



# Financial Results 1Q18

Advanced Info Service Plc.

10 May 2018

Ticker: ADVANC (SET)  
AVIFY (ADR)



FTSE4Good<sup>1</sup>

# 1Q18 Executive Summary

- **AIS has executed two strategic deals totalling Bt4.2bn of cash transactions in 1Q18** as part of strategic aim to expand digital services. These include 1) acquisition of CSL which will provide synergy to strongly penetrate the enterprise market and 2) JV investment in the Rabbit LINE Pay, aiming at expanding mobile money to both AIS and non-AIS customers.
- In 1Q18, AIS has signed roaming and equipment agreements with TOT and started to consolidate revenue from CSL. Following that, service revenue rose 6.5% YoY and 2.5% QoQ. **Excluding IC and equipment rental from TOT, service revenue improved 1.6% QoQ and 5.7% YoY**, against the full year guidance of 7-8%.
  - **Mobile revenue rose 3.1% YoY and 0.5% QoQ** from improved brand perception, expanded postpaid segment, increased VoU (7.6GB) and 4G handset adoption (50%).
  - **AIS Fibre continued to focus on quality subscribers in the current 50 cities coverage.** The revenue improved 85% YoY and 6% QoQ. In 1Q18, AIS Fibre recorded 572k subscribers with improved net addition momentum.
- **In 1Q18, EBITDA rose to Bt18,905mn, with 46.2% reported margin**, and increased 9% YoY from improved revenue, controlled handset subsidies, and lower regulatory fee while increased 2.4% QoQ underpinned by revenue and lower marketing expense. **Excluding impact from new accounting treatment on TOT partnership, EBITDA margin was 46.9%**, align with the full year guidance of 45-47%.
- **Net profit** improved to Bt8,073mn, increasing 4.5% YoY and 4.4% QoQ, despite higher D&A from network investment while CAPEX was well-controlled at Bt6.5bn. **FY18 guidance is maintained.**

