Financial Results 2Q18

Advanced Info Service Plc.

2 August 2018

Ticker: ADVANC (SET)
AVIFY (ADR)

FTSE4Good

2Q18 Executive Summary

- **In 2Q18, core service revenue was Bt33,464mn, growing 4.1% YoY and 1% QoQ** from mobile postpaid segment, FBB, and full-quarter recognition of CSL.
  - Enhanced brand awareness through "NEXT G" network campaign
  - Handset subsidies remained stable and more targeted; price competition challenged ability to increase ARPU.
- **FBB added 51,600 subscribers, or 9% from previous quarter,** to stand at total 623,400 subscribers.
  - Focused on 50 key cities and upselling via fixed-mobile convergence plan
  - ARPU slightly declined 1.2% QoQ to Bt610 amid higher competition
- **CSL was delisted and will help capture growth in enterprise in medium term.**
  - Successfully bought 98.96% of CSL's shares.
  - Focused on implementing new services i.e. cloud, business solutions, managed service.
- **Cost management resulted in profitability improvement.**
  - Cash cost of service and SG&A stabilized, -4.8% YoY and +2.2% QoQ, from controlled network OPEX and marketing spending.
  - EBITDA and net profit were Bt18,998mn and Bt8,005mn, respectively, both growing 11% YoY and flat QoQ.
- **Revised FY18 guidance on revenue** (see next page) to reflect competitive outlook in 2H18.
- **NBTC announced 900MHz and 1800MHz license auctions** with auction date set on 18-Aug-18 and 19-Aug-18, respectively. (see page 15).

2Q18 & 1H18 Financial Highlights

Bt mn	2Q17	1Q18	2Q18	%YoY	%QoQ	1H18	%YoY
Mobile revenue	30,800	31,172	31,203	▲1.3%	▲0.1%	62,376	▲2.2%
FBB revenue	738	1,013	1,094	▲48%	▲8.0%	2,107	▲64%
Other revenues*	615	962	1,167	▲90%	▲21%	2,129	▲77%
Service revenue ex. IC & equipment rental	**32,153**	**33,147**	**33,464**	**▲4.1%**	**▲1.0%**	**66,612**	**▲4.9%**
IC and equipment rental	1,068	1,418	2,845	▲166%	▲101%	4,263	▲98%
Service revenue	**33,221**	**34,565**	**36,309**	**▲9.3%**	**▲5.0%**	**70,875**	**▲7.9%**
SIM and device sales	5,858	6,368	5,919	▲1.0%	▼7.1%	12,287	▲0.2%
Total revenue	**39,079**	**40,933**	**42,228**	**▲8.1%**	**▲3.2%**	**83,161**	**▲6.7%**
Cost of service	(16,520)	(17,281)	(19,202)	▲16%	▲11%	(36,483)	▲11%
SG&A	(6,701)	(6,336)	(6,197)	▼7.5%	▼2.2%	(12,533)	▲3.2%
EBITDA	**17,108**	**18,905**	**18,998**	**▲11%**	**▲0.5%**	**37,903**	**▲10%**
EBIT	9,776	10,826	10,673	▲9.2%	▼1.4%	21,499	▲6.4%
NPAT	**7,215**	**8,037**	**8,005**	**▲11%**	**▼0.4%**	**16,042**	**▲7.6%**
CAPEX	11,334	6,467	4,798	▼58%	▼26%	11,265	▼51%
Sales margin	-2.7%	-1.1%	-3.0%	▼30bps	▼190bps	-2.0%	▲280bps
Reported EBITDA margin	43.8%	46.2%	45.0%	▲120bps	▼120bps	45.6%	▲140bps
-ex. equipment rental	43.8%	46.9%	47.0%	▲320bps	▲10bps	47.0%	▲280bps
EBIT margin	25.0%	26.4%	25.3%	▲30bps	▼110bps	25.9%	flat
NPAT margin	18.5%	19.6%	19.0%	▲50bps	▼60bps	19.3%	▲20bps

