3Q18 Financial Results

Advanced Info Service Plc.

1 November 2018

Ticker: ADVANC (SET)
AVIFY (ADR)

FTSE4Good

3Q18 Executive Summary

- **Revenue continued pressured by unlimited plan**
  - **Core service revenue** in 3Q18 was Bt33,134mn, growing 2.1% YoY but declining 1% QoQ
  - **Mobile revenue** was flat YoY but declined 1.1% QoQ due to subscriptions of fixed-speed unlimited plans. Mobile net addition strongly increased to 552k, driven by both growing postpaid segment (+192k) and a focus on prepaid segmentation (+360k) and churn improvement.
  - **FBB** added 53,300 subscribers resulting in revenue growth of 26% YoY and 2.1% QoQ. ARPU slightly declined to Bt597. Total subscribers reached 676,700. FBB focus remained on quality customer acquisition and service during scaling up

- **EBITDA pressured QoQ but remained growth YoY**
  - **Cost management continued** resulting in controlled network OPEX while SGA rose to support customer acquisition and the one-time expense.
  - **Normalized EBITDA** stood at Bt17,951mn, increasing 2.1% YoY but decreasing 5.5% QoQ. **Normalized net profit** was Bt6,934mn, decreasing 7.2% YoY and 13% QoQ.

- **Revised FY18 revenue guidance** to 3.5-4.5% growth following 9M18 growth of 3.9% and the slowdown in mobile market growth.

- **Acquired additional 5MHz of 1800MHz license** to enhance competitive position and deliver better 4G speed by 15-30% across all types of devices.

- **Announced strategic partnership** with Jaymart to enhance acquisition in key areas and collaborated with Singtel to launch a cross-border mobile e-wallet platform “VIA”.

Revised FY18 revenue guidance

FY18 guided items	Revised guidance	Previous guidance	Rationale
Core service revenue (service revenue excludes IC & equipment rental)	+3.5-4.5% YoY	+5-7% YoY	• Market growth slowed down underpinned by mobile fixed-speed unlimited plans
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	Approx. Bt25,000mn	• Investment plan remains unchanged with focus on adding 4G capacity and Fibre to home connectivity
Dividend policy	Minimum 70% payout ratio	Minimum 70% payout ratio	• Preserve financial health and flexibility for future growth

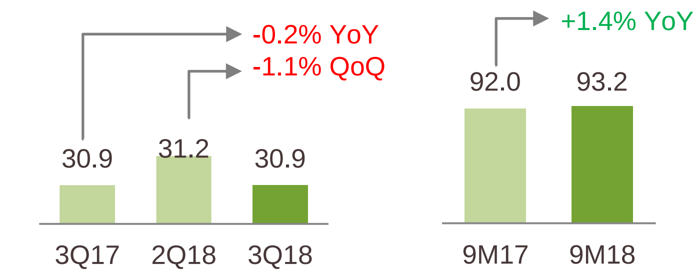
3Q18 & 9M18 Financial Highlights

Bt mn	3Q17	2Q18	3Q18	%YoY	%QoQ	9M18	%YoY
Mobile revenue	30,937	31,203	30,862	▼0.2%	▼1.1%	93,237	▲1.4%
FBB revenue	886	1,094	1,117	▲26%	▲2.1%	3,224	▲48%
Other revenues	633	1,167	1,155	▲83%	▼1.0%	3,284	▲79%
Service revenue ex. IC & equipment rental	32,455	33,464	33,134	▲2.1%	▼1.0%	99,745	▲3.9%
IC and equipment rental	1,102	2,845	3,111	▲182%	▲9.3%	7,375	▲126%
Service revenue	33,558	36,310	36,245	▲8.0%	▼0.2%	107,120	▲8.0%
SIM and device sales	5,022	5,919	5,865	▲17%	▼0.9%	18,152	▲5.0%
Total revenue	38,580	42,228	42,110	▲9.2%	▼0.3%	125,271	▲7.5%
Cost of service	16,811)	(19,202)	(19,835)	▲18%	▲3.3%	(56,317)	▲14%
SG&A	(6,599)	(6,197)	(6,794)	▲3.0%	▲9.6%	(19,327)	▲3.1%
EBITDA	17,589	18,998	17,817	▲1.3%	▼6.2%	55,721	▲7.1%
EBIT	9,851	10,673	9,261	▼6.0%	▼13%	30,760	▲2.3%
NPAT	7,469	8,005	6,800	▼9.0%	▼15%	22,843	▲2.1%
CAPEX	(10,979)	(4,798)	(5,248)	▼52%	▲9.0%	(16,513)	▼51%
Sales margin	-4.9%	-3.0%	-5.5%	▼60bps	▼250bps	-3.2%	▲170bps
Reported EBITDA margin	45.6%	45.0%	42.3%	▼330bps	▼270bps	44.5%	▼20bps
-ex. equipment rental	45.6%	47.0%	44.5%	▼110bps	▼250bps	46.2%	▲150bps
EBIT margin	25.5%	25.3%	22.0%	▼350bps	▼330bps	24.6%	▼120bps
NPAT margin	19.4%	19.0%	16.1%	▼330bps	▼290bps	18.2%	▼100bps

