



2Q19 Financial Results

Advanced Info Service Plc.

5 August 2019

Ticker: ADVANC (SET)
AVIFY (ADR)



FTSE4Good



Mobile revenue grew 5.3% YoY and 4.3% QoQ with improved competition and price adjustment

- Mobile pricing improved with unlimited data plans discontinued while overall data price gradually uplifted. This drove improvement in ARPU (1.8% YoY and 4.1% QoQ) and hence better revenue momentum.
- As a result of price adjustment, growth in data usage was also tamed, currently at 11.5 GB/subscriber, while network investment was well under plan to continue as leading 4G network.

Fixed broadband had a sequential revenue growth of 26% YoY and 7% QoQ, outpacing the industry

- With a focus on FMC (Fixed-Mobile Convergence) strategy, AIS Fibre added healthily 60,400 new subscribers in the quarter despite aggressive price competition, reaching a total base of 855,400.
- AIS shops, Telewiz, and AIS Call Center will be more pronounced in 2H19 as important channels to ensure quality acquisition

Maintained FY19 guidance

With improved mobile pricing and continued momentum in fixed broadband, **core service revenue** in 2Q19 grew +5.8% YoY and making 1H19 growth of 4% in line with mid-single digit growth guidance.

- **Normalized EBITDA** (excludes one-time provision of Bt636mn for legal severance) in 2Q19 was Bt19,753mn +4% YoY and QoQ; and 1H19 was flat at Bt38,023mn with 43% margin hence guidance maintained.
- **Normalized net profit** in 2Q19 was Bt8,234mn, increasing +2.9% YoY and +8.1% QoQ, and 1H19 was Bt15,340mn. AIS announced an interim dividend for 1H performance of Bt3.78/share, following the policy of minimum 70% of EPS.

Acquired 700MHz spectrum to strengthen network leadership in both short and long term

- In preparation for the upcoming 5G technology, AIS won 2x10MHz bandwidth of 700MHz with the license to begin in Oct-20. Such low band will support 5G coverage, and in the near term can be deployed on the existing 4G network for more efficient investment.
- Consequent to the 700MHz allocation, the term payments of the 900MHz has been extended until 2025, as shown in the chart on page 9.

2Q19 & 1H19 Financial Highlights (Pre-TFRS15)



| Bt mn | Pre-TFRS 15 | | | | | | | |
|-----------------------------|---------------|---------------|---------------|--------------|--------------|---------------|---------------|--------------|
| | 2Q18 | 1Q19 | 2Q19 | %YoY | %QoQ | 1H18 | 1H19 | %YoY |
| Mobile revenue | 31,256 | 31,555 | 32,911 | ▲5.3% | ▲4.3% | 62,464 | 64,466 | ▲3.2% |
| FBB revenue | 1,094 | 1,288 | 1,380 | ▲26% | ▲7.1% | 2,107 | 2,669 | ▲27% |
| Other revenues | 1,115 | 1,119 | 1,103 | ▼1.1% | ▼1.4% | 2,041 | 2,221 | ▲8.8% |
| Core service revenue | 33,464 | 33,962 | 35,394 | ▲5.8% | ▲4.2% | 66,612 | 69,356 | ▲4.1% |
| IC and equipment rental | 2,845 | 2,995 | 2,841 | Flat | ▼5.2% | 4,263 | 5,836 | ▲37% |
| Service revenue | 36,309 | 36,957 | 38,235 | ▲5.3% | ▲3.5% | 70,875 | 75,192 | ▲6.1% |
| SIM and device sales | 5,919 | 6,867 | 6,453 | ▲9.0% | ▼6.0% | 12,287 | 13,320 | ▲8.4% |
| Total revenue | 42,228 | 43,824 | 44,688 | ▲5.8% | ▲2.0% | 83,161 | 88,512 | ▲6.4% |
| Cost of service | (19,202) | (19,817) | (20,170) | ▲5.0% | ▲1.8% | (36,483) | (39,987) | ▲9.6% |
| SG&A | (6,197) | (6,786) | (7,706) | ▲24% | ▲14% | (12,533) | (14,492) | ▲16% |
| EBITDA* | 18,998 | 18,906 | 19,117 | ▲0.6% | ▲1.1% | 37,904 | 38,023 | Flat |
| EBIT* | 10,673 | 10,059 | 10,065 | ▼5.7% | Flat | 21,499 | 20,124 | ▼6.4% |
| NPAT* | 8,005 | 7,615 | 7,725 | ▼3.5% | ▲1.5% | 16,042 | 15,340 | ▼4.4% |
| Sales margin | -3.0% | -4.2% | -4.0% | ▼100bps | ▲20bps | -2.0% | -4.1% | ▼210bps |
| EBITDA margin* | 45.0% | 43.1% | 42.8% | ▼220bps | ▼30bps | 45.6% | 43.0% | ▼260bps |
| EBIT margin* | 25.3% | 23.0% | 22.5% | ▼280bps | ▼50bps | 25.9% | 22.7% | ▼320bps |
| NPAT margin* | 19.0% | 17.4% | 17.3% | ▼170bps | ▼10bps | 19.3% | 17.3% | ▼200bps |