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

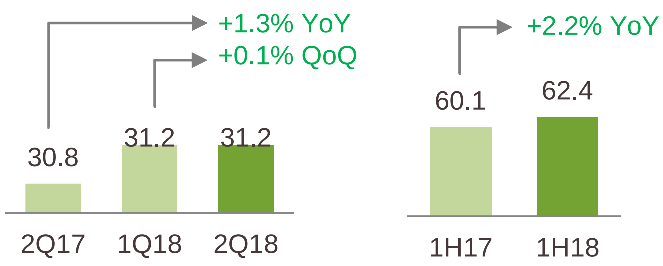
Revised FY18 Guidance

FY18 guided items	Revised guidance	Previous guidance	Rationale
Core service revenue (service revenue excludes IC & equipment rental)	+5-7% YoY	+7-8% YoY	• Outlook in 2H18 remains competitive • Mobile growth continues to be driven by 4G and postpaid adoption • FBB growth target maintains at 800,000 subscribers
SIM & device sale and margin	Decline with near zero margin	Decline with near zero margin	• Expect the market to remain cautious on handset subsidies
EBITDA margin (excludes equipment rental)	45-47%	45-47%	• Effective marketing spending to achieve quality growth • Continue to optimize and digitize operation and processes
Cash CAPEX (excludes spectrum payment)	Approx. Bt25,000mn	Bt35,000-38,000mn	• Investment plan remains unchanged • Expect lower cash outflow from negotiation for longer payment term
Dividend policy	Minimum 70% payout ratio	Minimum 70% payout ratio	• Preserve financial health and flexibility for future growth

Mobile: 4G & Postpaid remained key growth driver

Revenue grew amid competitive pricing

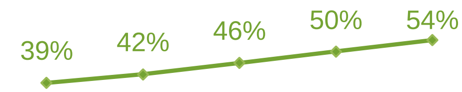
Mobile revenue (Bt bn)



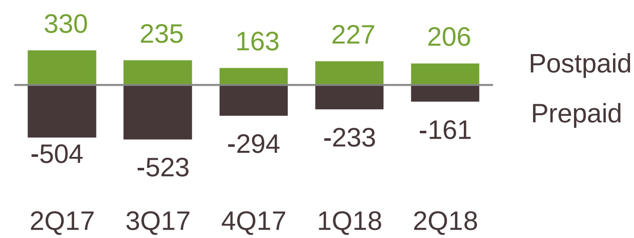
- Driven by postpaid segment
- More popularity on fixed-speed price plan, pressuring ARPU

Growth driven by 4G and postpaid adoption

4G Penetration

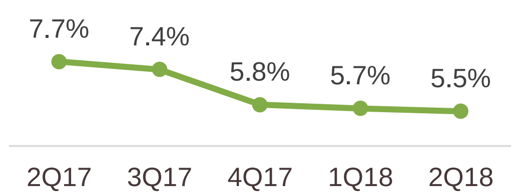


Net subscriber addition ('000)



Continue targeted handset subsidies

% marketing spending[1] to revenue



- Focused on postpaid adoption
- Localized prepaid campaigns targeting competitive areas and segments

Postpaid

- Discounted handsets with pre-determined ARPU commitment

Prepaid

- Short-run, tactical handset campaigns focusing on new quality prepaids

[1] (Marketing expense + net handset sales) divided by total revenue

Mobile: Enhancing digital network and service

Keep enhancing network and brand

- **NEXT G network**, delivering 1Gbps, available to all android devices (v.7.0 up)
- **OOKLA** guarantee fastest network 2015-2018
- Build brand awareness of being more digital and younger

2018 Thailand IoT Solutions Provider of the Year

- Rollout NB-IOT in key areas of all 77 cities
- Collaborate with key business partners and universities

End-to-end online package for digital native users

NU MOBILE

100% online

Simple

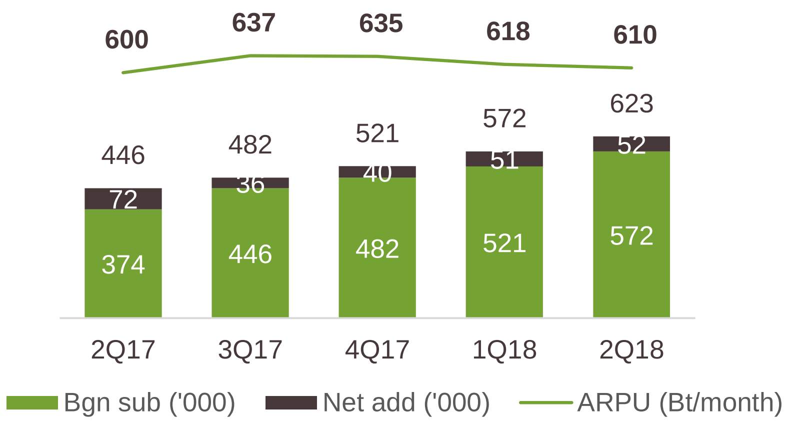
Unlimited

- End-to-end customer journey
  - Order from website
  - Digital KYC
  - Pay via credit card
  - Online live chat and help

