable QoQ at 248. Postpaid ARPU declined from expansion to mid-tier segment while prepaid ARPU declined due to migration of high-tier customers to postpaid.
- As **VoU** continued to increase from higher smart device penetration and improved 4G network, **MoU** dropped from data cannibalization.



# Strong financial position supporting future investment



## Net debt to EBITDA = 1.53x

- Strong financial position with ability to gear up to support potential growth opportunity.

## Interest bearing debt to Equity = 2.94x

- Higher leverage from investment to capture long-term growth

## ROE = 90%

- Maintain efficient share capital and 100% payout

## Bt13.8bn = Free Cash Flow

- CAPEX to service revenue was at 41% from fast 4G network rollout

## Average finance costs = 3.0%

Maintain investment grade credit ratings:

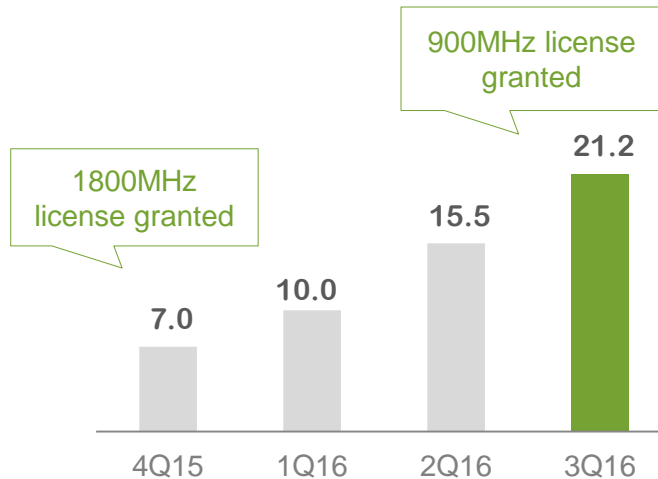
- Fitch: national rating AA+ (THA), outlook stable
- S&P: BBB+, outlook negative

\*interest-bearing debt excludes net forward/swap receivable of Bt644mn

# Lifted up 4G capacity and coverage

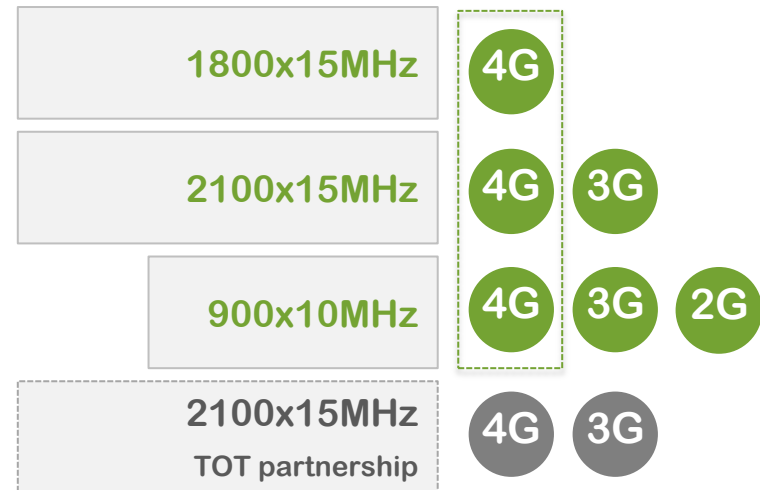
## 4G network expansion

('000 base stations)



- **21.2k 4G base stations** after first launch in Jan-16 while strengthening 3G capacity.
- **Achieved 65% 4G network coverage**, aligned with the 80% target for FY16

## Improved network capacity with Carrier Aggregation (CA)



- Increased additional bandwidth to enhance network competitiveness:
  - Jul-16: secured 900MHz spectrum license
  - Sep-16: entered into commercial trial agreement on 2100MHz spectrum with TOT
- With additional bandwidth, we **deployed 2CA/3CA in some key areas. This allows better speed and network utilization.**