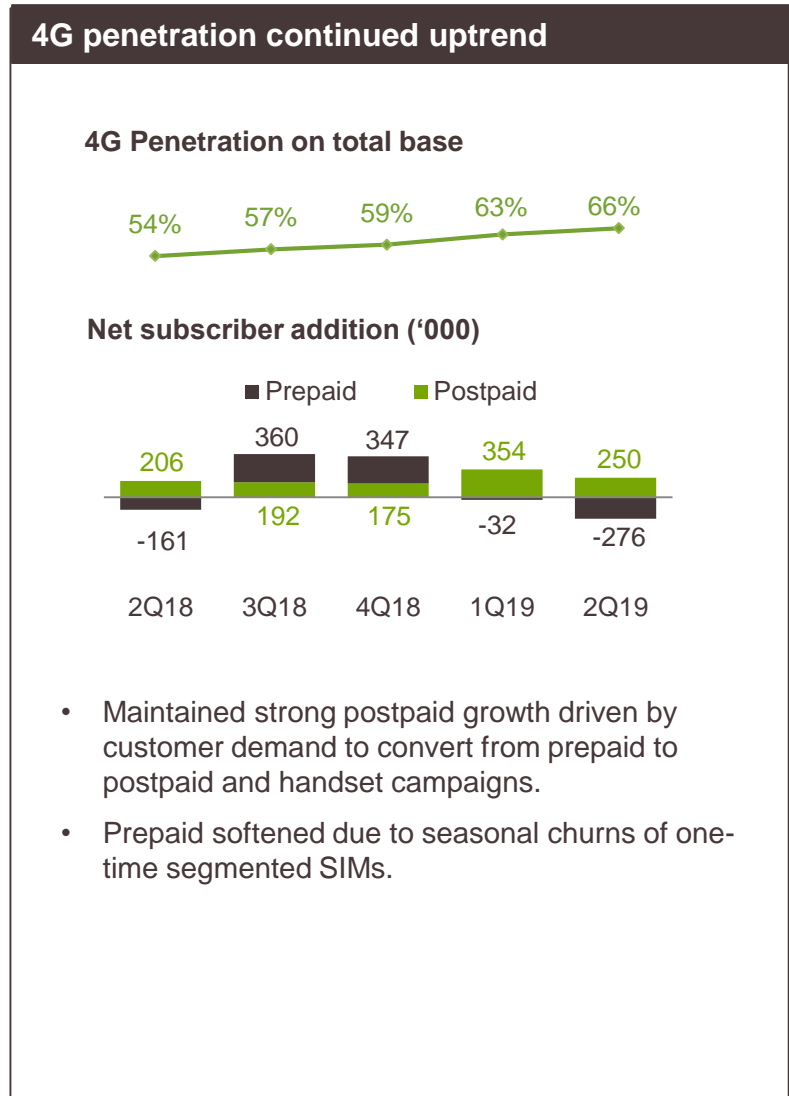
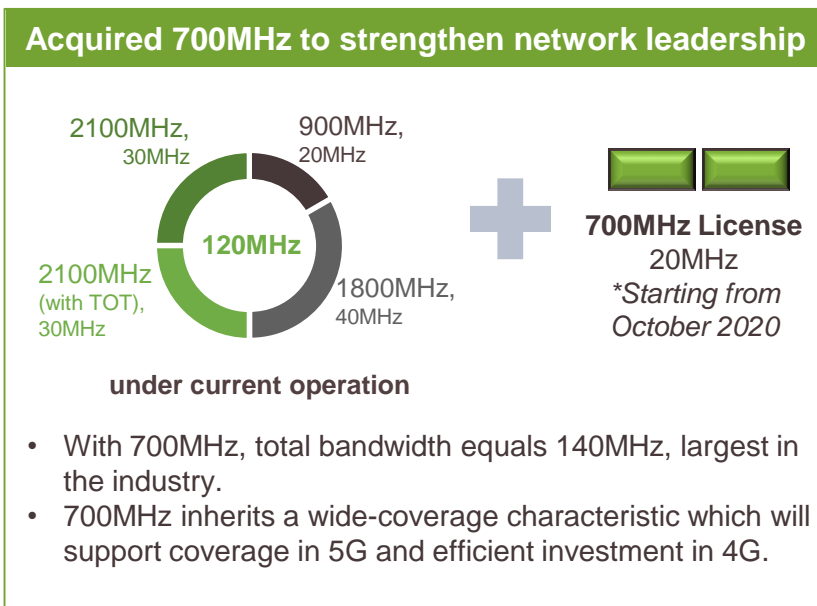
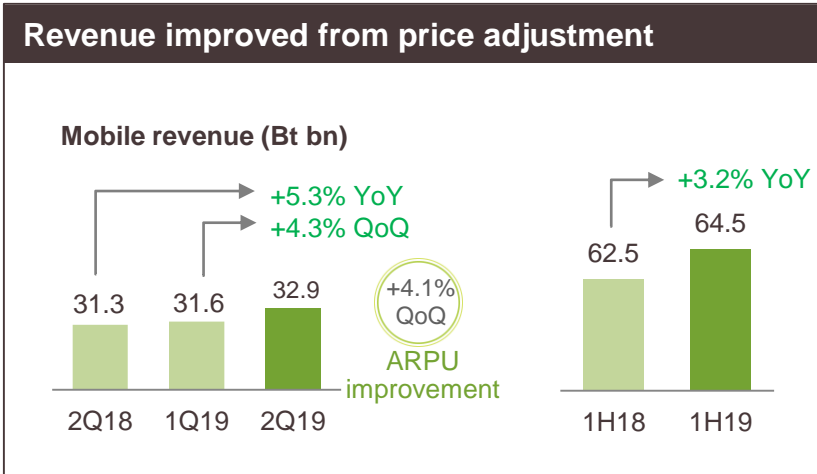
*Included one-time expense of Bt636mn (before tax) for legal severance provision in 2Q19. See page 7 for normalization

