

# **Investor Presentation**

Advanced Info Service Plc. February 2018



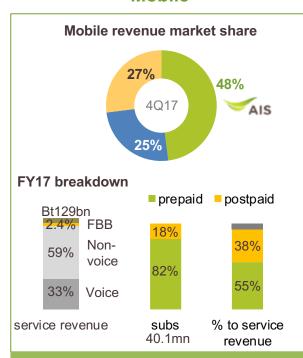
**Ticker:** ADVANC (SET) AVIFY (ADR)



# **AIS:** Digital Life Service Provider



# Lead and digitally transform in "Mobile"



# Grow stronger in "Fixed broadband"



# Partner to offer differentiated "Digital service"



### Digital life service provider with convergence products

### Mark leadership in mobile data

- Nationwide 4G/3G/2G coverage with focus on network quality
- Focus on scale to maintain cost advantage

# Aim to be a significant player in 2020

- Leverage existing nationwide fibre infrastructure
- Defensive value to core mobile business

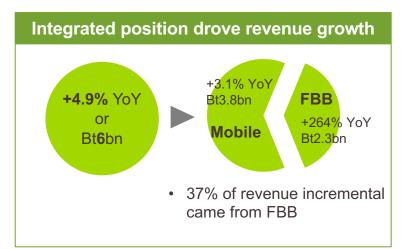
# Pursue long-term growth with integrated services

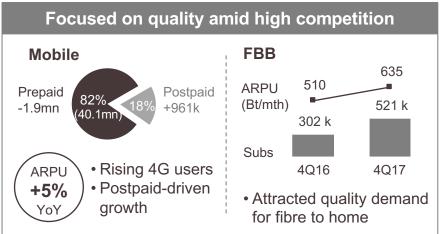
- Emphasize partnership & ecosystem
- Leverage the large sub base and telecom infrastructure

<sup>\*</sup>Homepass is defined as a number of households within AIS fibre service area. This includes the homes that require additional investment i.e. port, last miles to be able to get connected.

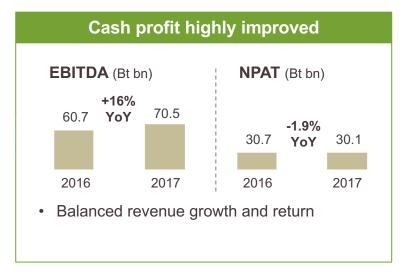
# **FY17 Recap: Fundamentals set**







# Continued cost optimization Operational cost of service¹) +4.2% YoY • Focused on network OPEX efficiency and digitized process • -16% YoY if excluding payments to TOT SG&A -16% YoY • Managed subsidies to focus on quality revenue



<sup>1)</sup> Cost of service excluding IC and D&A

# FY18 Guidance



Item	FY18 Guidance	
Service revenue (ex. IC)	+7-8% YoY	<ul> <li>2% of which comes from CSL</li> <li>Increasing data usage on 4G and fixed broadband subscriber base</li> <li>Moderate growth in enterprise business with synergy from CSL</li> </ul>
Sale revenue	Decline and make near-zero margin	More targeted marketing campaigns
EBITDA margin	45-47%	Improving revenue and continuing cost management
Cash CAPEX	Bt35-38bn	<ul> <li>Strengthen 4G capacity to support mobile data growth using advanced technology</li> <li>Expand fixed-broadband coverage and last miles</li> </ul>
Dividend policy	Minimum 70% payout of NPAT	Preserve financial health and flexibility for future growth

# AIS' digital transformation toward 2020



Next Generation Network

Next Generation **Economy** 

Next Generation Xperience Next Generation Team

Network Function Virtualization & Cloudification

Contents and Enterprise Segments

Customer Value Management Full Service Digitization

Organization Transformation











- > 90% cloudification
- Network virtualization ready for 5G
- Expand revenue contribution of enterprise business from 9% to 25%
- Move to ARPH
- Improve revenue assurance and add valued users
- Provide shops & services that never sleep
- Data-driven organization & culture

- 5G future-proof networks
- IT legacy transformed to Cloud-friendly network architecture
- AI for network operation

