

# Investor Presentation

Advanced Info Service Plc.

February 2017

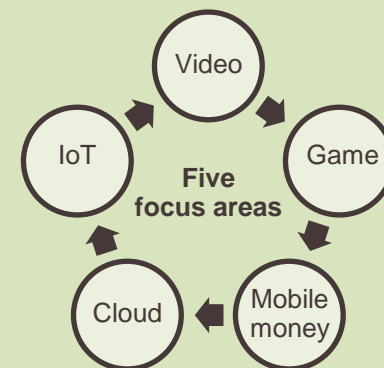
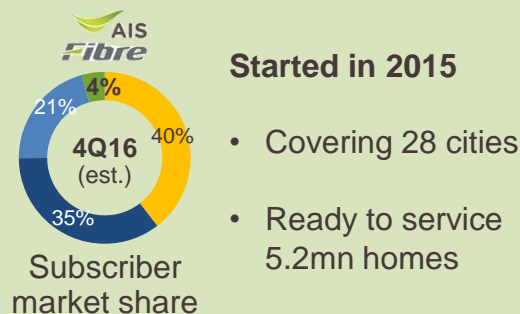
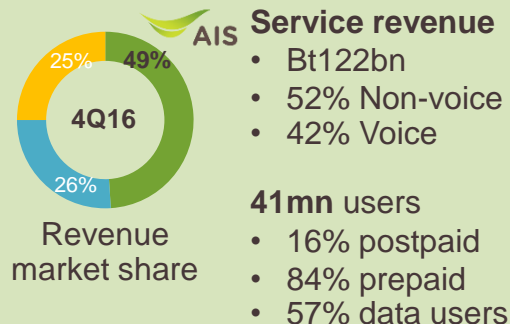
# AIS: Digital Life Service Provider



Continue leading in  
“**Mobile**”

Expand strongly into  
“**Fixed broadband**”

Partner to offer differentiated  
“**Digital service**”



## Strength

- Nationwide 4G/3G/2G coverage with focus on network quality
- Strong customer service and distribution channel

## Target

- Mark leadership in mobile data
- Maintain competitiveness and cost efficiency

## Strength

- Leverage nationwide fibre to offer “FTTx”
- Reached 35k subs/month acquisition rate or 40% of current industry net addition
- Contributed 1.2% of revenue in 4Q16

## Target

- To become significant player in three years

## Strength

- Emphasize partnership & ecosystem
- Leverage the large sub base and telecom infrastructure

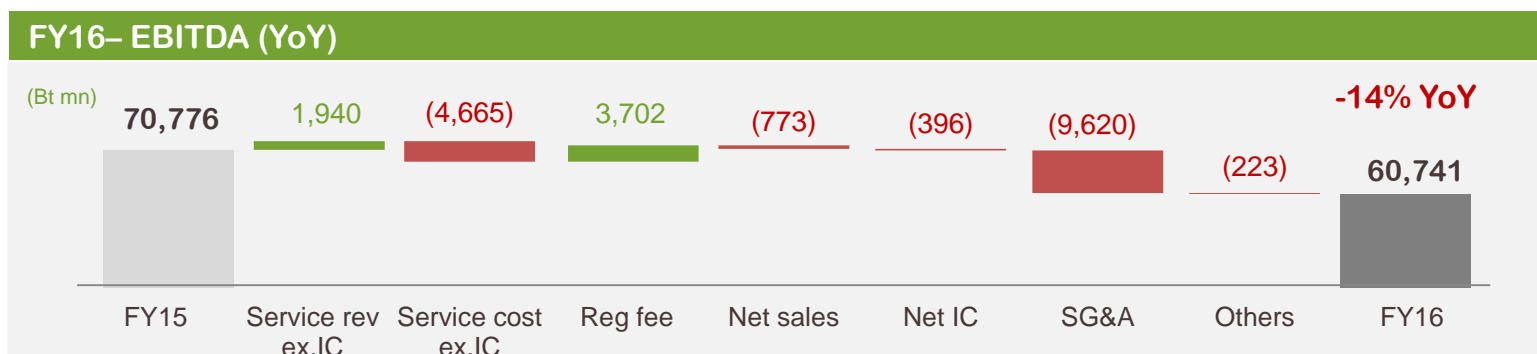
## Target

- To pursue long-term growth with integrated services

**EBITDA margin: 40%**  
**Net debt to EBITDA: 1.38x**  
**Dividend: minimum 70%**

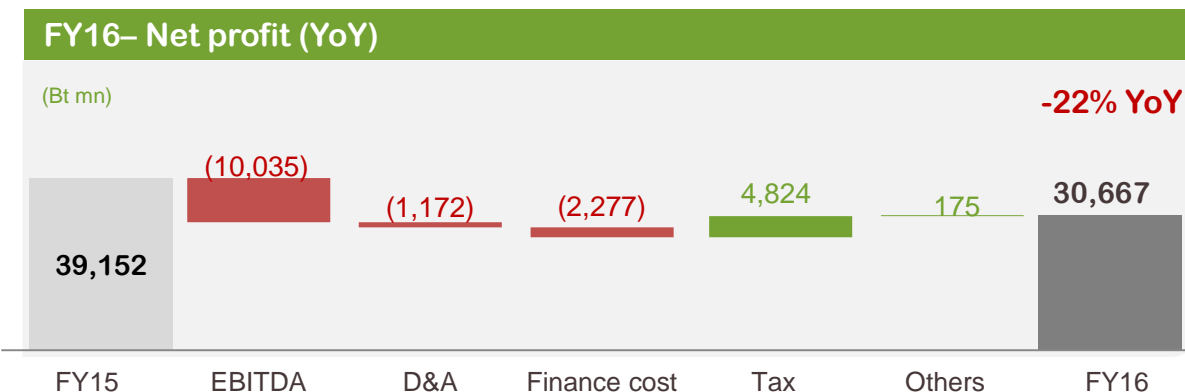
**Investment Highlights**

# FY16 Recap



## Key summary

- Service revenue ex. IC improved 1.6% YoY from growth in mobile data usage and fixed broadband business.
- The transition to the licensing base continued to result in lower regulatory fee, increased amortization of new licenses, network depreciation, and cost of partnership with TOT to utilize 2100MHz spectrum, towers, and network facilities.
- Intense competition and protecting 2G base pressured handset margin and marketing expenses.