FY19 Pre-TFRS 15 Guidance (maintained)



| FY19 guided items | Guidance | Rationale |
|--|---|---|
| Core service revenue | Mid-single digit growth | <ul style="list-style-type: none"> • Mobile: stay competitive in maintaining business scale driven by 4G and penetration in growing segments • FBB: deploy FMC (Fixed- Mobile Convergence) targeting 1mn subscribers milestone • Enterprise: gain share in mobile airtime and EDS while growing in Cloud/DC/ICT managed services |
| EBITDA margin | Stable from last year (43.4% in FY18) | <ul style="list-style-type: none"> • Allocate sufficient capital to retain and expand scale in respective businesses • Optimize OPEX, offset with cost to support network growth in all businesses |
| Budgeted CAPEX (excludes spectrum payment) | Bt20-25bn, of which Bt4-5bn allocated for FBB | <ul style="list-style-type: none"> • Focus on 4G capacity expansion incorporating 5G-compatible architecture • Expand last miles to serve 1mn FBB customers |
| Dividend policy | Minimum 70% payout ratio | <ul style="list-style-type: none"> • Preserve financial health and flexibility for future growth |

Mobile: Revenue grew with price adjustment

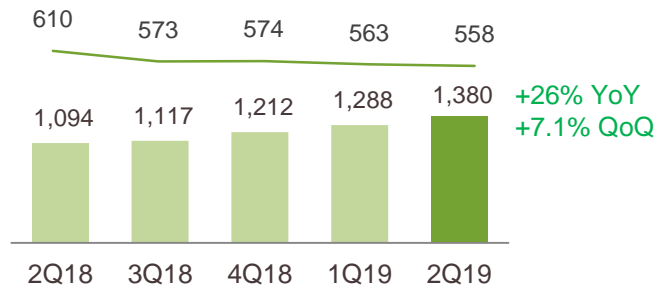


FBB: Continued both revenue and subscriber momentum



Remained double-digit revenue growth

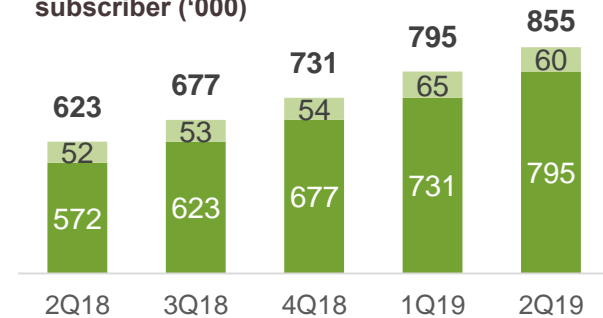
■ Fixed broadband revenue (Bt mn) — ARPU (Bt/month)



- Maintained strong revenue growth while ARPU dropped 1% QoQ as part of FMC revenue is allocated to mobile segment

Focused on quality acquisition

■ Beginning subscriber ('000) ■ Net addition ('000)



- Gained 60.4k subscribers in 2Q19, focusing on footprints in 57 key cities

Continued to increase value via FMC

ARPU 20% higher

FMC, 29%



Non-FMC, 71%

Of 855k subscribers

AIS Fibre POWER 4 Power4 Maxx PACKAGE

| Package | Speed | Storage | Services |
|---------|-------------|---------|--------------------------|
| Bt699 | 50/20Mbps | 5GB* | AIS PLAY, AIS SUPER WiFi |
| Bt799 | 100/50Mbps | 10GB* | AIS PLAY, AIS SUPER WiFi |
| Bt999 | 300/100Mbps | 15GB* | AIS PLAY, AIS SUPER WiFi |

*Throttled speed: 128kbps

- Focused on cross-selling to existing mobile customers
- Leverage AIS shops, Telewiz, and AIS Call Center to support quality acquisition