### New opportunities:

- IoT
- SME & R-SME
- Managed Security
- Mobile Digital Marketing

Maximize value of **contents** in customer retention and branding

**Data-driven analysis** based on customer insights:

Bundle mobile, fibre & content via **FMC** 

- Digitize all customer journeys
- Al/Chatbots

   embedded into
   all self-service
   channels
- Deployment of OMNI channels

- Organization readiness for digital disruption
- Leverage

   capabilities and
   create synergies
   in value chain
   supporting digital
   business
   objectives

# Mobile: Drive 4G users through valued offerings



### **Business direction in 2018**

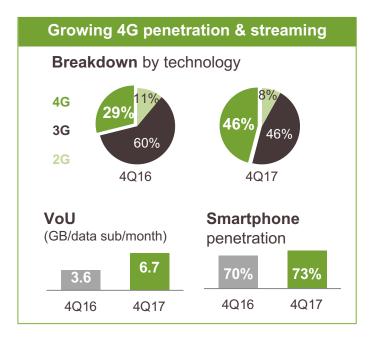
Key driver



Strategy

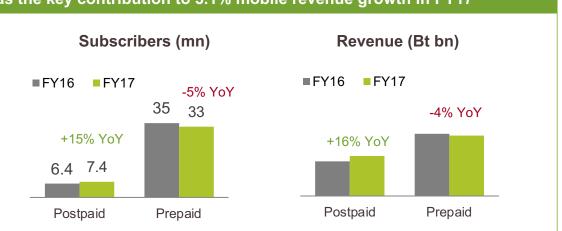


- Increasing 4G penetration and data usage
- Continue to improve network and brand perception
- Target uplifted offerings through customer value management program
- Convergence of mobile, FBB, and video content targeting revenue per household and brand value



# Postpaid segment was the key contribution to 3.1% mobile revenue growth in FY17

- Strong growth in postpaid segments in both net addition and revenues
- In 4Q17, postpaid revenue grew double digits and contributed >40% of mobile revenues.



# **Mobile: Target quality revenue**



### Product focused on creating customer value

### Integrated and best value



 New prepaid SIM focusing on simplification and sale efficiency



Competitive bundling packages for postpaid

### **Fixed-mobile-content convergence**

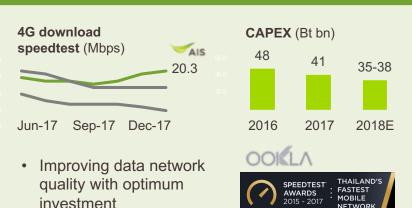


	7			
Rest Deals!	50 / 20 Mbps	PLATINUM (#15	Max Speed up to	
1,099	100/30 <sub>Mbps</sub>	free 3 months	4 Mbps	V

### **Targeted retention program**

- Adopt Big Data to analyze customer usage and behavior
- Proactively offer relevant products/services to increase stickiness

### Leading network quality and enhance brand perception





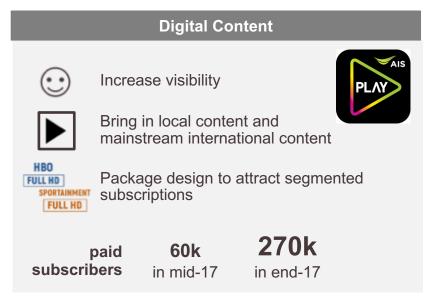




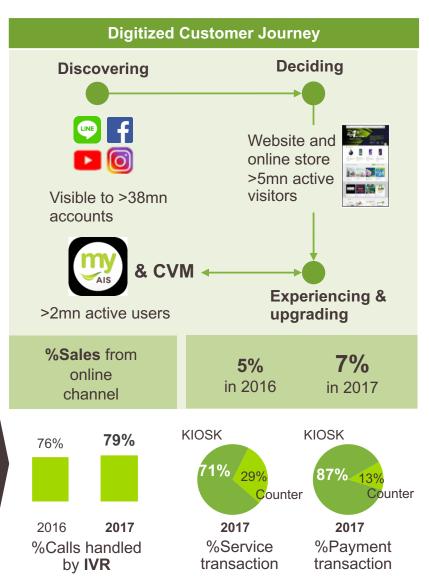
 Position as leading brand in mobile data