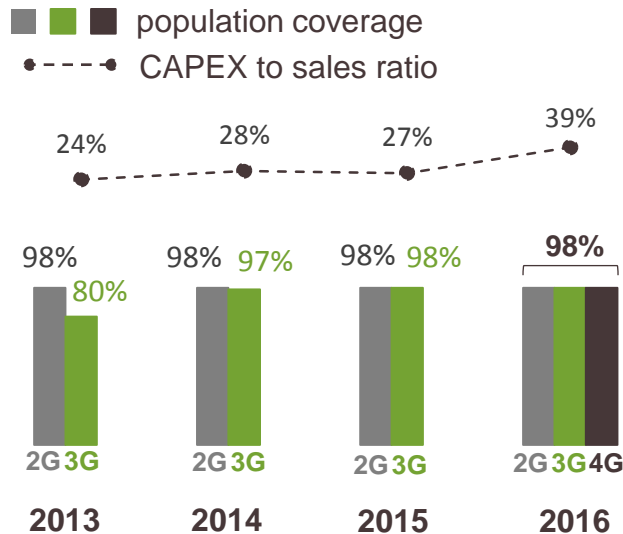


- Overall, the continued investment and new spectrum licenses caused higher D&A and finance cost.
- However, lower earnings and government tax incentive resulted in lower income tax.

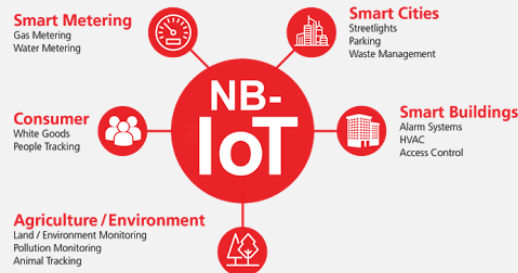
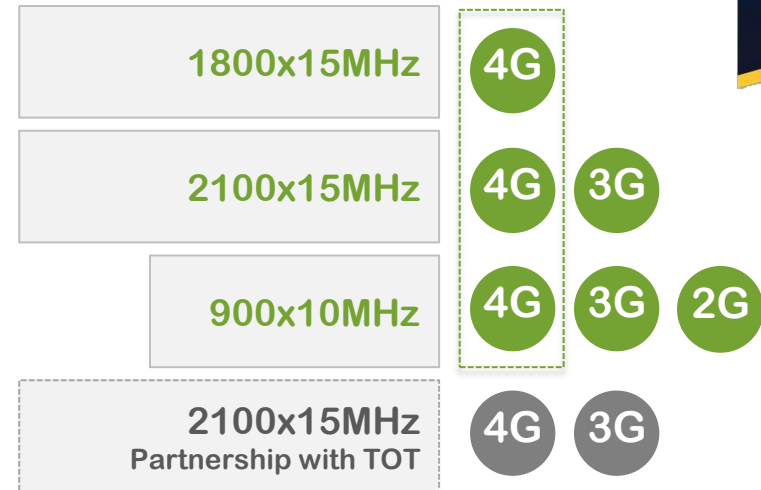
# Mobile: mark leadership in mobile data network



## Investment focus on 4G



## Efficiently utilize spectrum



## Stay advanced in technology and maximize existing capacity

- Established the Joint Innovation Center with Huawei to create new network solutions
- Examples of success: 6-sector sites, MIMO 32T32R, NB-IoT

# Mobile: increase smartphone adoption through attractive offerings

## 4G & 3G subscribers

- Focus on high-value segments
- Launch competitive pricing with affordable smartphones



Renowned AIS  
house-brand handset

Package	Offering
Postpaid	
i-Entertain NON-STOP	Bt499, 11GB, FUP
MAX SPEED	Bt488, 13GB
Prepaid	
512 unlimited	Bt128/week, unlimited data @ 512kbps

## 2G subscribers

- Continue to migrate the high-ARPU among **4.7mn** 2G users through targeted subsidy