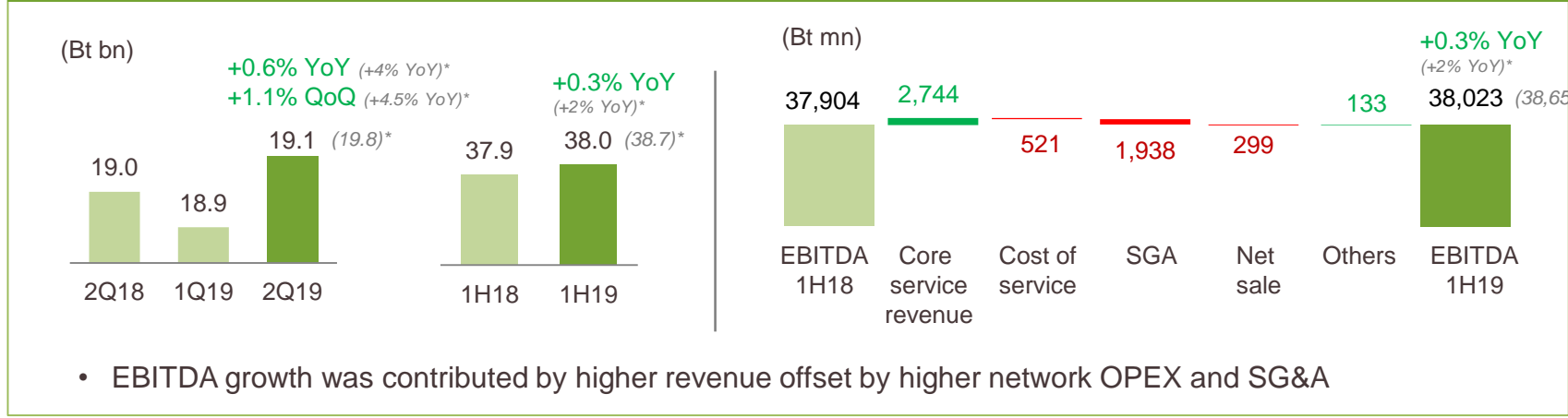
AIS | Telewiz



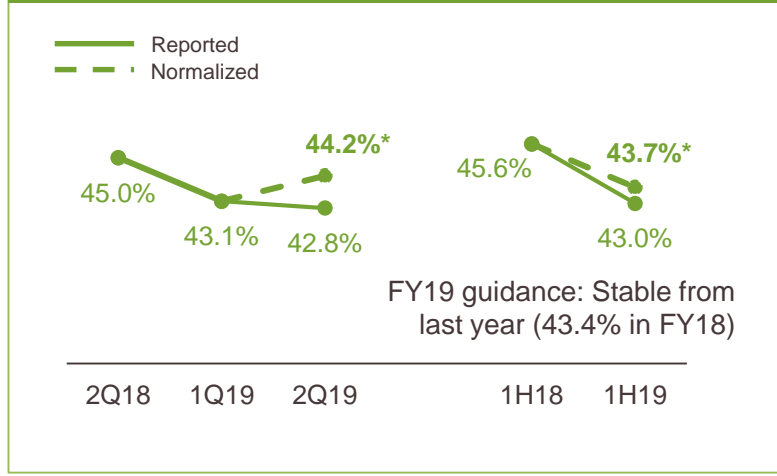
Profit rose from both revenue and cost improvement