# Mobile: Digital strategy to enhance sale and service



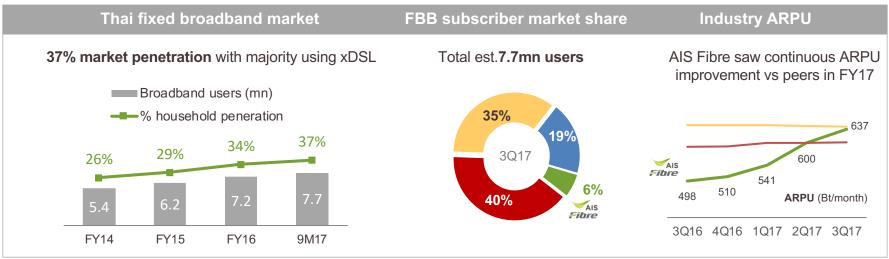


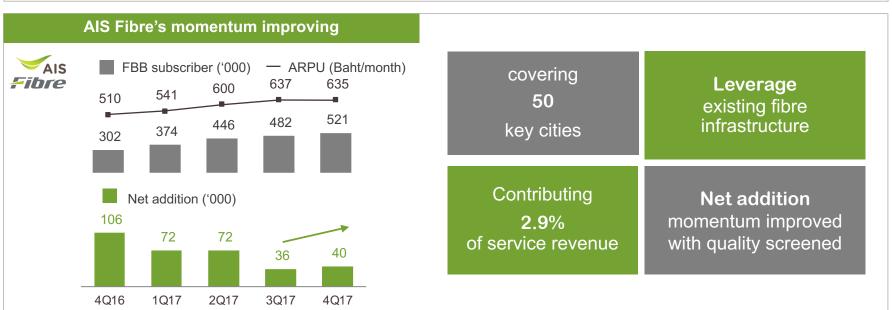
# Artificial intelligence • Enhance customer journey and service efficiency • Upsell via personalized offerings and time freed-up of staff



# FBB: Industry expanding into fibre-to-the-home







# FBB: Scale up to support convergence strategy



FBB subscribers ('000)



# 2018: target 800K FBB subscribers

- Scale up and improve EBIT level
- Enhance revenue growth and brand value through convergence

Coverage expansion	Sales, Technical & Customers supports	Subscriber acquisition
Focus in existing  50 cities, covering  6mn homepass	Synergy with CSL on sale & technical support	Convergence packages targeting family
Bt6bn CAPEX mostly for last miles	<ul> <li>↑ Service Efficiency</li> <li>• Guarantee 48hrs installation</li> <li>• Enhance call center to be able to take level-2 call support through Network Operation Center (NOC)</li> </ul>	Enhance channel effectiveness

Be one of the major players in fixed broadband market in 2020

# FBB: Adding value through bundling packages





	Max Speed Internet (Download/Upload)	Standard Price (Baht/Month) (Exclude VAT)	AIS Postpaid Customer (Baht/Month) (Exclude VAT)
0	30/10	590	531
proadband	50/20 Hbps	777	699
	75/30 Hibs	888	799
Fure	100/40	999	899

- Offer competitive pricing with segmented packages to serve different needs of customers
- Focus on ARPU accretion Encourage customers to subscribe to high-end packages with more value for money and attractive campaigns
- Leverage synergy of the three core businesses (FMC) to acquire new subscribers while create stickiness and differentiation.

	Max Speed Internet (Download/Upload)	Standard Price (Baht/Month) (Exclude Vat)	AIS Postpaid Customer (Baht/Month) [Exclude Vat]	AIS Serenade (Beht/Month) [Exclude Vet]	TV, movies, ser and news from channel with	n world-class
contents	30/10 Hbps	690	631	-		-
LOO +	50/20 Mbps	877	799	699	Enjoy free 100 +	HCOQ
Broadband	75/30 Mbps	988	899		vHigh Resolution.	Free 12 months
Broad	100/40 Hbps	1,099	999	899		



More than **100+** free channels and current **40** exclusive channels both

AIS PLAYBOX linear and on-demand

### Bt599/month

### Bt399/month

### Bt299/month

### Bt199/month









+ mobile	Monthly Fee (Bt)	FBB mbps (DL/UL)	Entertainment	MOBILE Unlimited speed at
contents	599	30/10	NA	1Mbps
cont	799	50/20	HCOQ	4 Mb no
+ pu	1,099	100/30	PLATINUM	4Mbps
broadband	1,799	100/40	HCOQ	6Mbpa
bro	1,999	200/50	PLATINUM	6Mbps



# Digital service: Create differentiation with exclusivity and variety



### 1. Digital contents



Create differentiation and value added to both mobile and fixed broadband businesses and introduce convergence packages