### Feature phone

Top up Bt100

Free voice call  
Bt500



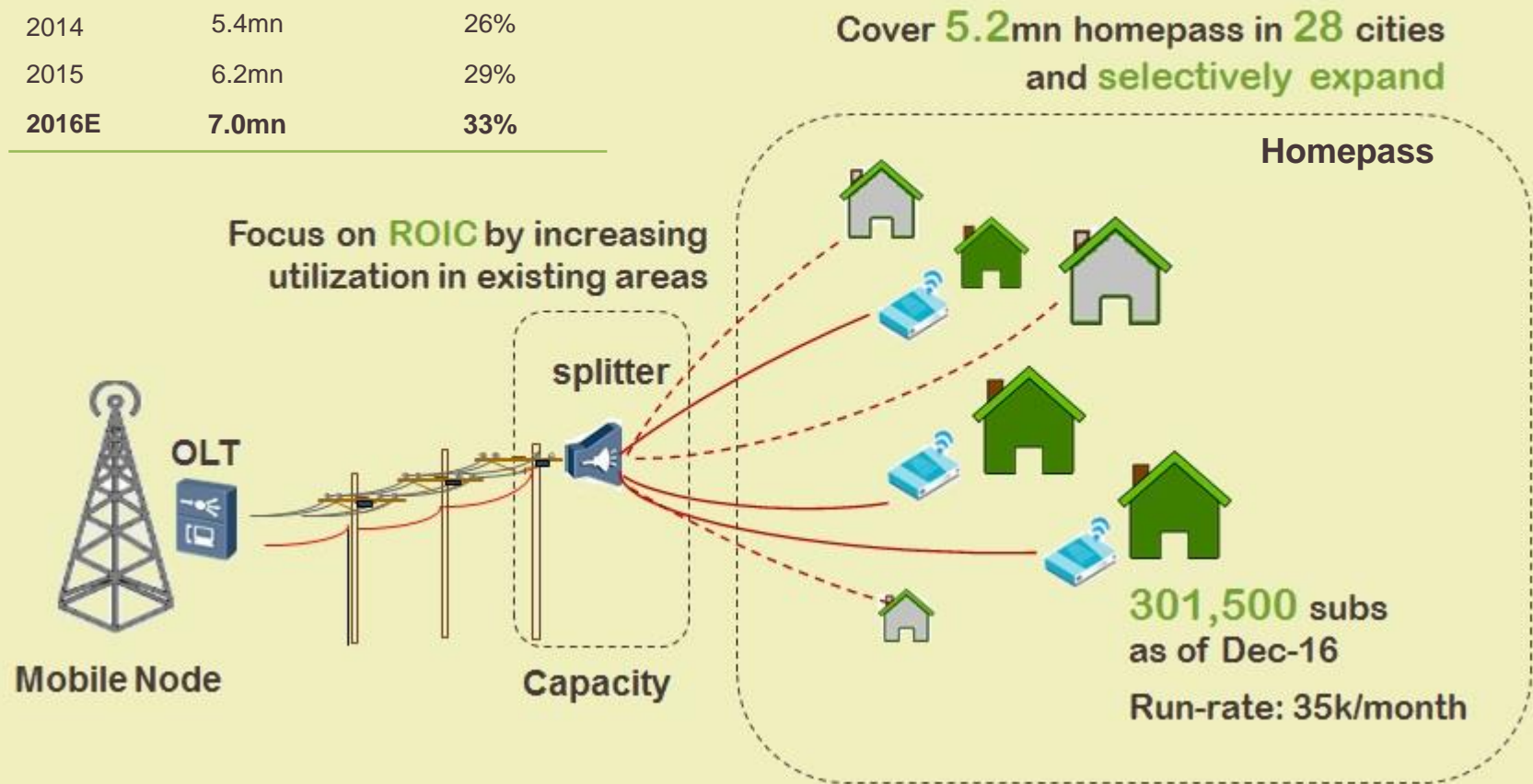
### Smartphone

Top up Bt900

Free voice call  
Bt4,500

# FBB: increase existing utilization with selective expansion

	Fixed broadband market size	Household penetration
2013	4.9mn	24%
2014	5.4mn	26%
2015	6.2mn	29%
2016E	7.0mn	33%



# FBF: differentiated product with competitive pricing



## Broadband Internet Value Package

Max Internet Speed (Download)	Standard Price (Baht/Month)	AIS Customer Get 10% discount (Baht/Month)
30 Mbps	590	531
<b>NEW 75 Mbps</b>	890	801

## Broadband Internet with AIS PLAYBOX

Max Internet Speed (Download)	Standard Price (Baht/Month)	AIS Customer Get 10% discount (Baht/Month)	AIS Serenade Customer	HOOQ
50 Mbps	888	799	699	Free 12 months (1,428 Baht)
100 Mbps	1,100	990	899	

- Offer competitive entry-level “Fibre” packs to attract ADSL users.
- Promote high-end package subscription at better value for money, with up to **100/10Mbps at Bt990** with AIS PLAYBOX and free HOOQ for 12 months



Leverage existing channels and build new ones



AIS shop+  
Telewiz



Web+  
Call center



Authorized  
dealers



Direct  
sales

# Digital service: exclusivity in video contents



**Multiple  
platforms**

**Mobile platform**  
small screen to large screen



**Fixed platform**  
High-speed internet



**Exclusive  
contents**

**Success in 2016**



**More exclusivity in 2017**












**Potential cross-selling through bundling services**



# Digital service: expand into Enterprise Cloud with global partners



 Managed Service	<ul style="list-style-type: none"><li>• IT services</li><li>• Service &amp; Monitoring</li><li>• IT consulting</li></ul>
 SaaS	<ul style="list-style-type: none"><li>• Cloud storage</li><li>• Security</li><li>• Productivity</li></ul>   Check Point SOFTWARE TECHNOLOGIES LTD. 
 IaaS	<ul style="list-style-type: none"><li>• Enterprise cloud</li><li>• Integrated backup service</li></ul>  
 Data Center	<b>AIS-Owned World Class Data Center</b> Carrier Graded Tier 4 with ISO 27001 Certification at 2 Locations
 Network	<b>AIS Enterprise Data Network</b>

 Microsoft



**Strategic Partnership** to bring  
Global Cloud to Local

**Collaborations in**

- Network Partnership
- Cloud Solution Provider
- Integrated Billing

# FY17 Guidance



2017

**Service revenue (ex IC)**

+4-5% YoY

- Improved network quality and increased smartphone adoption

**Handset sales**

Increase with  
near-zero margin

- Support by higher smartphone adoption
- Continue migration of 2G users through targeted handset subsidies

**EBITDA margin**

42-44%

- Improved revenue and cost management offset by full-year payments for TOT partnership

**CAPEX**

Bt40-45bn

- Strengthen 4G capacity with 2CA and 3CA expansion
- Selective expansion for fixed-broadband business