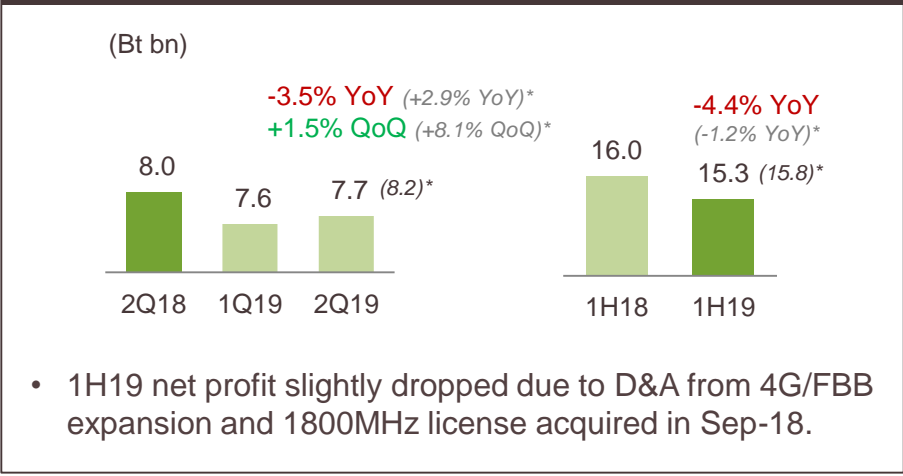
EBITDA



EBITDA margin