ARPU (Bt)	Data speed	Voice
259	2Mbps	100 min
+140	4Mbps	
+300	6Mbps	+Bt50 for 100 min
+640	10Mbps	

FBB: Upselling fixed-mobile plan with 800k subs target

Quality acquisition continued amidst competition



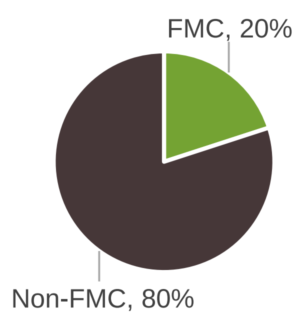
- Focus on coverage in 50 key cities to build up utilization rate
- ARPU slightly dropped 1.2% QoQ, despite pricing competition, due to increasing FMC subscriptions
- Subscriber target by end-18 maintained at 800k following more salesforce and improving brand awareness

3% revenue contribution	~7% subscriber market share	50 cities FTTH coverage

Drive long-term quality customer portfolio via FMC

- Continued to post valued bundling proposition to target increasing revenue per household

Of 623k subscribers



Power4 PACKAGE

Bt799	50/20Mbps	AIS PLAYBOX
Bt899	100/30Mbps	3-month free trial of world-class content
		Unlimited 4Mbps mobile SIM
Bt1,099	200/50Mbps	100,000 APs of SuperWiFi

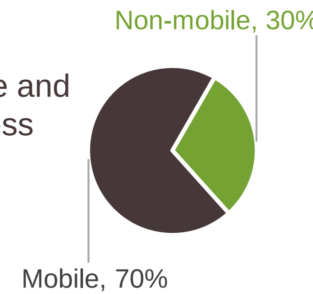
Digital service: growth in Enterprise & Consumer

Enterprise business driven by IDC & ICT

AWN ← 98.96% CS LOXINFO

- Delist completed on 26-Jul-18
- Paid in total Bt4.6bn for 98.96% stake
- Consolidated around Bt800mn of service revenue in 1H18
- Completed product alignment and continue migrating CSL's infrastructure to AWN for cost synergy

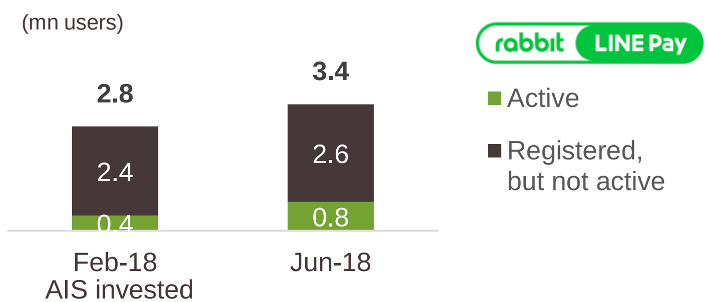
- Maintain scale and competitiveness



Current enterprise revenue composition

Drive growth in
- EDS/leased line
- Data center
- Cloud & ICT Solutions
- Managed service

Mobile wallet: strong take-up rate



- Integrated Rabbit Line Pay (RLP) on myAIS app to increase AIS's customer adoption

Video platform: building up subscriptions

1.3mn active users

on mobile and FBB (both paid subscribers and free bundling)

AIS PLAY

PLAYBOX

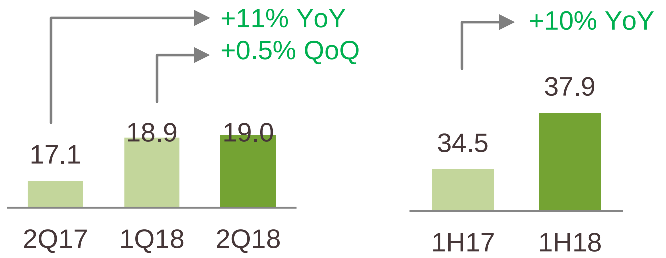
- World-class content on AIS PLAY application and PLAYBOX