# 1Q18 Financial Highlights



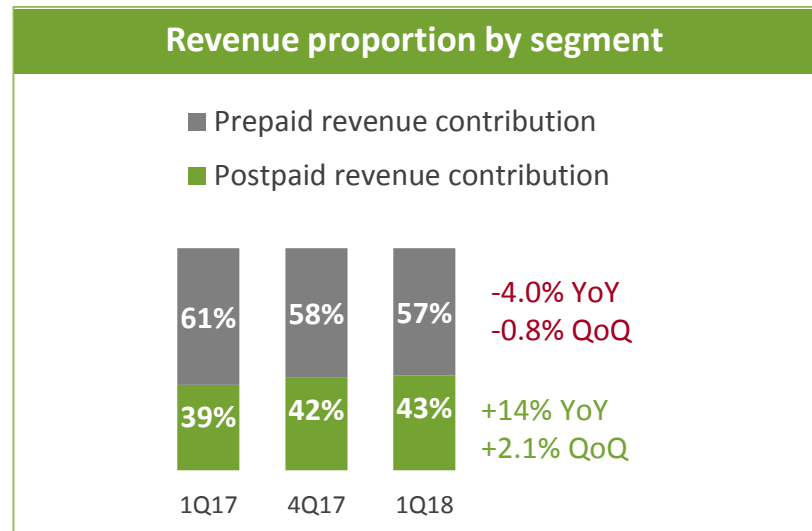
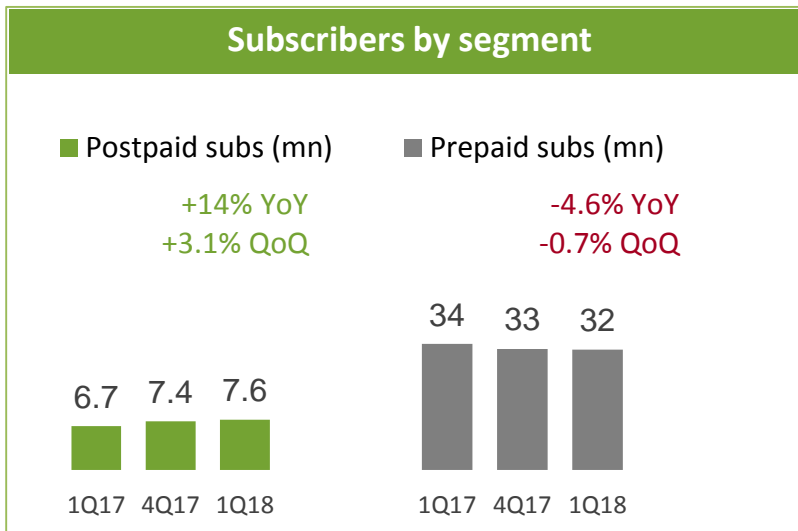
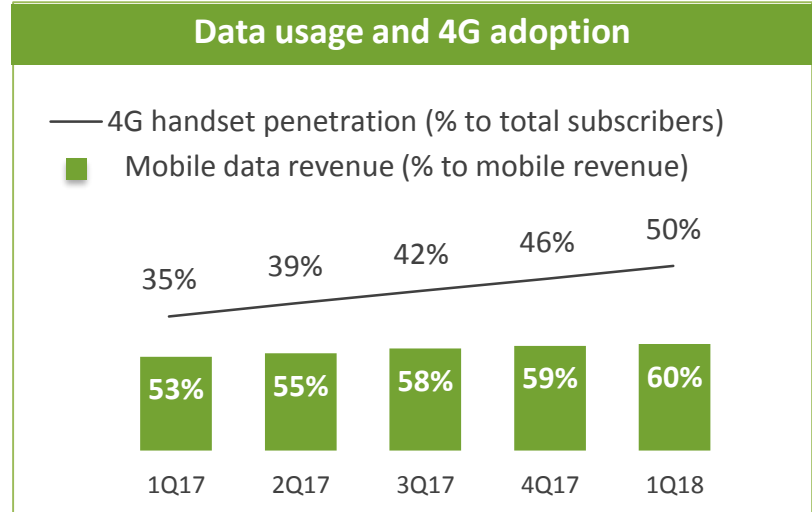
Bt mn	1Q17	4Q17	1Q18	%YoY	%QoQ	FY18 Guidance
Mobile revenue	30,226	31,016	31,172	▲3.1%	▲0.5%	
Fixed broadband revenue	549	956	1,013	▲85%	▲6.0%	
Other revenues*	589	639	962	▲63%	▲51%	
<b>Service revenue ex. IC &amp; equipment rental</b>	<b>31,364</b>	<b>32,611</b>	<b>33,147</b>	▲5.7%	▲1.6%	+7-8% YoY
IC and equipment rental	1,087	1,107	1,418	▲31%	▲28%	
<b>Service revenue</b>	<b>32,451</b>	<b>33,717</b>	<b>34,565</b>	▲6.5%	▲2.5%	
SIM and device sales	6,407	7,488	6,368	▼0.6%	▼15%	decline
<b>Total revenue</b>	<b>38,858</b>	<b>41,205</b>	<b>40,933</b>	▲5.3%	▼0.7%	
Cost of service	(16,256)	(17,018)	(17,281)	▲6.3%	▲1.5%	
SG&A	(5,439)	(6,338)	(6,336)	▲17%	stable	
<b>EBITDA</b>	<b>17,347</b>	<b>18,454</b>	<b>18,905</b>	▲9.0%	▲2.4%	
EBIT	10,430	10,290	10,826	▲3.8%	▲5.2%	
<b>NPAT</b>	<b>7,693</b>	<b>7,701</b>	<b>8,037</b>	▲4.5%	▲4.4%	
Capex	(11,509)	(7,286)	(6,467)	▼44%	▼11%	Bt35-38bn
Sales margin	-6.7%	-0.6%	-1.1%	▲560bps	▼50bps	near-zero
EBITDA margin	44.6%	44.8%	46.2%	▲160bps	▲140bps	45-47%
EBIT margin	26.8%	25.0%	26.4%	▼40bps	▲140bps	
NPAT margin	19.8%	18.7%	19.6%	▼20bps	▲90bps	

\*Other revenues include enterprise data services, including CSL and other revenues

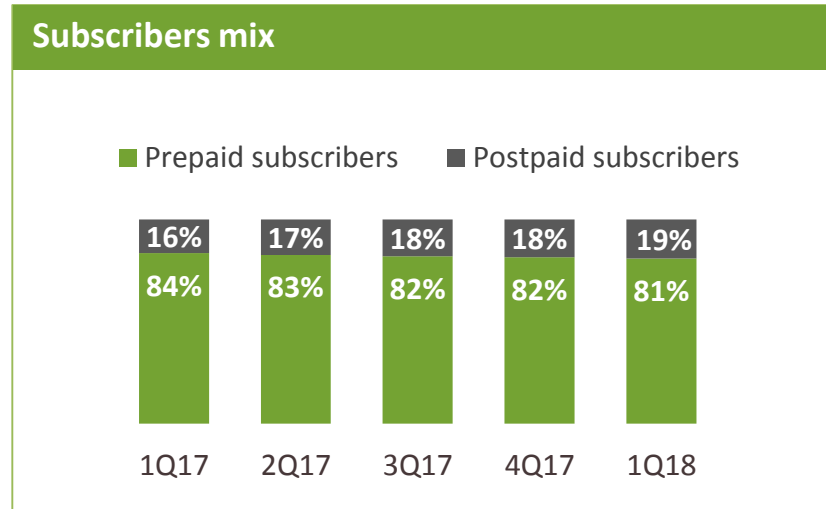
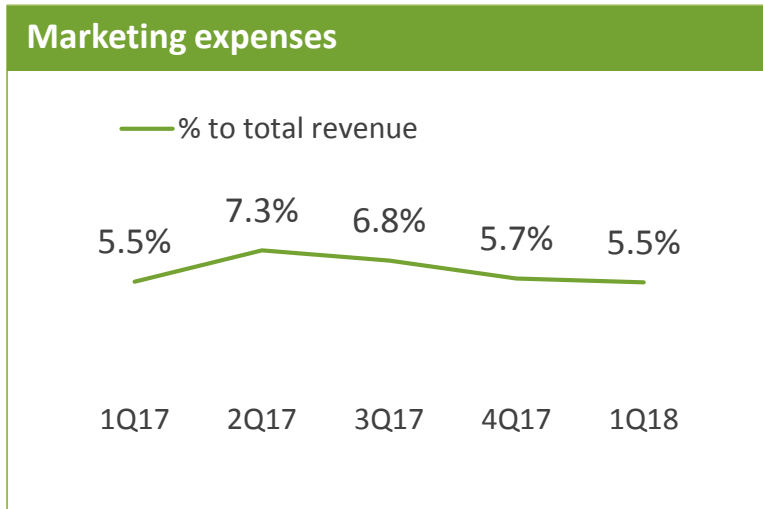
# Mobile revenue improved from demand for data and postpaid segment