AIS PLAY and AIS PLAYBOX, AIS' video platforms, providing world class entertainment both on the go and at home

More than 1mn active subscriber with 270k paid subscribers

### 2. Enterprise services

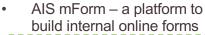
- Largest mobile network infrastructure and backhaul at carrier grade, supporting coverage and capacity to serve enterprise segment e.g. domestic data circuit (lease line), corporate internet
- Provide end-to-end ICT total solutions from voice/data connectivity to ICT solution



 Consultancy, system installation/relocation/mainten ance/ security



AIS Unified Communication –
 a Cloud phone system





 Partner with Microsoft Azure to provide resource management with insightful analytics



Tier-4, world-class Data Centers



EDS with Bandwidth-ondemand function

### 3. Mobile payment and digital platform



 Mobile payment gateway, partnering with banks and credit card companies

**mPAY** 













- >2mn active users
- All-in-one AIS user app
   gearing toward full digitization

## 4. Internet of Things (IoT)



- Require small bandwidth
- Long-life battery
- Use-based business model



Bicycle rent and pay on mobile





# **Enterprise:** Overview of AIS Enterprise and CS LOXINFO businesses



	AIS approx. Bt10bn	ICT solutions		ICT solution	S	CS LOXINFO Bt2.8bn
rices	revenue in FY17	oud & Data Center	•	Cloud & Data	a Cente	revenue in FY17 er
Enterprise services		Corporate internet		Corporate in	nternet	
Enterp		ication services & ousiness solutions		NA		
		NA		Online ads a	and mol	oile content
2020 Target	Bus	ease Enterprise iness Revenue service revenue)		<b>9%</b> in 2017	<b>&gt;</b>	<b>25%</b> in 2020

# **Enterprise: CS LOXINFO Business Integration**





ICT & Mobile enterprise market in 2017



Enterprise revenue market share

Before M&A

LOXINFO





# Strengthen position in enterprise market



Lower inter. bandwidth cost
Own fiber infrastructure



✓ Operate CSL's services with lower OPEX

Asset light models

Data center outside BKK Large size corporate customers Sizable corporate mobile base

### **REVENUE SYNERGY**

- ✓ Cross sell & upsell potential from larger customer base and complementary product portfolio
- ✓ Widen Data Center propositions and target segments
- Data center in inner BKK
  Mid-size corporate customers
  Well-known brand with good
  service quality

Economies of scale

### **OPERATIONAL EFFICIENCY**

- √ Sales & Marketing alignment
- ✓ Leverage sale and technical expertise
- ✓ Align product roadmap

Strong and experienced sales and technical support in ICT

Expected to realize synergy in 1-2 years



# **APPENDIX**

# **FY17 Snapshot**





FY1	7– Net	profit (Ye	oY)				
	30,667	9,757	(8,484)	(1,066)	(668)	(129)	1.9% YoY 30,077
	FY16	EBITDA	D&A I	Finance cost	Tax	Others	FY17
	<ul> <li>Finance cost included deferred interest from spectrum licenses (non-cash) amounting Bt2.1bn in FY17 compared to Bt1.3bn in FY16.</li> <li>Effective tax rate was 16%, supported by tax benefit from investments.</li> </ul>						

FY17	Bt bn	% YoY	
Service revenue, excl. IC	128.6	+4.9%	
Mobile	125.5	+3.1%	
FBB	3.1	+264%	
EBITDA	70.5	+16%	
Net profit	30.1	-1.9%	