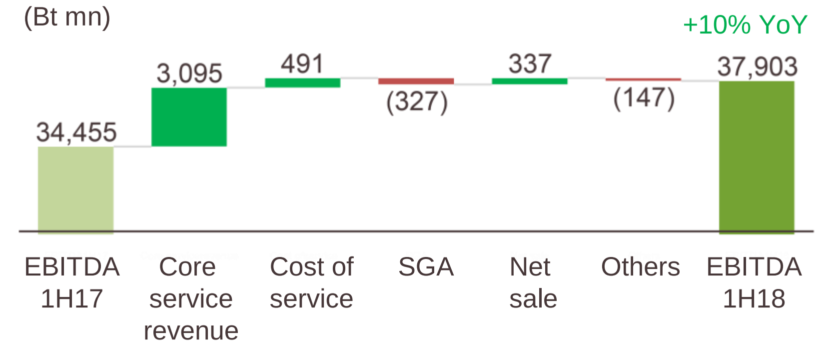
NETFLIX viu HOOQ NBA

- Exclusive operator billing, more convenience for AIS's customers

Profit rose from both revenue and cost improvement

EBITDA expanded from improving operation | 1H18 EBITDA waterfall

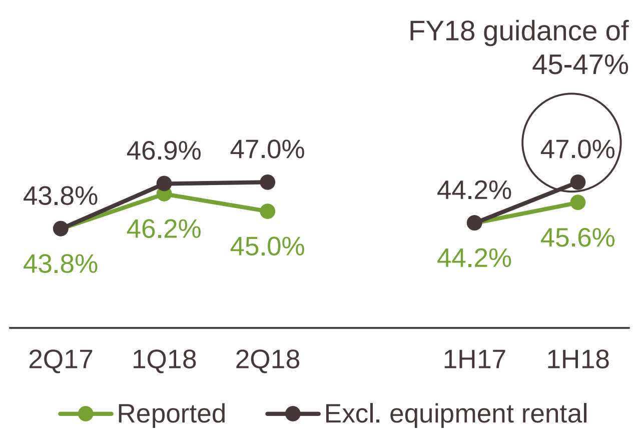




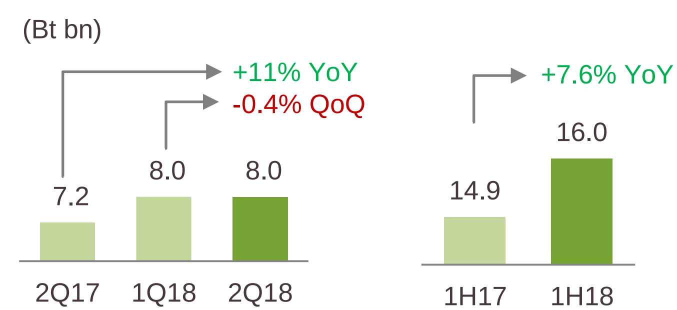
- 2Q18, EBITDA expanded from revenue improvement, controlled network OPEX and targeted marketing spending.

- Revenue generation was key to EBITDA increase in 1H18
- Cost of service included net cost paid on TOT partnership