- **Mobile revenue improved 3.1% YoY and 0.5% QoQ**, underpinned by increased demand for data, 4G adoption and expanded postpaid segment, despite softer prepaid net addition.
- **In 1Q18, postpaid revenue grew double digits** and contributed 43% by segment.



# Mobile Market competition remained challenging



Mobile market has been competitive with handset subsidies since the end of FY17.

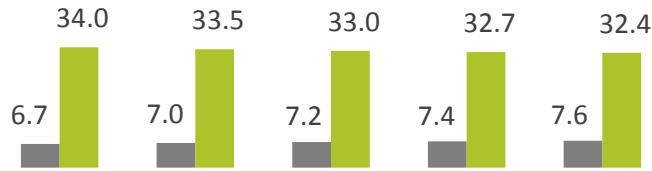
- **Postpaid segment** was the key focus for handset bundled offerings e.g. Hot Deal to migrate customers from prepaid, retain/acquire quality customers, resulting in expanded postpaid subscriber base.
- **Campaigns for prepaid** were more localized, targeting selective areas.

Model	From Price	Down to Price
SAMSUNG Galaxy S9+ 256 GB	37,900.-	27,900.-
HUAWEI Y9	6,990.-	4,990.-
VIVO V9	10,999.-	7,999.-
SAMSUNG Galaxy J7 Prime	6,490.-	3,490.-

# Mobile: 40.1m subs with expanding postpaid segment

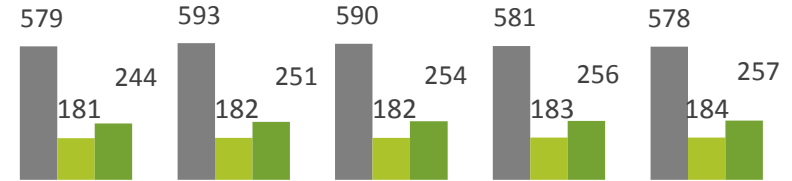
Subscribers (mn)

■ postpaid ■ prepaid

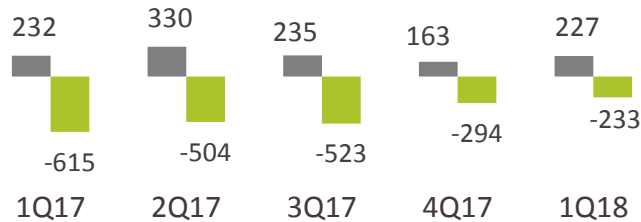


ARPU (Bt/sub/month)

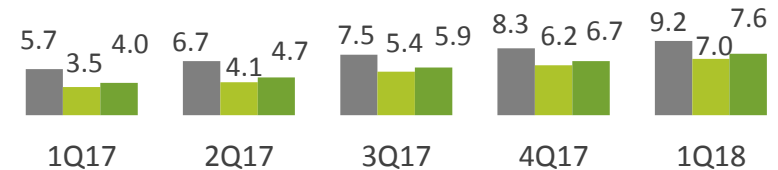
■ postpaid ■ prepaid ■ blended



Net addition ('000)