**Dividend policy**

Minimum 70%  
payout ratio

- Preserve financial health and flexibility for future growth

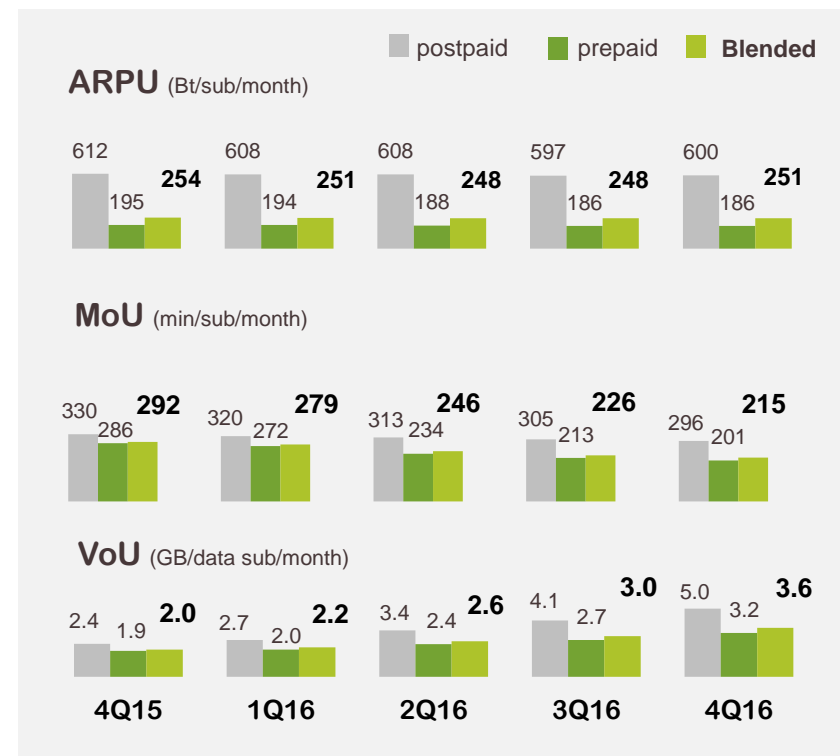
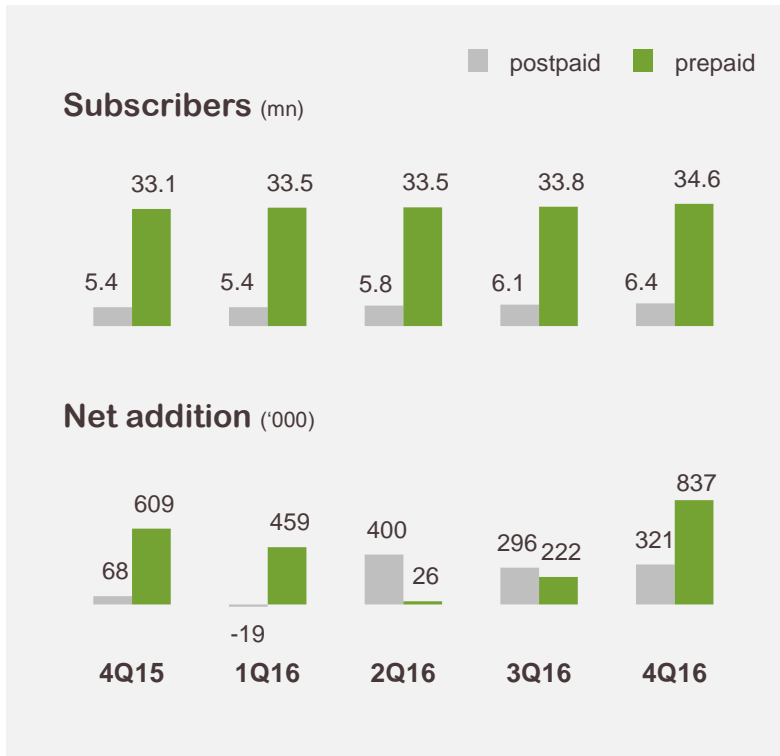
# APPENDIX

# FY16 Financial Highlights



Bt mn	4Q15	3Q16	4Q16	% YoY	% QoQ	FY15	FY16	%YoY	FY16 Guidance
Service revenue ex. IC	29,887	30,626	31,617	▲5.8%	▲3.2%	120,621	122,561	▲1.6%	Slightly increase
Sales revenue	8,422	5,064	8,315	▼1.3%	▲64%	27,798	23,924	▼14%	Decline
Total revenue ex. Construction	39,784	37,096	41,319	▲3.9%	▲11%	155,213	152,150	▼2.0%	N/A
Cost of service ex. IC	(10,578)	(13,537)	(15,155)	▲43%	▲12%	(50,624)	(52,694)	▲4.1%	N/A
SG&A	(5,643)	(7,260)	(7,961)	▲41%	▲9.6%	(20,091)	(29,776)	▲48%	N/A
NPAT	10,791	6,529	6,468	▼40%	▼0.9%	39,152	30,667	▼22%	N/A
EBITDA	17,204	15,257	15,058	▼12%	▼1.3%	70,776	60,741	▼14%	N/A
Normalized EBITDA	17,204	15,257	15,058	▼13%	▼1.3%	70,776	62,949	▼11%	N/A
EBITDA margin	43.2%	41.1%	36.4%	▼680bps	▼470bps	45.6%	39.9%	▼570bps	38-39%
Sales margin	-0.8%	-16.1%	-3.3%	▼250bps	▲1280bps	-0.8%	-4.2%	▼340bps	Negative
Capex	(7,442)	(13,236)	(10,523)	▲41%	▼20%	(32,255)	(47,554)	▲47%	Bt40bn
EPS	3.63	2.20	2.18	▼40%	▼0.9%	13.17	10.31	▼22%	N/A