EBITDA margin



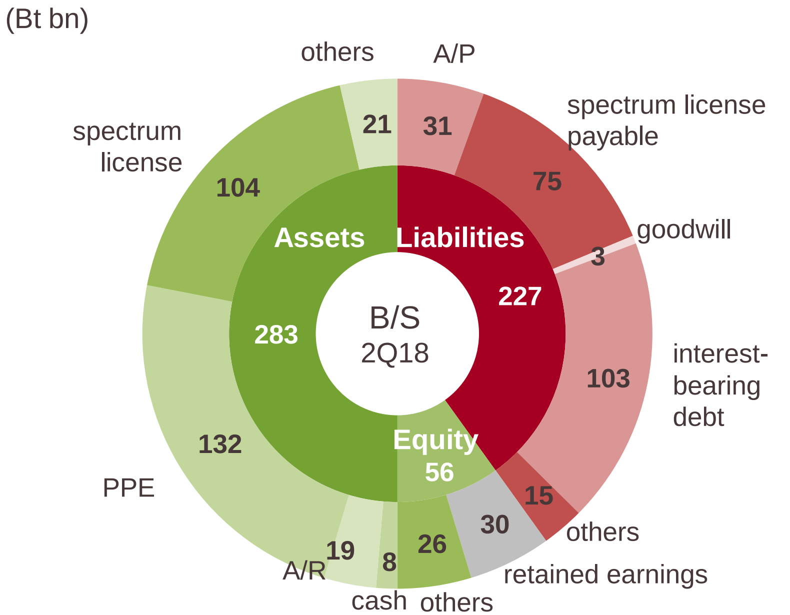
Net profit



- Net profit improved following EBITDA expansion, more than offsetting higher D&A.

Maintained financial flexibility for future growth

Balance Sheet



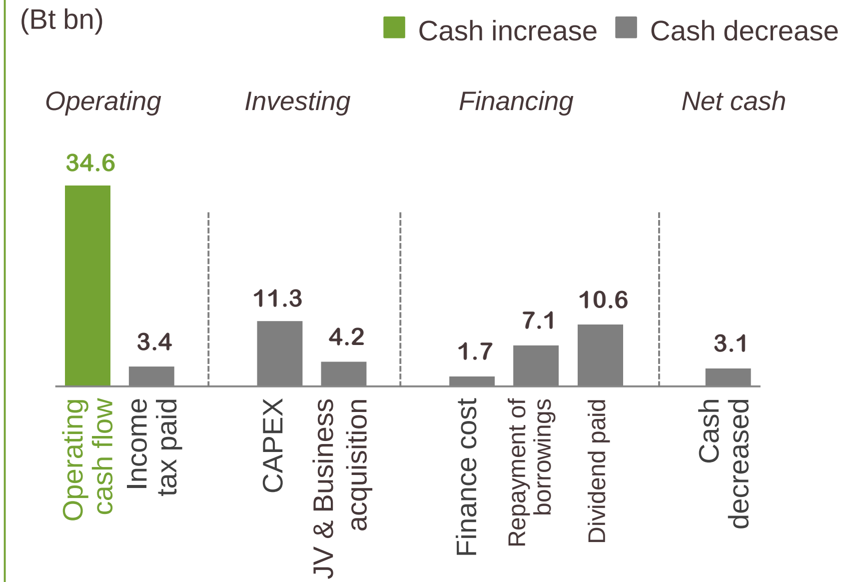
1.2X
Net debt to EBITDA

1.8X
Interest bearing debt to Equity

0.5X
Current ratio

64%
Return on Equity

1H18 Cash flow



Operating cash flow in 1H18 was sufficient to fund both CAPEX and cash paid to stakeholders.

Cash CAPEX continued to decline to Bt11.3bn or 16% to service revenue, following negotiated payment term.

Average finance costs = 3.1% p.a.

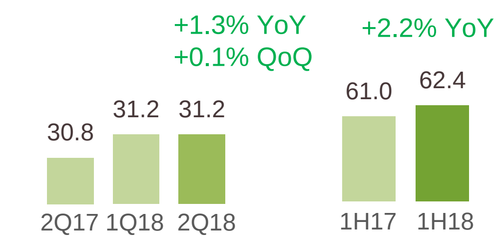
- Maintaining investment grade credit ratings
  - Fitch: national rating AA+ (THA), outlook stable
  - S&P: BBB+, outlook negative

APPENDIX

2Q18 & 1H18 Revenue Breakdown

Mobile revenue

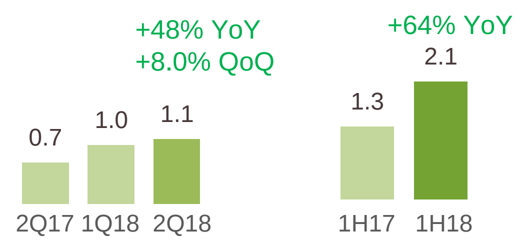
(Bt bn)



- Driven by postpaid and migration of prepaid to postpaid

Fixed broadband revenue

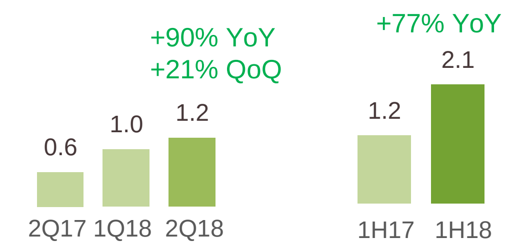
(Bt bn)