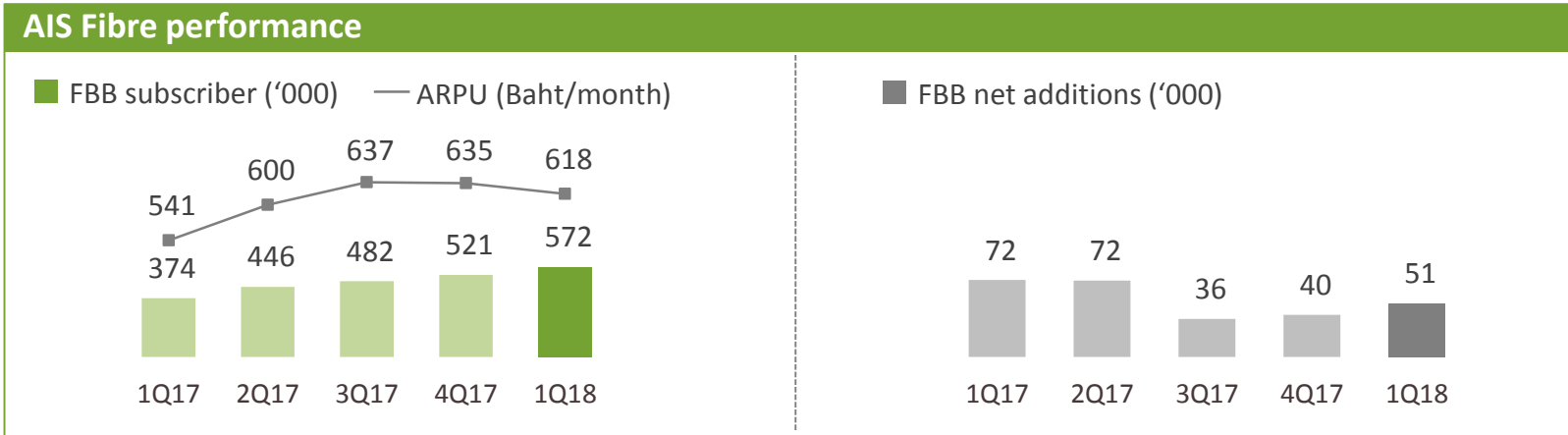
VOU (GB/data sub/month)



- **Mobile subscribers was at 40.1mn**, a slight drop of 5.5k QoQ from lower prepaid users.
- **Postpaid subscribers grew 227k** QoQ from bundled package offerings and migration from prepaid.
- **Prepaid subscribers decreased 233k** QoQ due to migration to postpaid and market competition.

- **Blended ARPU** improved Bt1 QoQ, reaching Bt257 from larger postpaid mix.
- **Blended VOU** increased to 7.6GB from increasing 4G adoption and popularity of video streaming.

# FBB: Continue to focus on quality customers with improved acquisition rate



Join AIS Fibre + up to 4 AIS mobile numbers, get extra privileges for a family

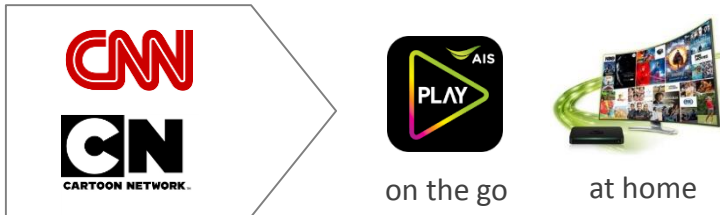
<p><b>Free 2GB</b> Mobile data</p>	<p><b>Free call</b> to 1 AIS number</p>
<p><b>HBO FULL HD</b>     <b>FAMILY FULL HD</b></p> <p>HBO movies &amp; series on mobile + World class cartoons at home</p>	<p>Get <b>privileges for Serenade Emerald</b> and extra meals &amp; movies privileges</p>

- Focus on acquiring quality subscribers through convergence services and **“Family Extra”** package to leverage existing mobile customer base
- Offered more affordable high-speed packages to attract high-end customers while maintained the same price on entry packages
- Improved AIS Fibre performance with +85% YoY and +6% QoQ revenue while subscribers +50,600 to 571,800 amidst competitive environment

# Digital services: add on variety of contents & expand further into digital money segment

## Digital contents

2 new channels including **CNN** and **Cartoon Network**, available on AIS PLAY and PLAYBOX



available on both AIS PLAY and AIS PLAYBOX

Continued to add value and create differentiation through digital contents

### On top packages: Mao Mao Entertain



Korean series



Hollywood movies



Karaoke

Free internet in ViU, Hook, Karaoke apps

Bt19/day  
512Kbps\*

+

or  
Bt34/day for  
UL 4Mbps

\*FUP: speed drop to 64kbps after 300MB

## AIS Rabbit LINE-Pay

- On 5<sup>th</sup> March 2018 ,AIS, through mPAY, has entered into 33.33% stake (Bt788mn) in a joint venture **with Rabbit LINE Pay**, an e-Money platform that connect with Bangkok Mass Transits and is embedded in Line chat application.
- To strengthen AIS' digital life services provider position by leveraging customer bases, platform, channels of AIS and partners to enhance mobile money for both AIS and non-AIS customers