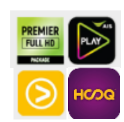
Mobile: Market competed on fixed-speed offerings

Revenue softened from fixed-speed unlimited

Mobile revenue (Bt bn)



Remaining fixed-speed unlimited plans

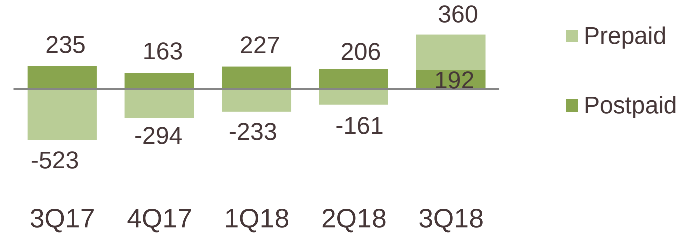
Monthly Fee (Bt)	Unlimited Fixed-speed	Voice call (mins)	Content
600	6Mbps	On-net: Unlimited 5am - 5pm Off-net: 200min	 3 months
700	8Mbps		

- Discarded low-tier postpaid fixed-speed plans for new subscribers
- Current plan starts at Bt600, up from Bt299

Net addition continued to improve

4G Penetration on total base

Net subscriber addition ('000)



- Maintained strong postpaid acquisition supported by handset campaigns and prepaid-to-postpaid migration
- Focused on prepaid segmentation and churn improvement

Teens

Outbound tourists

Inbound tourists

Mobile: Continued network and distribution enhancement

Acquired 1800MHz license to provide most efficient 4G

NEXTG

Largest bandwidth of 120MHz (2x60MHz) under operation

newly acquired
in Aug-18

900MHz License
2x10MHz
Until 2031

1800MHz License
2x20MHz Until 2033

2100MHz License
2x15MHz
Until 2027

2100MHz Partnership with TOT
2x15MHz
Until 2025

- Largest bandwidth of 2x60MHz in industry
- Most efficient 4G on contiguous 2x20MHz of 1800MHz
- Up to 15-30% faster speed for all 4G users

Expanded strategic distribution channel

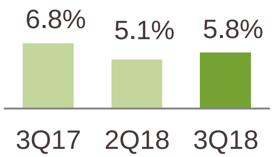
- Exclusive partnership with Jaymart to expand customer acquisition in key competing areas

- 400+ total branches with over 3,000 direct sales

Localized campaigns targeted key cities

- Continued strengthening brand awareness and customer perception

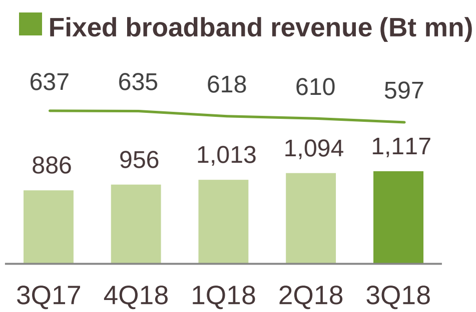
% marketing spending to revenue

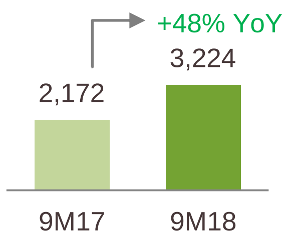


- Marketing expense rose QoQ to support handset campaigns and localized activities.