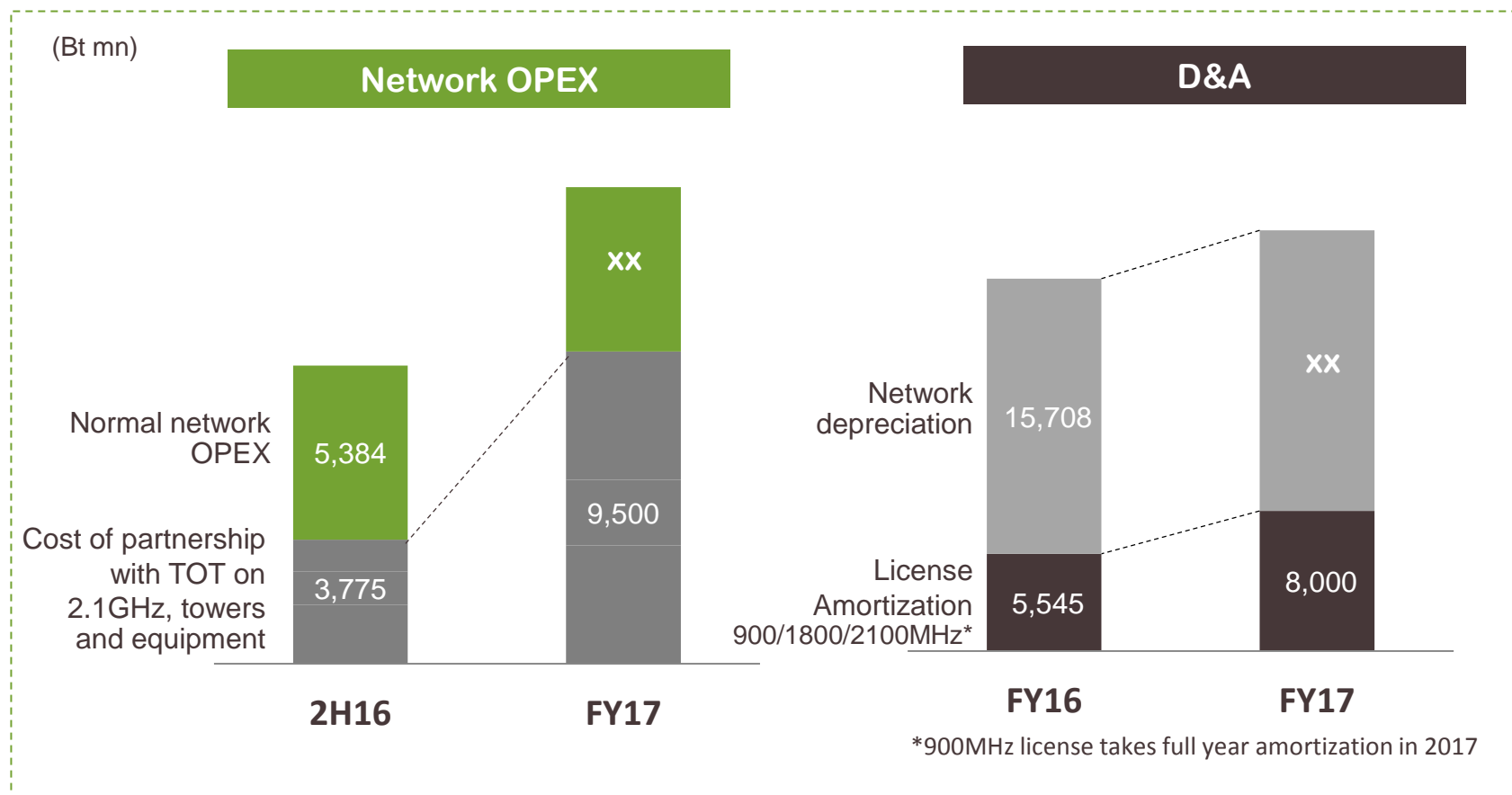
# Strong net add driven by handset campaigns



- AIS recorded **41mn subscribers**, net add from 321k postpaid and 837k prepaid, supported by attractive handset offerings.
- At the end of 2016, postpaid customers expanded to 16% of subscriber base from 14% last year due to natural migration and attractive handset campaigns.

- Blended ARPU** increased QoQ, reaching Bt251 from larger data subscribers. Postpaid ARPU declined from expansion to mid-tier segment while prepaid ARPU declined due to migration of high-tier customers to postpaid.
- Blended VoU** rose to 3.6GB/ data sub/ month from popularity of streaming. **MoU** declined as data cannibalization continues.

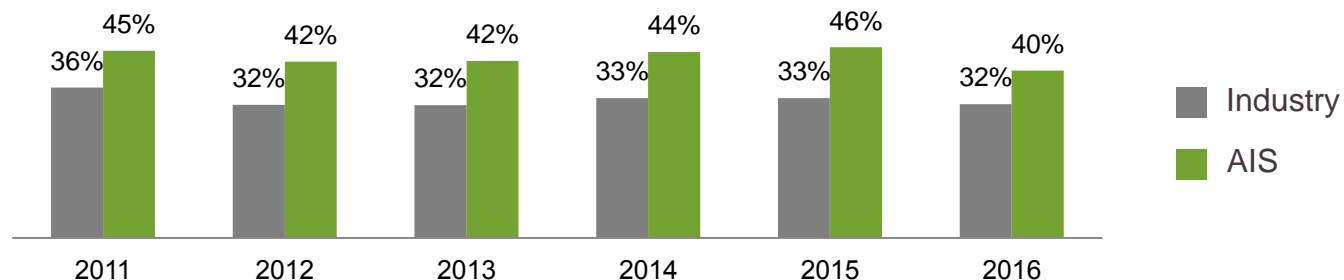
# Breakdown of OPEX and D&A in FY17



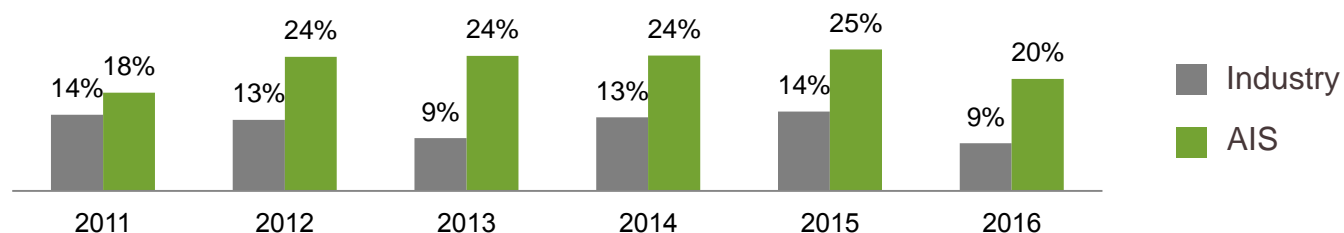
# Historical profitability and CAPEX trend