**SERVICE : UTILITY / CREDIT CARD**

MyAIS app & RLP app bill payment : 200 billers



+2.6mn users



+45mn users



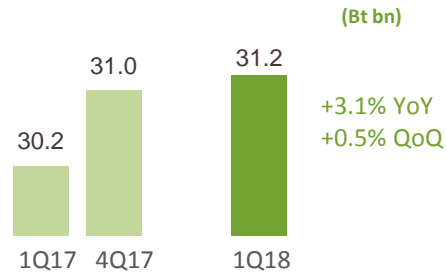
+8.5mn users



# 1Q18 Revenue Breakdown

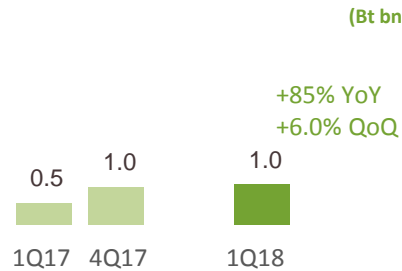


## Mobile revenue



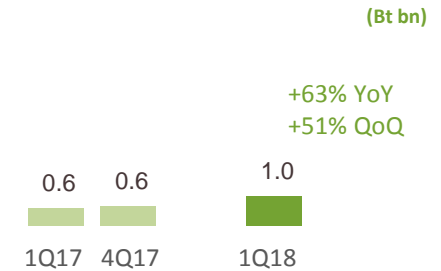
Data usage grew 1.9x YoY to 7.6GB/month from video streaming and increased 4G adoption (50%)

## Fixed broadband revenue



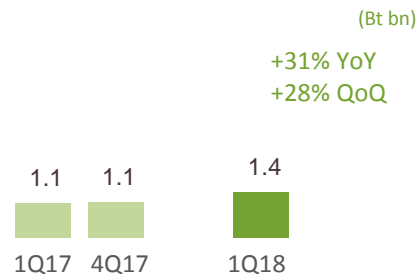
Improved FBB net addition resulting in 572k subscribers in 1Q18, offset by lowered ARPU

## Other revenues



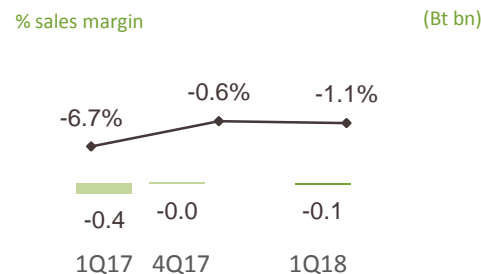
Increased from recognition of revenues from CSL starting from Feb-18

## IC and equipment rental



Mainly increased due to equipment rental from TOT which started to recognize in Mar-18

## Net Sales & margin

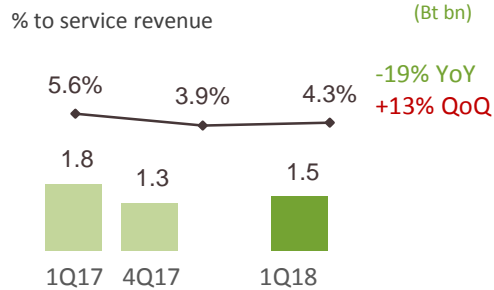


Decreased QoQ from ongoing handset campaigns and lower sales of high end devices

# 1Q18 Cost Breakdown

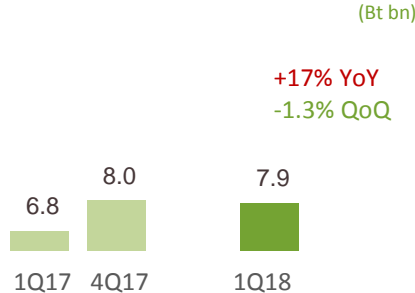


## Regulatory fee



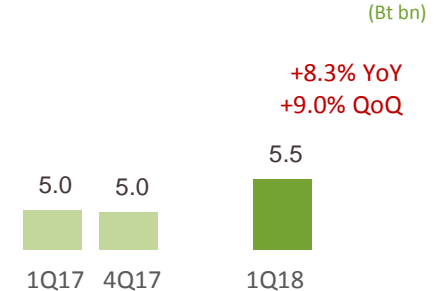
YoY, declined from higher rate USO fee in 1Q17. QoQ, increased from one-time license fee rate adjustment in 4Q17

## D&A



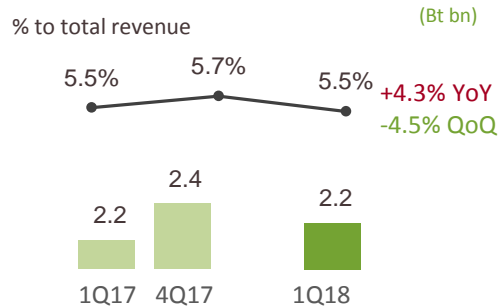
Increased from 4G and fixed broadband network investment

## Network OPEX



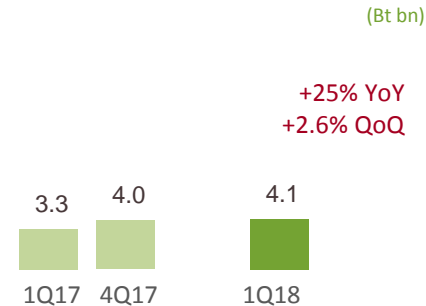
- Increased from change in accounting treatment for TOT partnership to gross basis
- Excluding TOT partnership, network OPEX would decline 5.9% YoY and 4.8% QoQ