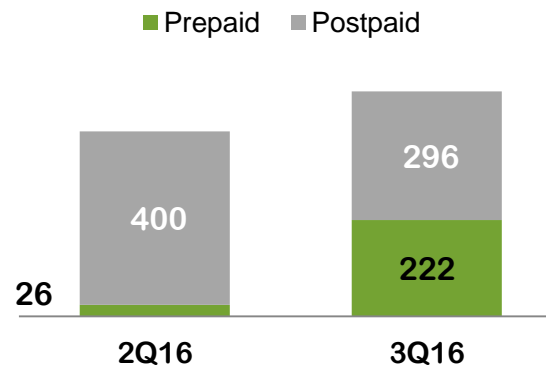
# Handset Subsidy shifted to acquisition in postpaid segment



- Handset migration campaign has been scaled down after 2G service can be continued but remained to protect market share.
- Handset subsidy focuses on smartphone for postpaid segment with potential revenue quality.
- Attractive discount or free phones with contracted price plan are offered.

- Costs are reflected in higher marketing expenses and more negative handset margin.
- Effectiveness of campaigns is reflected in higher prepaid net add and continued postpaid net add.

## Net additions ('000 subs)



# Exclusive contents on AIS PLAY & AIS PLAYBOX

- After first launch in Jan-16, we registered 1.2mn active users on AIS PLAY, and 172k active users on AIS PLAYBOX, supported by exclusive contents.
- Building user base through partnership models, offering both live and on-demand exclusive contents on AIS PLAY (mobile platform) and AIS PLAYBOX (home entertainment).

## Exclusive contents



## Multi platforms

### Mobile



### Fixed broadband



# Fixed broadband

## Continue to scale up business & coverage expansion

Cover **3mn** homepass  
in **28** provinces

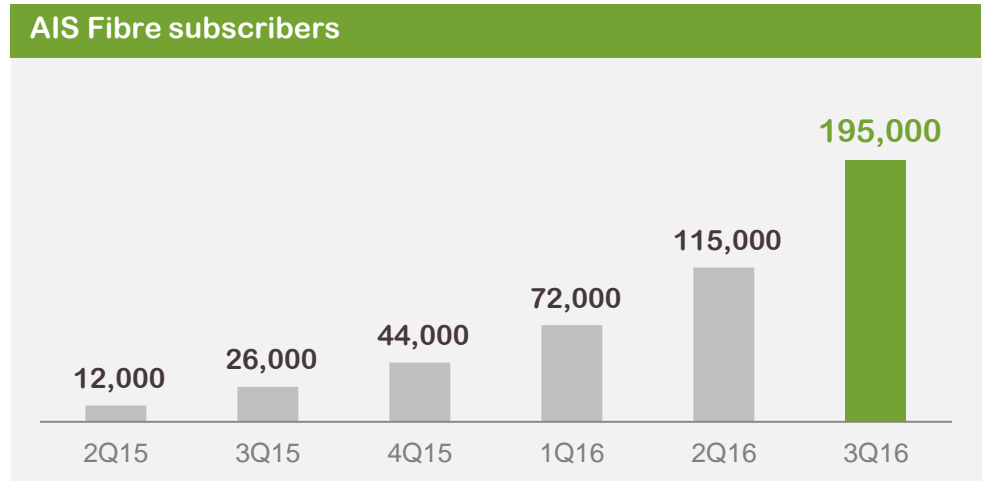
- More than **4** times faster sub acquisition run rate per month when compared to last year
- Aim for full coverage in Bangkok by year end, with more homepass

### Power Home package

Higher speed at same price point



Partnering with M.K. Real Estate Development to offer one-year AIS Fibre service to customers



Max speed (download/upload) Monthly package	20/7 Mbps No PLAYBOX	20/7 Mbps	50/10 Mbps
<b>New customers</b>	Bt590	Bt750	Bt888
<b>AIS postpaid subscribers get 10% discount</b>	<b>Bt531</b>	<b>Bt675</b>	<b>Bt799</b>
<b>Special for Serenade customers</b>	-	-	<b>Bt699</b>

# FY16 Guidance



	9M16-Actual	2016 (Maintained)
Service revenue (ex IC)	+0.2% YoY	Slightly increase
Handset sales	-19% YoY	Decline
Handset margin	-4.6%	Negative margin
EBITDA margin	41.2%	38-39%
CAPEX	Bt37bn	Bt40bn
Dividend	N/A	100% payout ratio

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