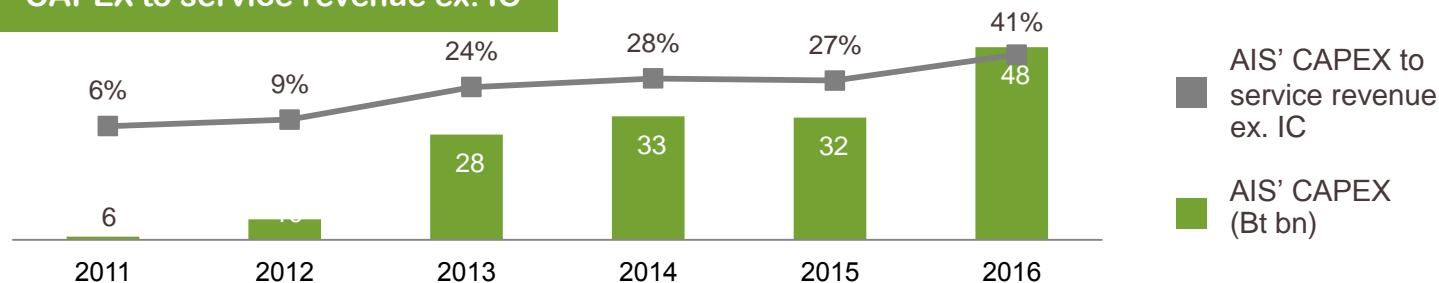
## EBITDA margin



## NPAT margin



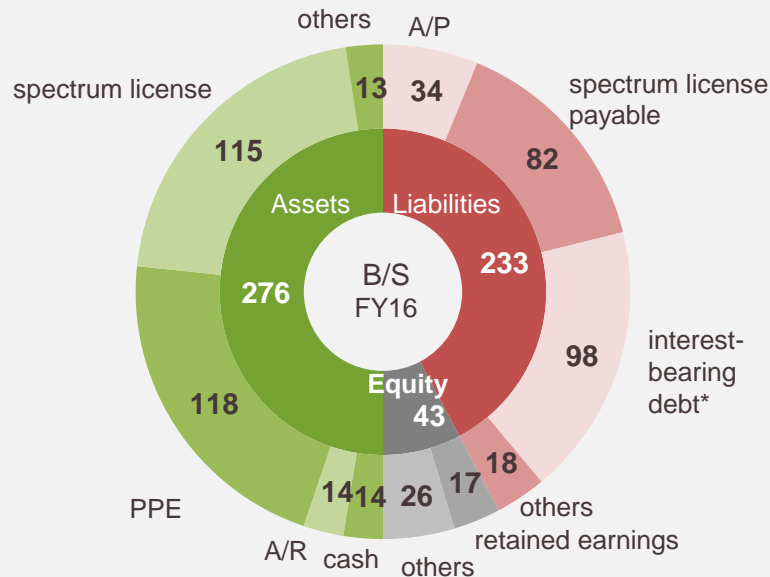
## CAPEX to service revenue ex. IC



# Maintained strong financial position for future growth

## FY16 Balance Sheet

(Bt bn)



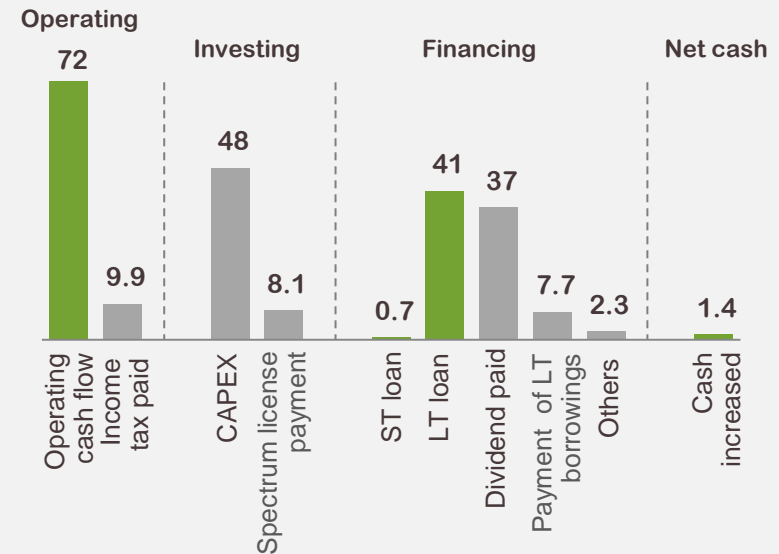
**Net debt to EBITDA = 1.38x**

**Interest bearing debt to Equity = 2.30x**

- Higher leverage from acquiring spectrums and investment to capture long-term growth

## FY16 Cash flow

(Bt bn)



**Free Cash Flow = Bt6bn**

- Support fast 4G roll out and securing 900MHz license to support leading position in mobile market

**Average finance costs = 3.4%**

- Despite an increase in debt, finance costs remained low
- Maintaining 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 Bt814mn