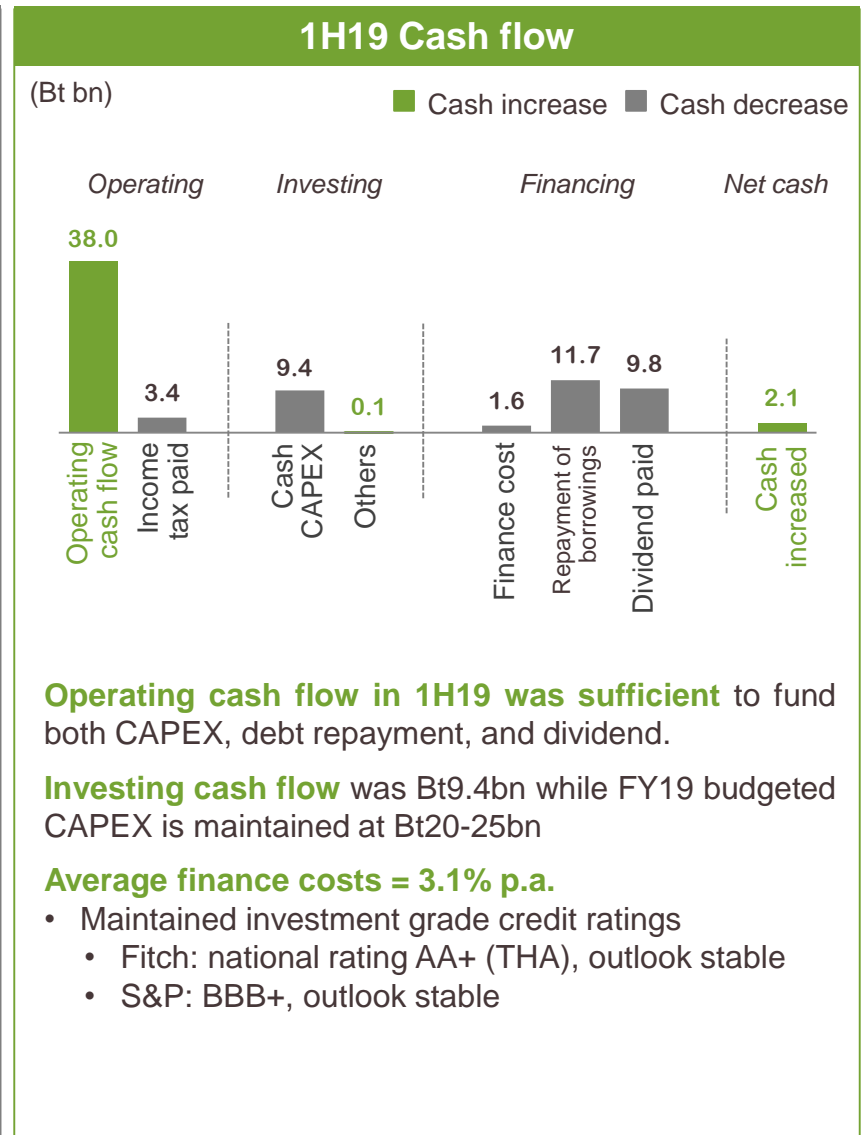
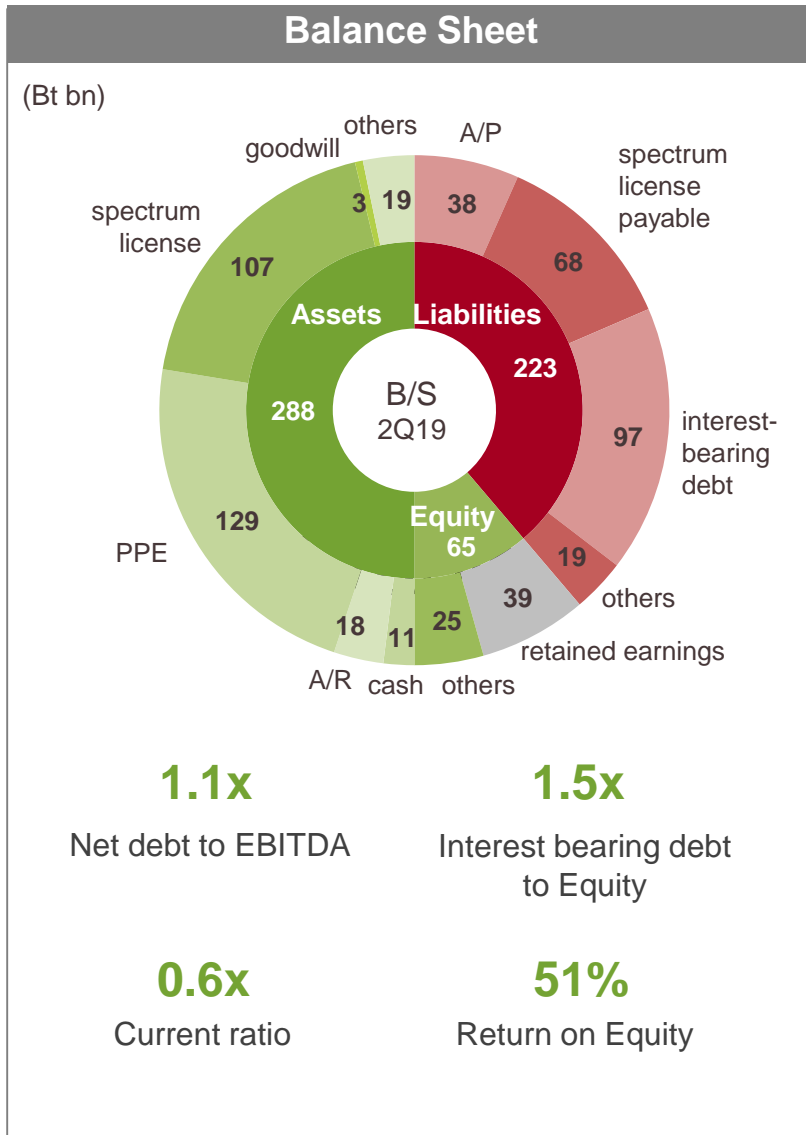