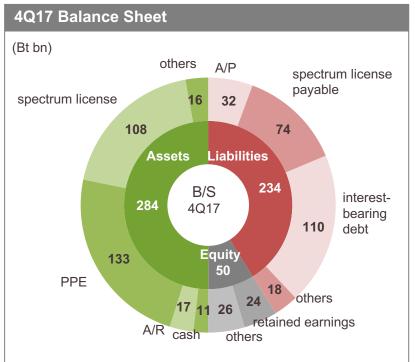
# **FY17** Financial Highlights

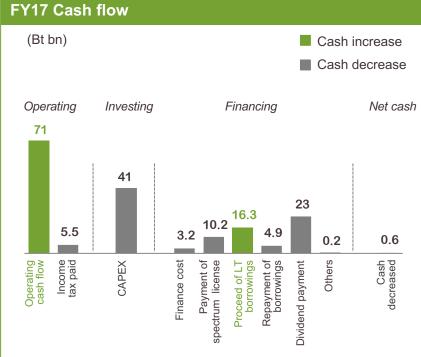


Bt mn	4Q16	3Q17	4Q17	%YoY	%QoQ	FY16	FY17	%YoY
Service revenue ex. IC	31,617	32,455	32,611	▲3.1%	▲0.5%	122,561	128,583	<b>▲</b> 4.9%
Sales revenue	8,315	5,022	7,488	▼9.9%	<b>▲</b> 49%	23,924	24,775	<b>▲</b> 3.6%
Total revenue	41,319	38,580	41,205	▼0.3%	<b>▲</b> 6.8%	152,150	157,722	<b>▲3.7%</b>
Cost of service ex. IC	(15,155)	(15,764)	(15,981)	<b>▲</b> 5.4%	<b>▲</b> 1.4%	(52,694)	(62,460)	▲19%
SG&A	(7,961)	(6,599)	(6,338)	▼20%	<b>▼</b> 4.0%	(29,776)	(25,078)	<b>▼</b> 16%
EBITDA	15,058	17,589	18,454	▲23%	<b>▲4.9%</b>	60,741	70,498	<b>▲16</b> %
EBIT	8,340	9,971	10,411	<b>^</b> 25%	<b>4</b> .4%	39,488	40,812	<b>▲3.4%</b>
NPAT	6,468	7,469	7,701	<b>▲19</b> %	▲3.1%	30,667	30,077	▼1.9%
Sales margin	-3.3%	-4.9%	-0.6%	▲270bps	▲430bps	-4.2%	-3.5%	▲70bps
EBITDA margin	36.4%	45.6%	44.8%	▲840bps	▼80bps	39.9%	44.7%	▲480bps
EBIT margin	20.2%	25.8%	25.3%	<b>▲</b> 510bps	▼50bps	26.0%	25.9%	▼10bps
NPAT margin	15.7%	19.4%	18.7%	▲300bps	▼70bps	20.2%	19.1%	▼110bps
Capex	(10,523)	(10,979)	(7,286)	▼31%	▼34%	(47,554)	(41,108)	▼14%

# Maintained financial flexibility for future growth







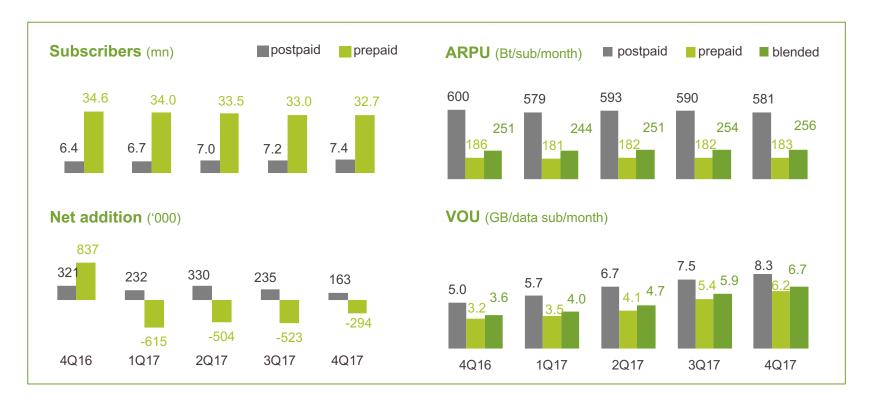
1.4X
Net debt to EBITDA
Interest bearing debt to Equity
65%
Current ratio
Return on Equity

Operating cash flow remained strong to support network investment

### Average finance costs = 3.1% p.a.

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

# Mobile: Postpaid subscriber base continued to expand AIS



- AIS recorded 40.1mn subscribers, dropping 131k QoQ from lower prepaid base.
- Postpaid subscribers +163k QoQ underpinned by attractive bundled package offerings and prepaid to postpaid migration.
- Prepaid subscribers -294k QoQ partially due to migration to postpaid and competition offering handset subsidies.

- Blended ARPU improved Bt2 QoQ, reaching Bt256 driven by larger postpaid base.
- Blended VOU rose to 6.7GB from video streaming and 4G adoption.