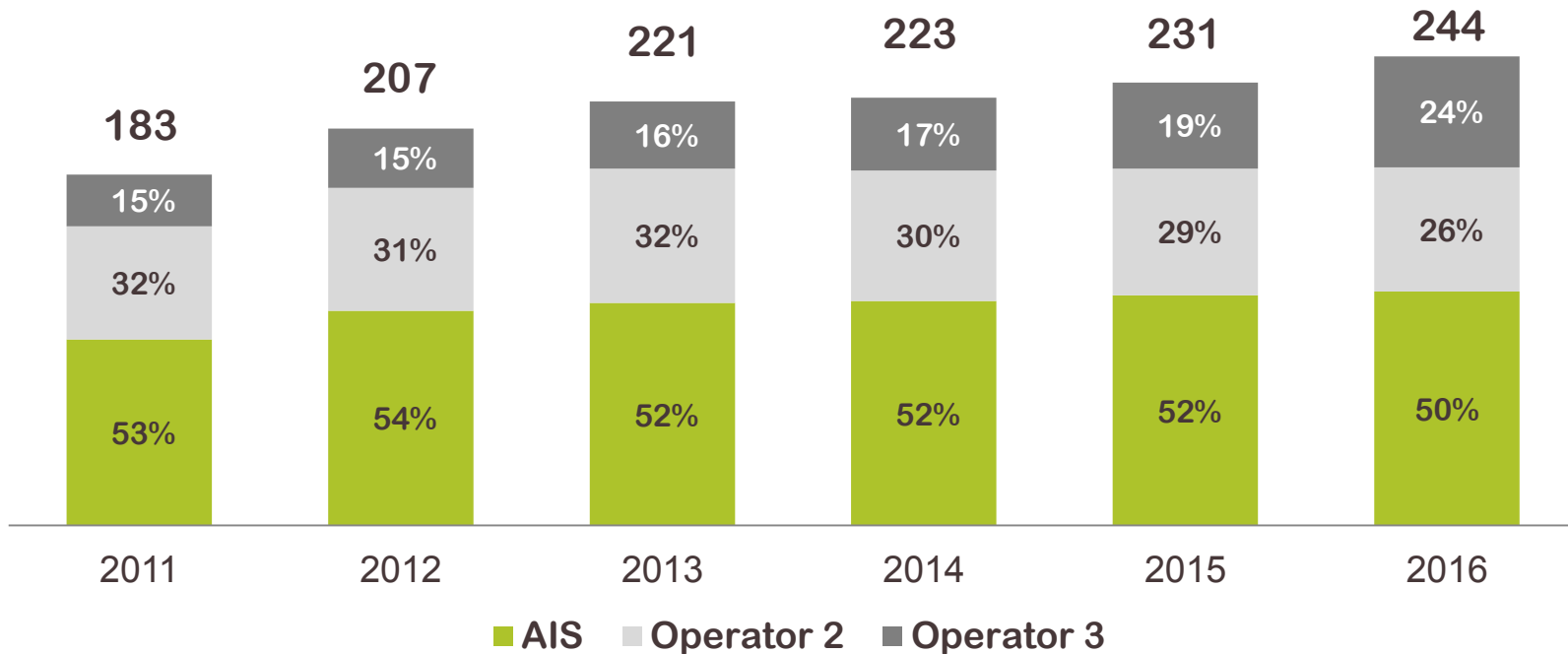


# Mobile market share by revenue



## Service revenue (Bt bn)

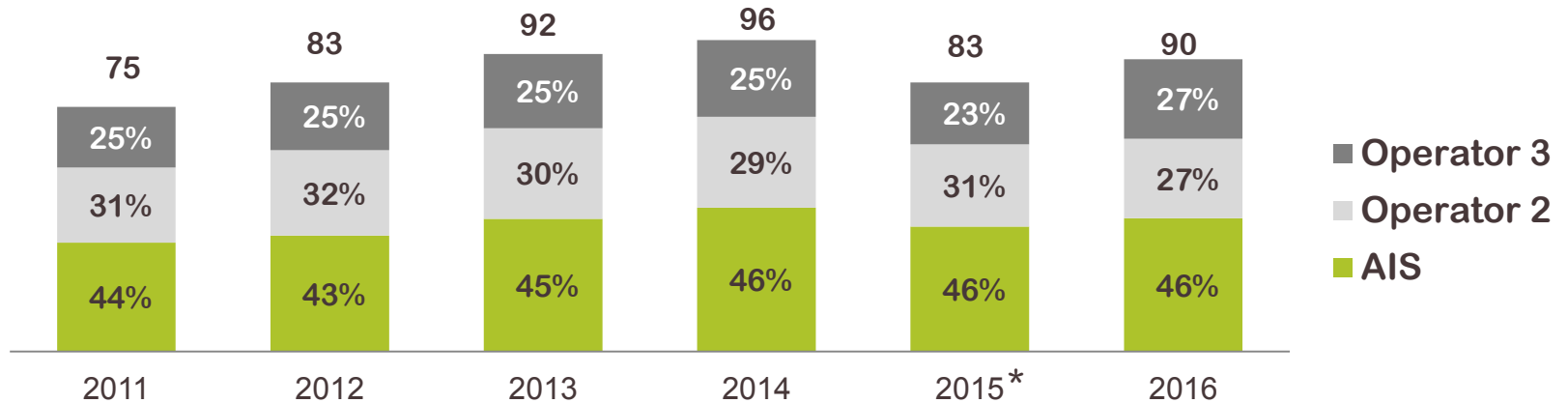
**+6% YoY**  
(against GDP of + 3.2%)