## Marketing



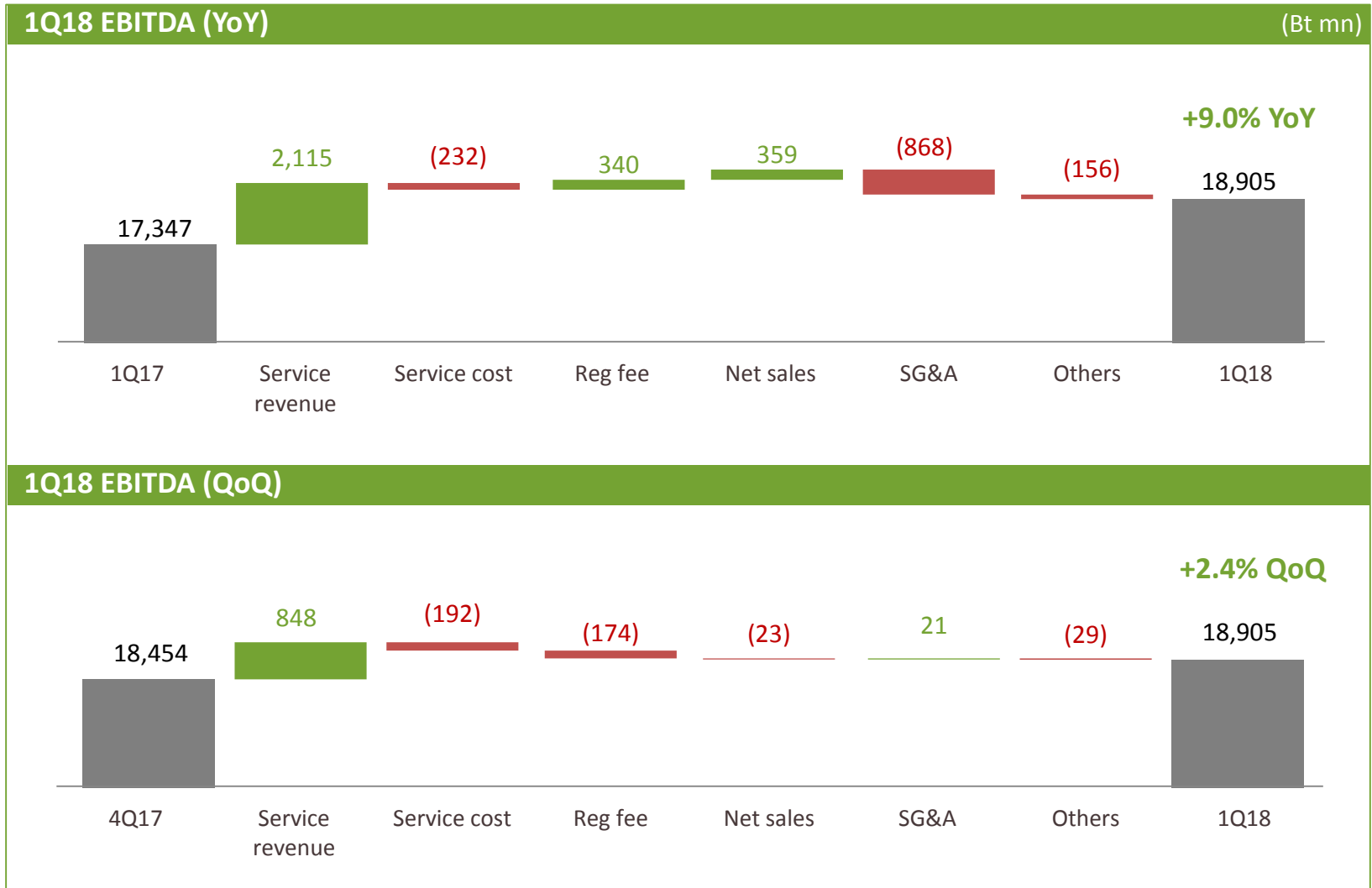
Dropped from targeted handset campaigns

## Administrative & others



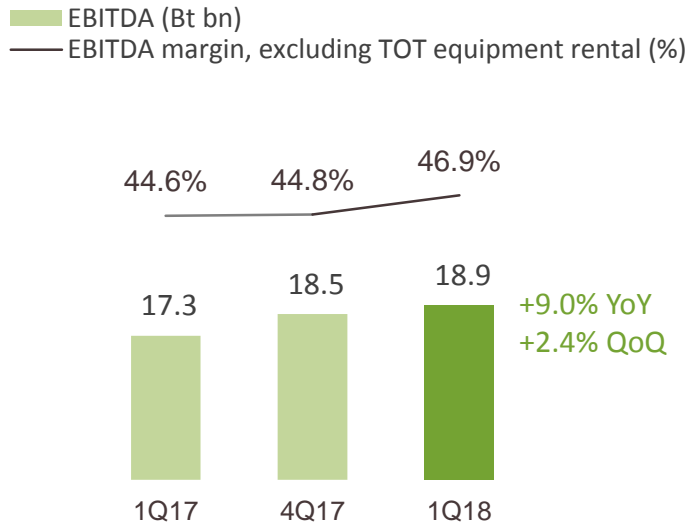
YoY, increased mainly from higher staff cost and one-time reverse of handset provision in 1Q17. QoQ, rose from higher staff cost