FBB: Focused on quality amidst competition

YoY growth remained strong

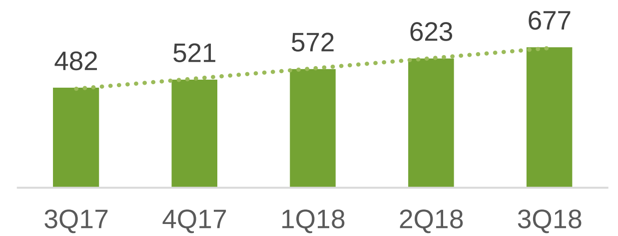




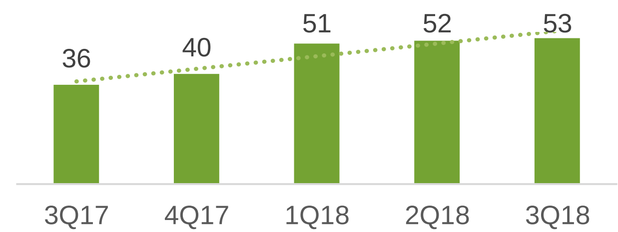
- FBB revenue increased 26% YoY and 2% QoQ from increased subscribers while ARPU declined 2.2% QoQ from price competition
- As of 3Q, FBB revenue contributed 3.4% of core service revenue.
- Contributed 34% of revenue increment for AIS in 9M18

Focused on quality acquisition

Subscriber ('000)

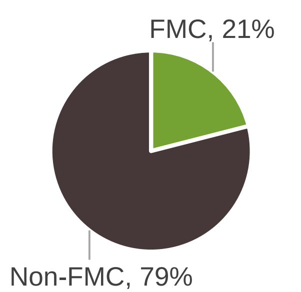


Net addition ('000)



Proportion on bundling gradually rose

Of 677k subscribers



- Aimed to offer FMC to serve customers with integrated benefits

Geared toward efficient long-term growth

- Continued operational improvement to scale up

Enhancing sales strategy

Increasing utilization

Leveraging integrated proposition

Digital service: New services to serve both Enterprise and Consumer

Explored IoT/Cloud solutions to enhance new growth

CS LOXINFO → 99.11% → AWN

- Consol. Bt1.2bn from CSL as service revenue in 9M18

- Partnered to expand IoT/Cloud services for enterprise e.g. NB-IoT motor tracker, smart coin kiosk machine, Public cloud for education etc.

Video platform: building up subscriptions

1.8mn active users (Sep'18)

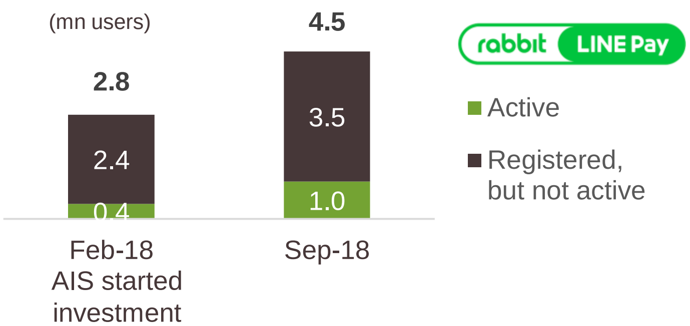
Available on both mobile and FBB

AIS PLAY PLAYBOX

- Live concert World-class content on AIS PLAY application and PLAYBOX

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

Mobile e-wallet: continued strong take-up

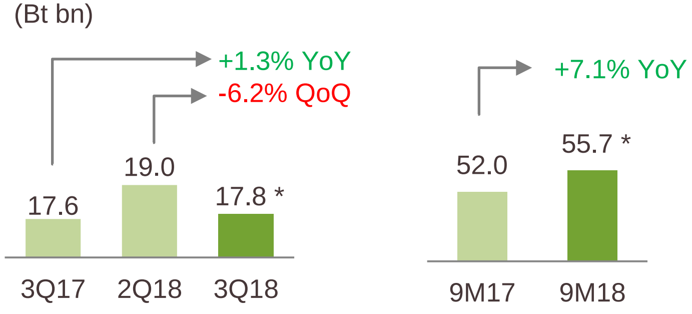


- **Expanded use case to transportation**
  - A tie-up between RLP and sky train's Rabbit card to combine wallet and allow payment directly from the wallet