# Mobile price plans: Target better ARPU and build differentiation on postpaid



### Unlimited data usage with capped-speed packages

- Offer unlimited data usage at different speeds for diverse needs e.g. chat, social networks, music, HD video streaming
- Encourage customers to move from prepaid to postpaid subscription with worry-free plan

### **Buffet Net Plus**

Monthly Fee (Bt)	4G/3G Unlimited max speed at	Call within AIS (mins)	Enjoy Free
299	1Mbps	5 numbers 24 hr.	PREMIER FULL HD ONLINE TO THE PREMIE
450	2Mbps		DOT HER
550	4Mbps	Unlimited 5am – 5pm	PREMIER FULL HD
600	6Mbps	- 1	3 months

<sup>\*</sup>AIS WIFI is included in all packages.

### Full 4G speed packages

- Attract new data users and encourage higher ARPU subscriptions through premium VDO contents e.g. AIS PLAY, Premier package, HOOQ, and Netflix
- 4G speed with FUP, reduced speed after reaching the data usage limit
- Serve high-end heavy data users with real unlimited max speed experience

### **4G MAX SPEED**

Monthly Fee (Bt)	Total internet	FUP after reach data usage limit	Call all networks (mins)	Enjoy Free
299	1GB		100	PREMIER FULL HD
399	3GB	128kbps	150	1 month
499	7GB	120kbp5	200	
599	10GB		250	PLAY PREMIER HOOC
799	15GB	384kbps	350	3 months
999	20GB	304KDP3	450	
1,099			650	PREMIER FULL HD
1,299	Unlimited	_	850	3 months
1,499	at max speed	_	1,200	ноо
1,899			2,000	12 months

<sup>\*</sup>AIS WIFI is included in all packages.

# Mobile: Handset discount with monthly plan (1/3)



- Discount on various branded 4G smartphones, focusing on mid- to hi-end segments
- Bundled with monthly plan at committed ARPU from 399Bt to Bt1,099/month
- Require advanced payment credited for monthly charge and subjected to 12 months contract

### **Bundled handsets**

iPhone		Regular Price (Baht)	Discounts 4,000 Baht Monthly package starts at 699 Pay in Advance 2,0		e Monthly package starts at 1,099	Discounts 9,000 Baht Monthly package starts at 1,299 Pay in Advance 5,000	Discounts 10,000 Baht Monthly package starts at 1,499 Pay in Advance 6,000.
iPhone X	64GB	41,000	37,000	35,000	34,000	32,000	31,000
	256GB	47,000	43,000	41,000	40,000	38,000	37,000
iPhone 8	64GB	29,000	25,000	23,000	22,000	20,000	19,000
HOT	256GB	33,500	29,500	27,500	26,500	24,500	23,500
iPhone 8 Plus	64GB	33,000	29,000	27,000	26,000	24,000	23,000
	256GB	39,000	35,000	33,000	32,000	30,000	29,000
SAMSUNG		Regular (Bah		Special Price (Baht)	Pay in Advanc (Baht)		Deal Non-Stop ackages
Galaxy Note8		33,900	)	29,900	1,500		699
Galaxy S8+		30,900		24,900	2,000		699
				20,900	4,000		1,099
Galaxy S8		27,900	)	21,900	2,000		699
				17,900	4,000		1,099
Galaxy A8+		18,990		14,990	2,000		599
™ Galaxy A8		15,990	)	11,990	2,000		000
HUAWEI							
Mate 10 Pro		27,900		23,900			699
				19,900			899
P10 Plus	Regular Pri 599 Baht	19,900		13,900	2,000		599
P10 64GB	For 12 Mon (Value 7,692 B	ans) 15,900		9,900			555
or GR5 2017		6,990		3,990	1,500		499
nova 2i		9,900	)	6,900			
				5,900	2,000		599
101 Y7		4,990		1,990	1,000		399

# Mobile: Handset discount with monthly plan (2/3)



# **Bundled price plans**

Monthly Fee	li	Internet (Unlimited)		All Network Calls AlS Network Calls		WiFi	Special
(Baht)	Total	4G/3G	4G	(Mins)	(05:00 - 17:00)	Unlimited	Application
399	3 GB	1.5 GB	1.5 GB	50			PREMIER FULL HD
499	4 GB	2 GB	2 GB	100			for 1 month
599	6 GB	3 GB	3 GB	150	Free Calls 1,000 Mins Per Month		PREMIER
699	8 GB	4 GB	4 GB	200		FULL HD	
899	12 GB	6 GB	6 GB	300		for 3 months	
1,099	16 GB	8 GB	8 GB	400			
1,299	20 GB	10 GB	10 GB	650		PREMIER FULL HD	
1,499	24 GB	12 GB	12 GB	800		for 6 months	
1,899	30 GB	15 GB	15 GB	1,400			