# Improved EBITDA from better revenue growth and well-managed costs



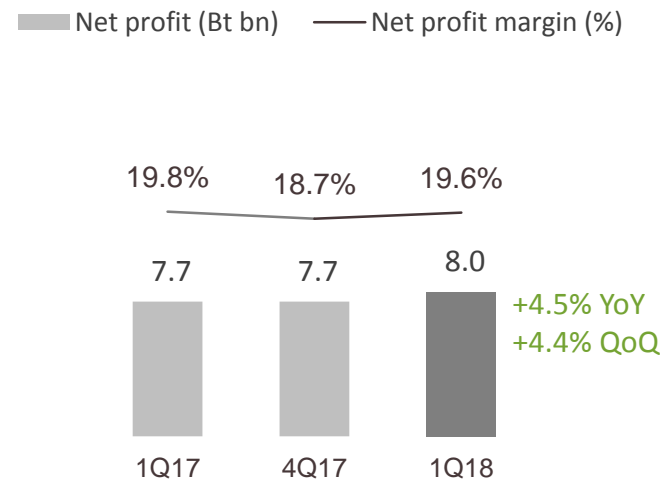
# Net profit rose from strong EBTIDA despite 4G and fixed broadband investment

## EBITDA & margin



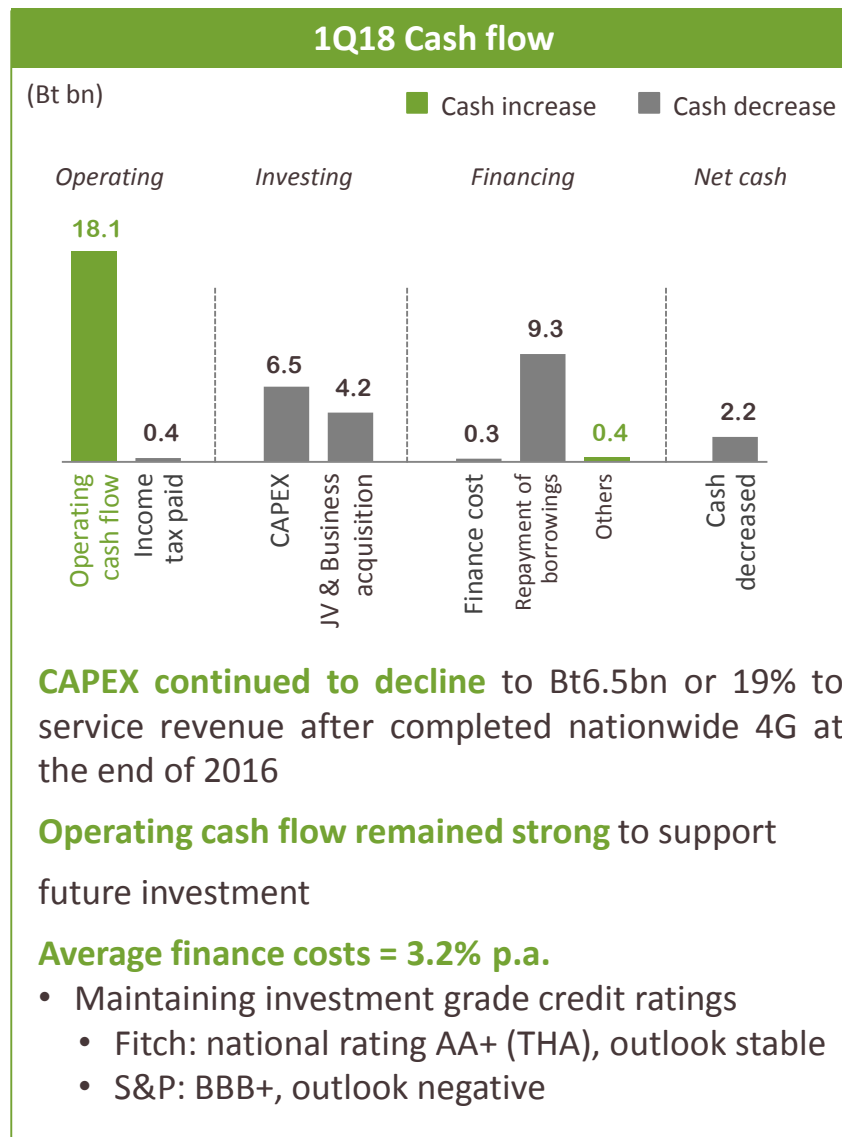
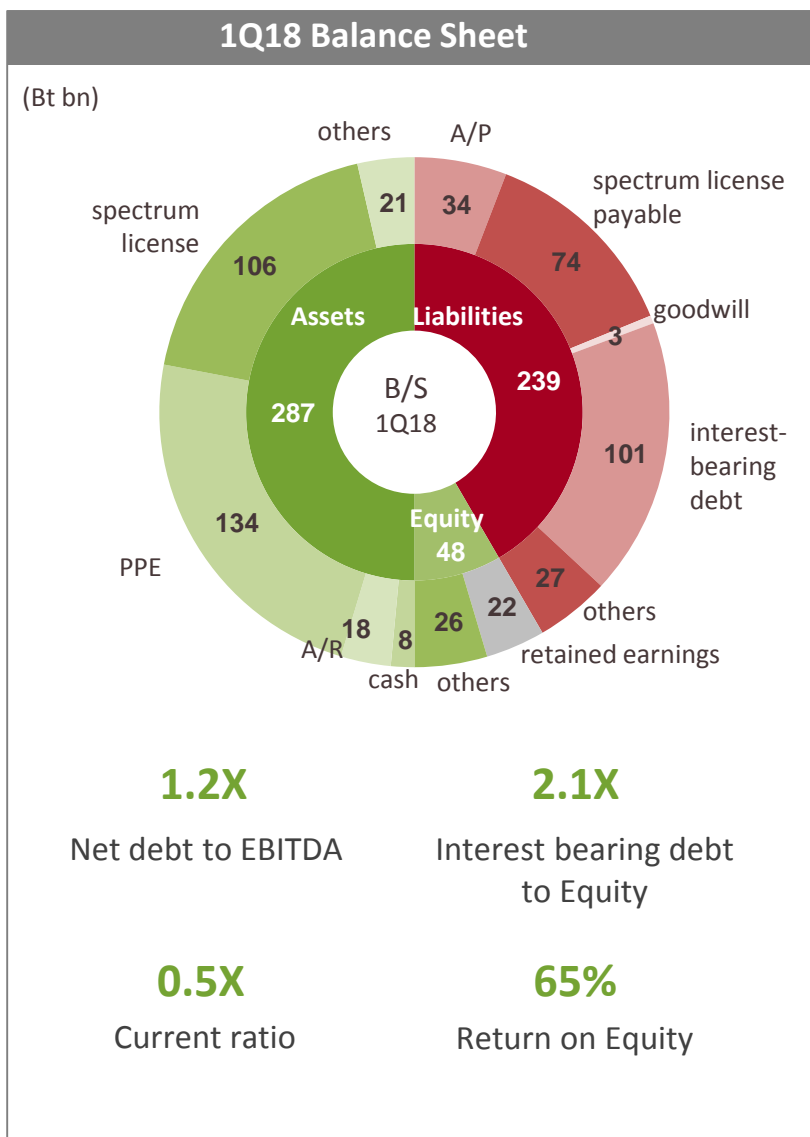
- **1Q18 EBITDA** rose YoY and QoQ, underpinned by decent revenue momentum and ongoing cost optimization program.
- Excluding impact from TOT equipment rental, **EBITDA margin** improved to 46.9% and aligned with the full year guidance of 45-47%.