- Expanded subscriber base to 624k while ARPU remained stable at Bt610/month

Other revenues

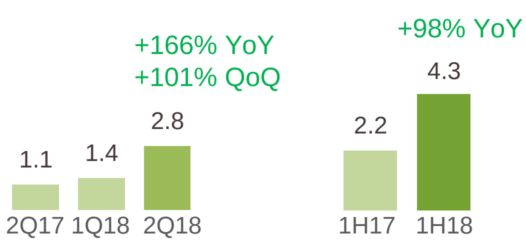
(Bt bn)



- Consolidated CSL's revenue (around Bt800mn in 1H18)

IC and equipment rental

(Bt bn)

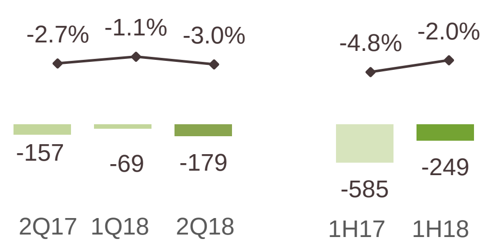


- Mainly increased due to equipment rental from TOT which started to recognize in Mar-18

Net Sales & margin

(Bt mn)

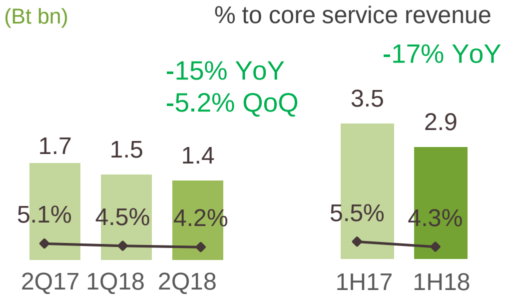
% sales margin



- 1H18, a trend of net sales improved following softened handset subsidies YoY

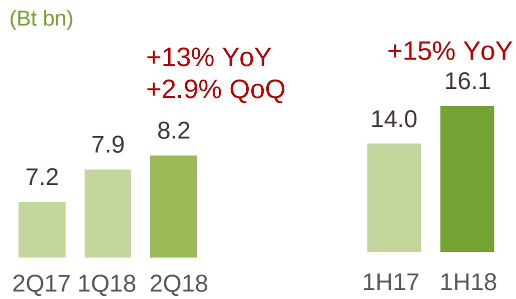
2Q18 & 1H18 Cost Breakdown

Regulatory fee



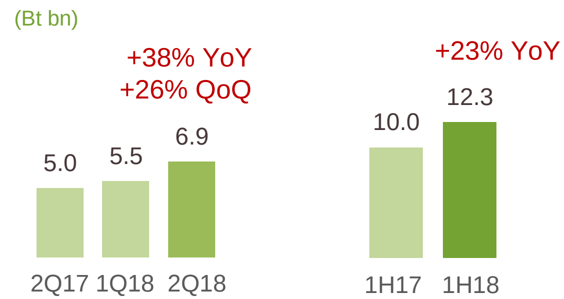
- YoY dropped from USO rate adjustment since Jun-17. QoQ dropped from deductible roaming expense paid to TOT

D&A



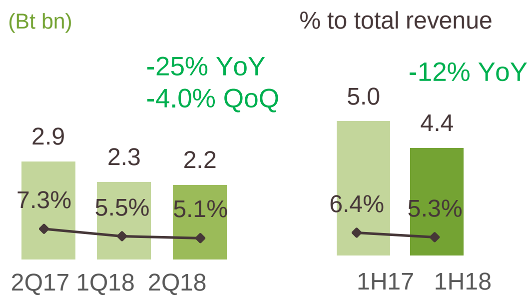
- Increased from 4G and fixed broadband network investment