# Mobile: Attractive prepaid to postpaid plans (3/3)





Monthly Fee (Bt)	4G/3G Non-stop	Call all network (min)	Enjoy Free
399 <b>199</b>	3GB	150	PREMIER FULL HD DOCUMENTS  1 month
4 <u>99</u> <b>249</b>	4GB	200	
<del>599</del> <b>499</b>	6GB	250	PREMIER FULL HD
<del>799</del> <b>399</b>	10GB	350	3 months
999 <b>499</b>	14GB	500	

Non-stop packages, throttled at 128kbps

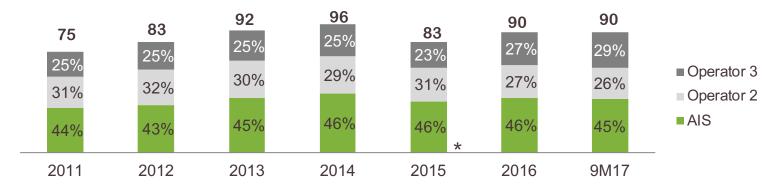
Unlimited packages at fixed speed

Monthly Fee (Bt)	Unlimited capped-speed	Call all network (min)	Call within AIS
499	1Mbps	100	Unlimited
600	4Mbps	300	24 hr

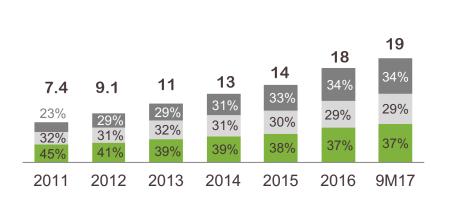
# Mobile market share by subscribers



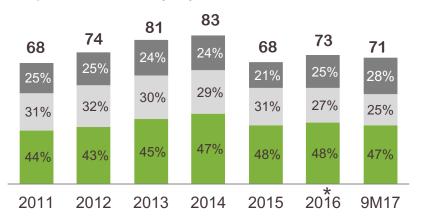
### Total subscriber (mn)



### Postpaid subscriber (mn)



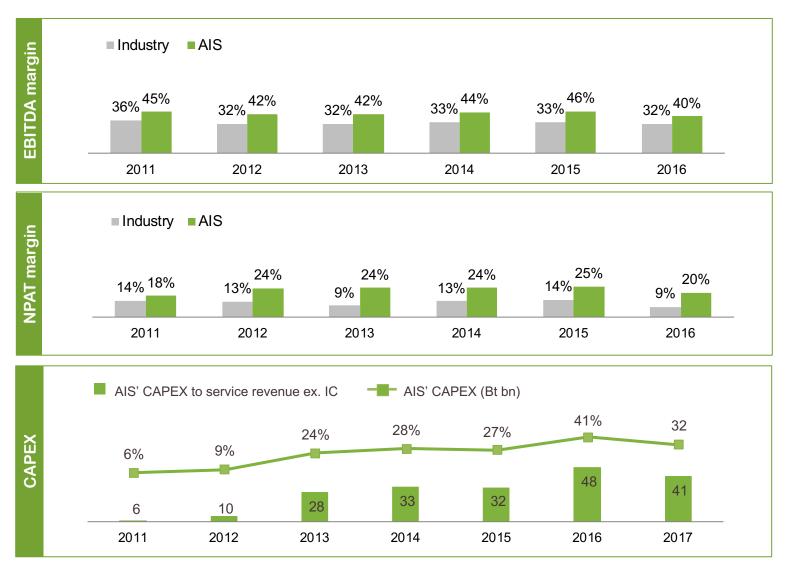
### Prepaid subscriber (mn)