## Net profit & margin



**1Q18 net profit** grew YoY and QoQ from improved EBITDA despite increased D&A from 4G investment.

# Maintained financial flexibility for future growth



# FY18 Guidance (maintained)

2018		
<b>Service revenue, excluding IC and equipment rental</b>	+7-8% YoY	<ul style="list-style-type: none"> <li>• 2% out of 7-8% growth comes from CSL consolidation</li> <li>• Strong mobile data growth and improved network perception</li> </ul>
<b>Handset sales</b>	Declined with near-zero margin	<ul style="list-style-type: none"> <li>• Expect the market to be more cautious on handset subsidy</li> </ul>
<b>EBITDA margin, excluding equipment rental</b>	45-47%	<ul style="list-style-type: none"> <li>• Improved revenue momentum and cost management</li> </ul>
<b>CAPEX</b>	Bt35-38bn	<ul style="list-style-type: none"> <li>• Strengthen 4G capacity with 2CA and 3CA expansion</li> <li>• Expand last miles fibre network</li> </ul>
<b>Dividend policy</b>	Minimum 70% payout ratio	<ul style="list-style-type: none"> <li>• Preserve financial health and flexibility for future growth</li> </ul>

# Regulatory updates

## NBTC selection pending

- On 24<sup>th</sup> April 2018, the government has executed the “Section 44” to suspend and review the NBTC selection process and ensure qualification of potential candidates.
- According to the Counsel of State, the current NBTC has authority to execute important projects as needed.

## 1800MHz license auction

The NBTC has published the Information Memorandum (IM) of 1800MHz auction in the Royal Gazette on 7-May-18. The key details are as follows:

<b>Number of licenses</b>	3 licenses with 2x15MHz each
<b>Starting price</b>	Bt37,457mn per license
<b>N-1 rule</b>	Applied
<b>Penalty if violating auction rules</b>	Forfeit of Bt1,880mn bid bond and fined not less than Bt5,620mn
<b>Terms of payment</b>	50% within 90 days after auction 25% at end of year two 25% at end of year three
<b>Tentative key dates</b>	Application submission: 15-June Auction date: 4-Aug

## 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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