Network OPEX



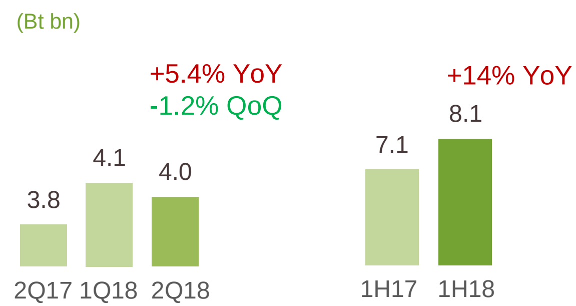
- Increased from change in accounting treatment for partnership with TOT
- Excluding TOT, network OPEX would increase 2.9% YoY and 6.5% QoQ

Marketing



- Dropped from targeted handset campaigns

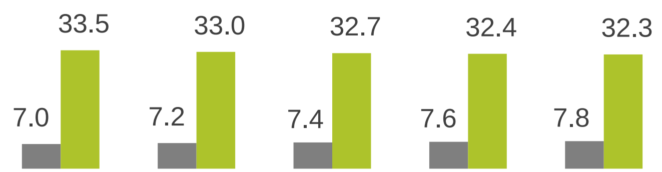
Administrative & others



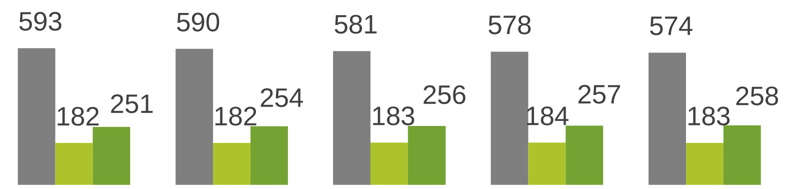
- Higher staff cost

Mobile: net addition gradually improved along with rising data consumption

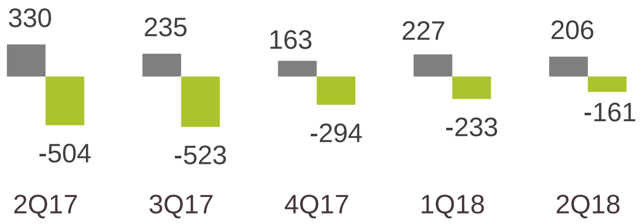
Subscribers (mn) postpaid prepaid



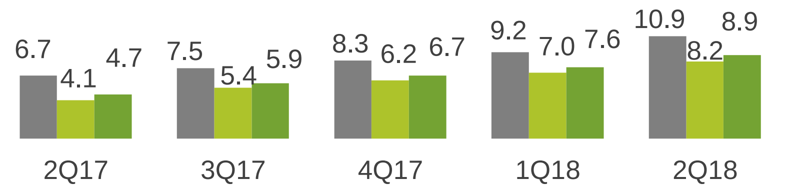
ARPU (Bt/sub/month) postpaid prepaid blended



Net addition ('000)



VOU (GB/data sub/month)



- **Mobile subscribers was at 40.1mn,** increasing 45k.
- **Postpaid subscribers grew 206k** QoQ from attractive offerings and migration from prepaid.
- **Prepaid subscribers decreased 161k** QoQ, continuing to slow down, supported by localized marketing campaign.
- **Blended ARPU** improved Bt1 QoQ, reaching Bt258 from larger postpaid mix.
- **Blended VOU** increased to 8.9GB from increasing 4G adoption (54%) and popularity of video streaming.

Regulatory update: Terms & Condition of 900&1800MHz license auctions

- The NBTC has announced Information Memorandum (IM) of 900MHz and 1800MHz license auctions in the Royal Gazette in Jul-18.
- Application for both licenses will be on 8-Aug-18.
- The auction date of 900MHz will be on 18-Aug-18 and that of 1800MHz will be on 19-Aug-18.

900MHz license auction	**Number of licenses**	1 license with 2x5MHz
	Starting price	Bt35,988mn per license
	Penalty if violating auction rules	Forfeit of Bt1,800mn bid bond and fined not less than Bt5,399mn
	Terms of payment	Bt4,020mn within 90 days after auction Bt2,010mn at end of year two Bt2,010mn at end of year three Remainder at end of year four
1800MHz license auction	**Number of licenses**	9 licenses with 2x5MHz each; one operator can bid up to 4 licenses
	Starting price	Bt12,486mn per license
	Penalty if violating auction rules	Forfeit of Bt2,500mn bid bond and fined not less than Bt1,875mn
	Terms of payment	50% within 90 days after auction 25% at end of year two 25% at end of year three

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