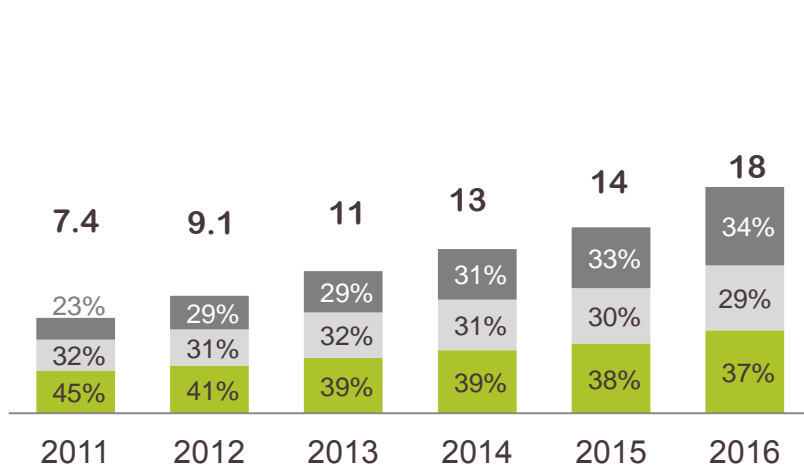
# Mobile market share by subscribers



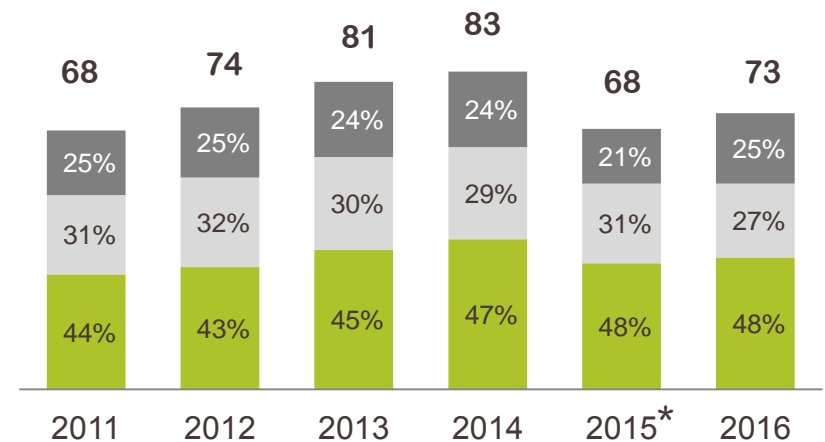
Total subscriber (mn)



Postpaid subscriber (mn)



Prepaid subscriber (mn)



\* In 2015, sub base of the industry was affected by the adjustment of prepaid sub reporting to reflect only active ones. The decrease in sub base also caused by NBTC's announcement requiring prepaid sub to register their SIMs. The SIMs that failed to register by the deadline were terminated.

# Price plan: Gearing toward limited data to better monetize



## Postpaid (limited data)



Monthly fee (baht)	Total GB	4G/3G	4G	Voice call (min)
299	1.5GB	1.5GB	-	100
399	5GB	4GB	1GB	150
488	13GB	8GB	2GB	200
New 588	18GB	12GB	3GB	250
688	23GB	16GB	4GB	300
888	33GB	24GB	6GB	400
1,288	53GB	40GB	10GB	600
1,888	78GB	60GB	15GB	1500

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- Leading the market in limited pricing to suit customer behavior and encourage more data usage to uplift ARPU.
- Best-selling package is Bt488 with 13GB of data.

## Popular prepaid top-ups (limited data)

Mao Mao Max Speed		
Top up (baht)	Data	Duration
9	100MB	24 hr
15	200MB	24hr
19	500MB	24 hr
39	1.5GB	24hr
49	3GB	24 hr

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- After buying a SIM, prepaid customers will do a per-day, per-week top-up at their convenience.

# Distribution Channel: expanding touch points to more than 400k



## AIS Branded Shop

100+ shops



## Exclusive branded shop by partner (Telewiz)

450+ shops



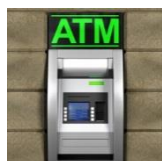
## AIS Buddy

1,000+ shops



## Electronic Distribution Channels

400,000+ points



(refill-on-mobile agent)



Auto top-up KIOSK

## Modern Trade Outlets

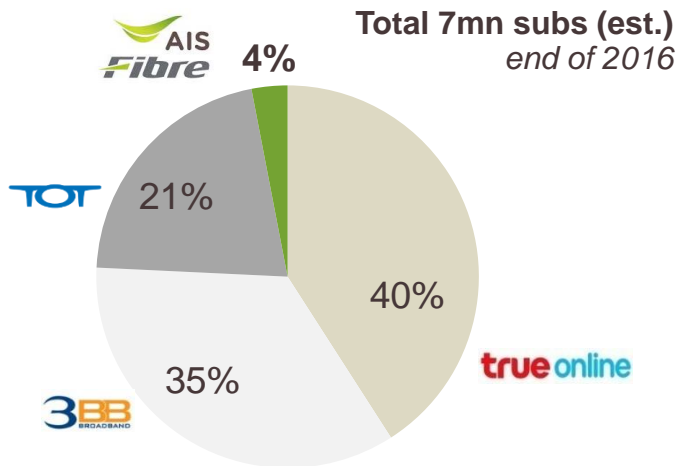
10,000+ shops



# Fixed broadband market



## Subscriber market share



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50 Mbps	888	799	699	Free 12 months (1,428 Baht)
100 Mbps	1,100	990	899	



Tech	DL/UL speed	Price/mth (Bt)	Added service
FTTx	30/5	599	-
FTTx	50/20	799	TV + mobile +home phone
FTTx	100/30	1,099	
FTTx	200/50	1,399	



Tech	DL/UL speed	Price/mth (Bt)	Added service
VDSL	30/5	590	-
VDSL	50/10	700	
FTTx	100/30	900	
FTTx	200/50	1,200	



Tech	DL/UL speed	Price/mth (Bt)	Added service
ADSL	10/1	599	IPTV
FTTx	20/10	700	
FTTx	35/15	990	
FTTx	45/20	1,890	
FTTx	55/25	2,490	



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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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