<sup>\*</sup> 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. 24

# Historical profitability and CAPEX trend

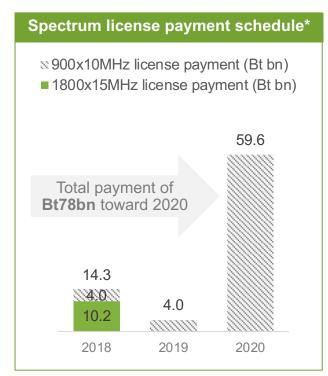


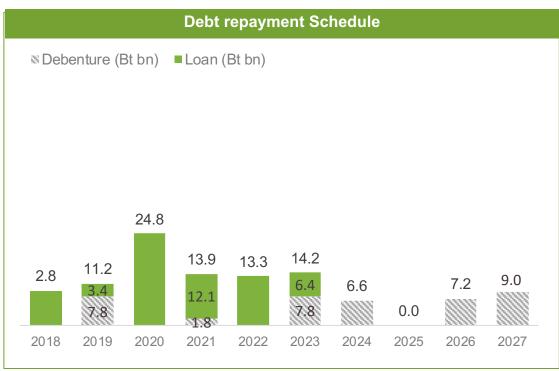


Source: company data

# Debt payment and License payment schedule







Note: 1800x15MHz license: the total payment is Bt40,986m for the use of 18 years, expiring in 2033 900x10MHz license: the total payment is Bt75,654m for the use of 15 years, expiring in 2031

# **Distribution Channel** expanding touch points to +400k



### **AIS Branded Shop**

100+ shops





### **Exclusive branded shop by** partner (Telewiz)

450+ shops





### **AIS Buddy**

1,000+ shops



### **Electronic Distribution Channels**

400k+ points





(refill-on-mobile agent)



Auto top-up KIOSK

### **Modern Trade Outlets**

10k+ shops









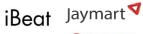
















# Fixed broadband: Market offerings



Broadband Internet Value Package for Extra HomeBROADBAND Package Upload AIS Postpaid Customer
[Baht/Month]
[Exclude VAT] Max Speed Internet (Download/Upload) Standard Price (Baht/Month) (Exclude VAT) 30/10 531 590 50/20 699 777 75/30 799 888 100/40 999 899

Added

service

TV

TV

+mobile

+4G/3G data UL at 4Mbps

+WIFI

Source: company data as of Feb-18

HomePLUS Package					
Broadband Internet with AIS PLAYBOX					
Max Speed Internet [Download/Upload]	Standard Price (Baht/Month) [Exclude Vat]	AIS Postpaid Customer (Baht/Month) (Exclude Vat)	AIS Serenade (Baht/Month) (Exclude Vat)	TV, movies, ser and news from channel with	n world-class
30/10	690	631	-		-
50/20	877	799	699	Enjoy free 100 + TV channel with	HCOQ
75/30	988	899	-	vHigh Resolution.	Free 12 months
100/40	1,099	999	899		

Customer pays Bt650 for entry-fee

**Monthly** 

fee (Bt)

599

799

1099

1399

1999

## true online

Tech

FTTx

DL/UL

speed

30/10

50/20

100/30

200/50

300/70



SHOADBAND			
BROADBAND	≺		
		BROADBAND	

Tech	DL/UL speed	Monthly fee (Bt)	Added service
VDSL	30/10	590	
	100/30	700	Cloud box + IPTV +
FTTx	150/50	900	Movie Maxx free for 30 days
	200/100	1,200	

		_
	_	

Tech	DL/UL speed	Monthly fee (Bt)	Added service
	30/15	590	
FTTX	50/20	700	Pay extra
	100/20	800	Bt50-60 for IPTV
	150/30	990	
	200/80	1,200	

Customer pays Bt650 for entry-fee

Customer pays one month in advance

# Digital services: More varieties and exclusivities





Introduced new content packages to attract customers with different preferences e.g. sport, family, movies at more affordable prices on both AIS PLAY and AIS PLAYBOX.

# **Mobile**









# PREMIER

# FULL HD

Ultimate
entertainment
+ Unlimited
internet
Bt499/month

# PREMIER

FULL HD
Ultimate

entertainment Bt299month

### **NEW**

# HBO FULL HD

Movies and series from HBO Bt199month

### NEW

### **SPORTAINMENT**

# **FULL HD**

Exclusive sport entertainment
Bt199month

### n broadband



entertainment in all forms Bt599/month

# NEW

MOVIES FULL HD

Ultimate movies & series Bt399month

### NEW

FAMILY FULL HD

World class cartoons Bt299month NEW

# SPORTS FULL HD

Thrilling sports matches Bt199month



### Contact us

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### 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.