- **Launched cross-border e-wallet**
  - Collaborated with Singtel to launch a cross-border mobile e-wallet platform "VIA"
  - Facilitate seamless payment for both Thai and Singaporean travelers
  - Aim to provide cross-border gateway for other e-wallets

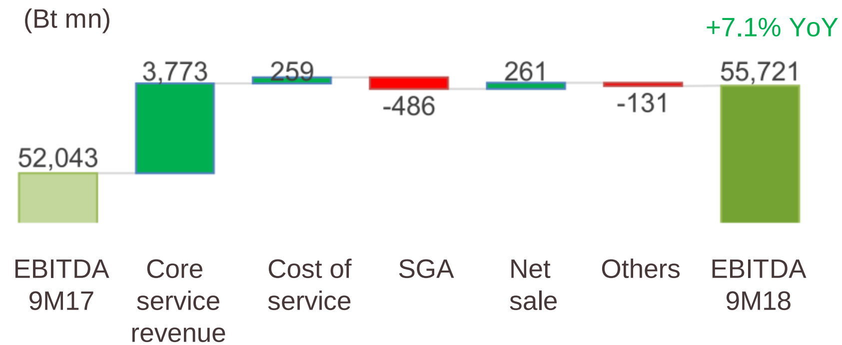
Ongoing cost management amid softened revenue growth

YTD, EBITDA expanded from improving operation



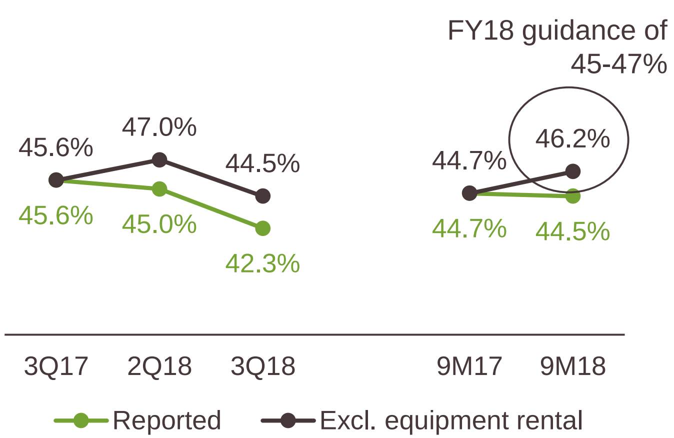
- 3Q18, EBITDA increased from revenue improvement and lower marketing expense. QoQ, EBITDA declined from softened revenue and higher SG&A.

9M18 EBITDA waterfall

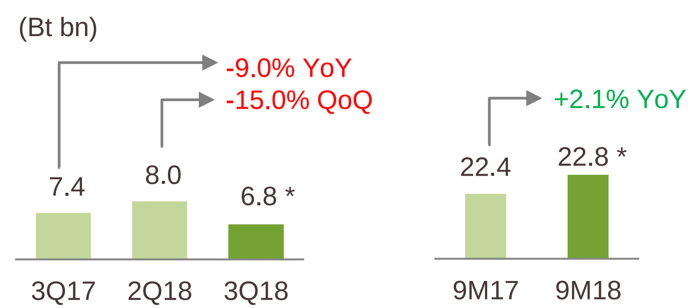


- Revenue improvement highly contributed to EBITDA growth while cost control continued.

EBITDA margin



Net profit

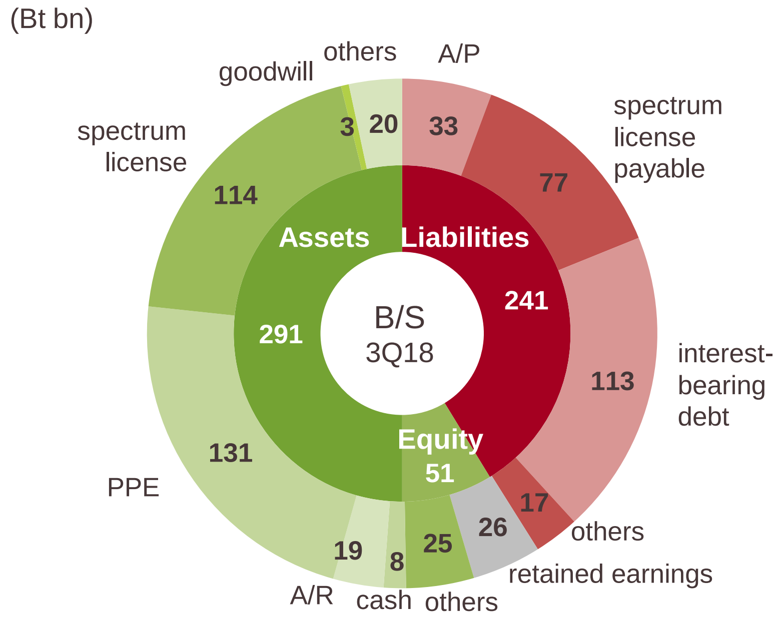


- Net profit in 3Q18 decreased due to the higher network depreciation.

Include one time expense of Bt134mn from withholding tax in 3Q18

Maintained financial flexibility for future growth

Balance Sheet



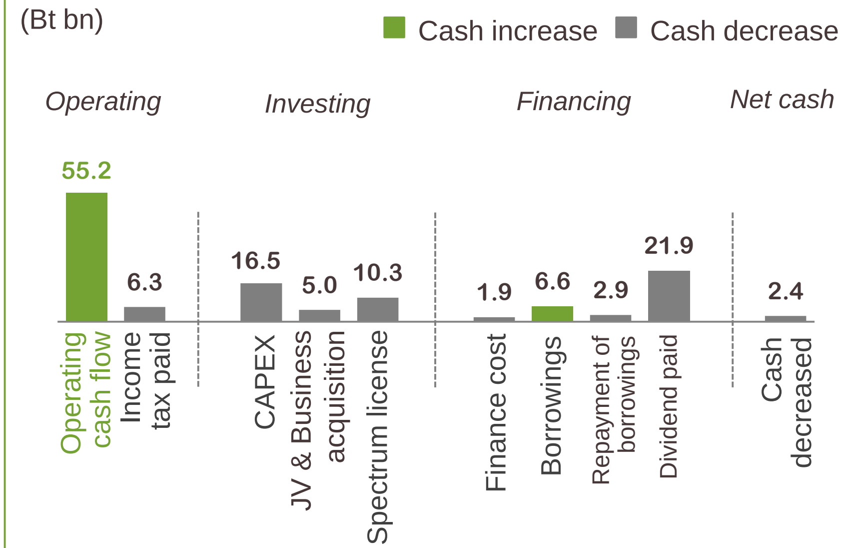
1.4x
Net debt to EBITDA

2.2x
Interest bearing debt to Equity

0.4x
Current ratio

66%
Return on Equity

9M18 Cash flow



Operating cash flow in 9M18 was sufficient to fund both CAPEX and cash paid to stakeholders.

Cash CAPEX decreased to Bt16.5bn or 17% of core service revenue.

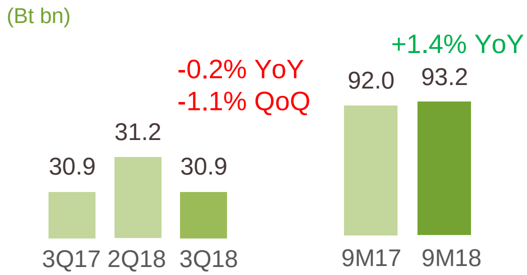
Average finance costs = 3.1% p.a.

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

APPENDIX

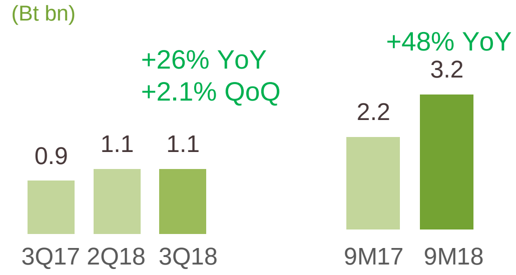
3Q18 & 9M18 Revenue Breakdown

Mobile revenue



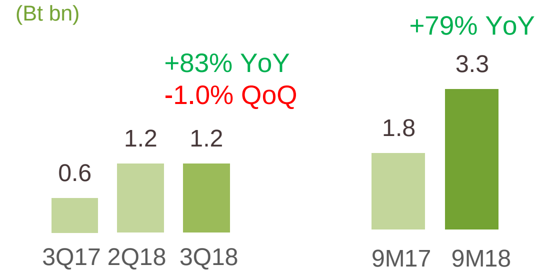
- Slow down market growth underpinned by the fixed-speed unlimited plans

Fixed broadband revenue



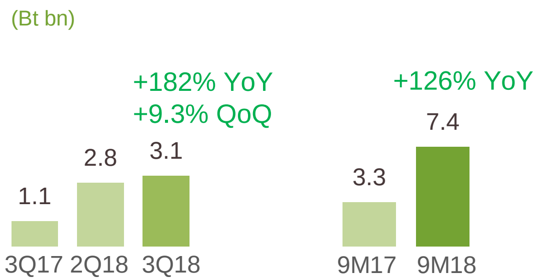
- Expanded subscriber base to 677k while ARPU slightly decreased to Bt597/month

Other revenues



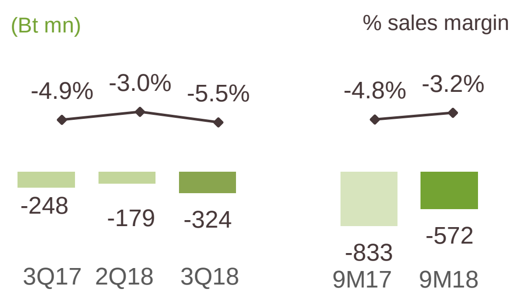
- Consolidated CSL's revenue

IC and equipment rental



- Increased from equipment rental from partnership with TOT

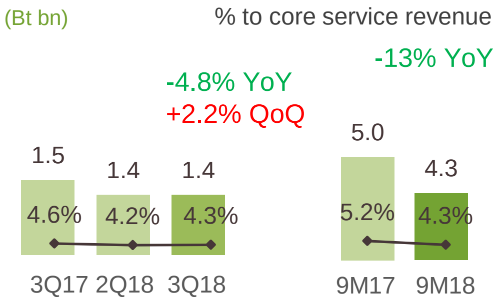
Net Sales & margin



- 9M18, net sales improved following softened handset subsidies YoY.

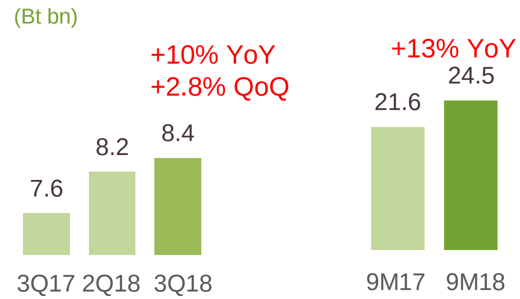
3Q18 & 9M18 Cost Breakdown

Regulatory fee



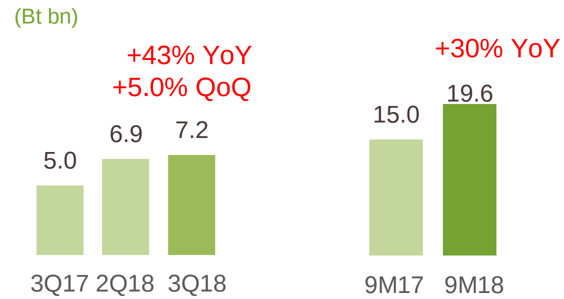
- YoY dropped from deductible TOT roaming expense

D&A



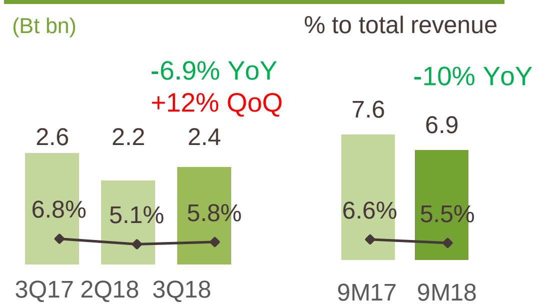
- Increased from investment in 4G network and fixed broadband

Network OPEX



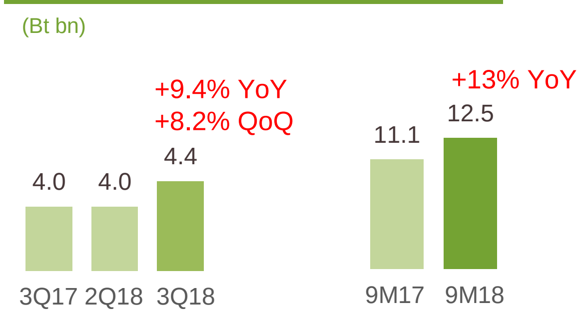
- Increased from new accounting method on TOT partnership since Mar-18.

Marketing



- QoQ increased from handset campaigns and higher advertising spending

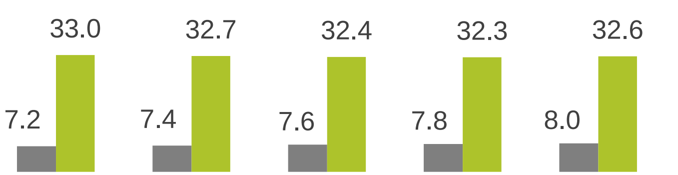
Administrative & others



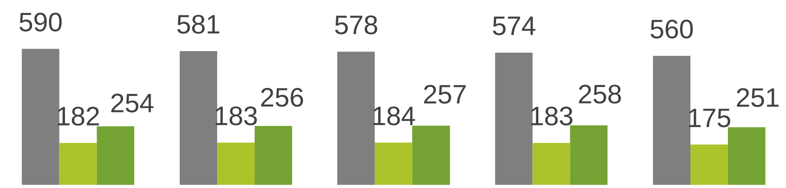
- Increased mainly from higher staff cost and a one-time expense of Bt134mn (see Note 20)

Mobile: net addition gradually improved along with rising data consumption

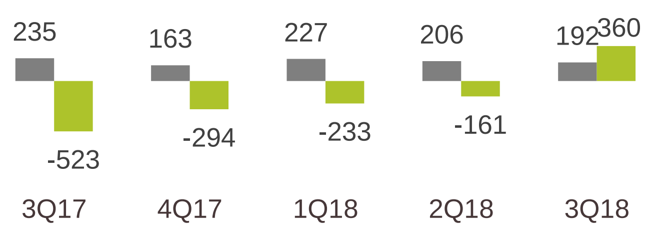
Subscribers (mn)



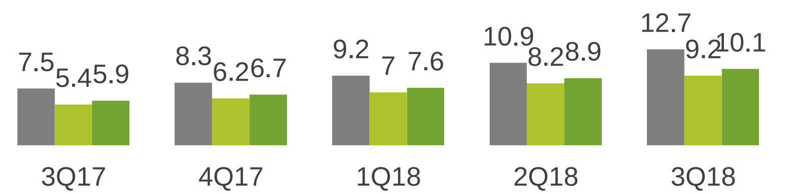
ARPU (Bt/sub/month)



Net addition (‘000)



VOU (GB/data sub/month)



- **Mobile subscribers was at 40.6mn,** increasing 552k.
- **Postpaid subscribers grew 192k** QoQ following the demand to use mobile data and handset subsidies.
- **Prepaid subscribers grew 360k** QoQ, mainly from the attractive segmented SIMs.
- **Blended ARPU** dropped Bt7 to Bt251 QoQ from popularity of unlimited plans
- **Blended VOU** increased to 10GB from increasing 4G adoption (57%) and popularity of video streaming.

Distribution Channel Structure

AIS

AIS Branded Shop (run by both AIS and partners)

150+ Shops

Telewiz: exclusive branded shop by partner

430+ Shops

AIS Buddy

1,100+ Shops

Exclusive Partner

650+ Shops

Jaymart

BIG camera

iStudio

TESCO Lotus

Traditional Channel

19K+ Shops

Modern Channel

3,000+ Shops

Power Buy

IT CITY

Jiffy

Big C

FamilyMart

BKK tablet | smartphone

Electronic Distribution Channel

400K + Points

mPay STATION

rabbit LINE Pay

TMB

UOB

Contact us

IR website: http://investor.ais.co.th
Email: investor@ais.co.th
Tel: +662 029 5014

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.