Net profit



*Show performance after normalizing Bt636mn (before tax) of legal severance provision in 2Q19

Maintained financial flexibility for future growth



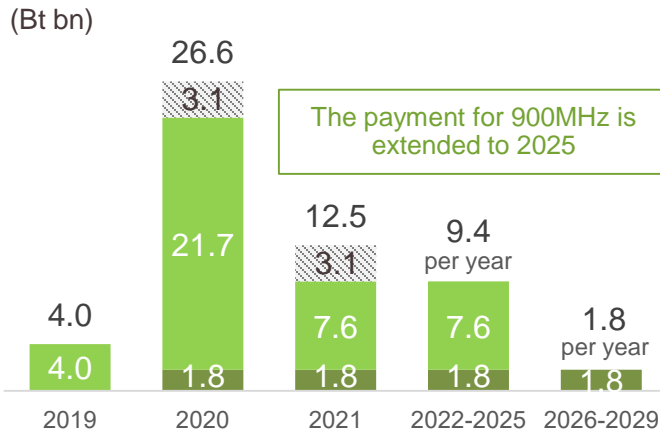
License payment and debt repayment schedule

900MHz payment term extended



Spectrum license payment schedule

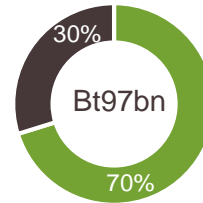
- 1800x20MHz license payment
- 900x10MHz license payment
- 700x10MHz license payment



The payment for 900MHz is extended to 2025

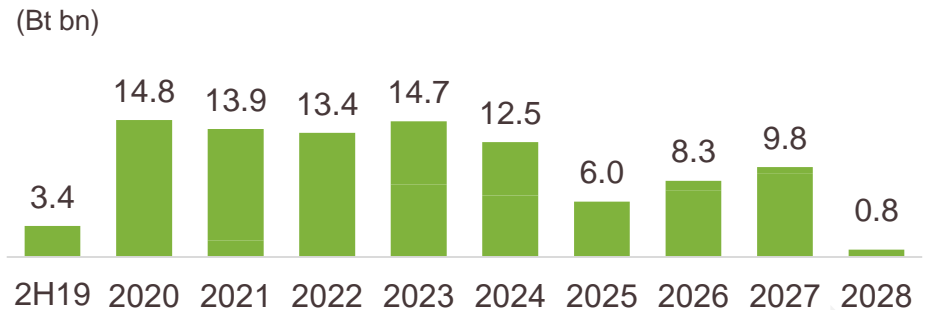
Total of **Bt87bn** toward 2030

Debt repayment Schedule



- All in THB currency
- S&P rating: BBB+
- Avg. cost of debt = 3.1% p.a.

■ Float rate ■ Fixed rate



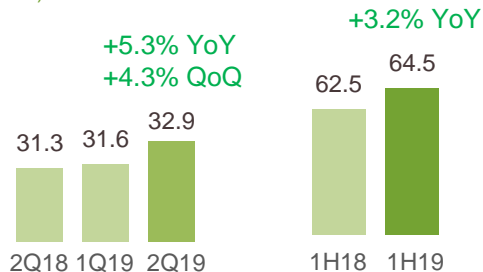
Total of **Bt97bn** toward 2028

APPENDIX

2Q19 & 1H19 Revenue Breakdown

Mobile revenue

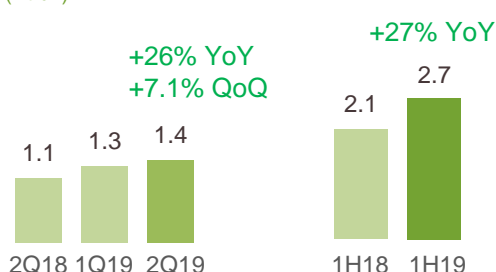
(Bt bn)



- Driven by improved data pricing, resulted in increase in ARPU.

Fixed broadband revenue

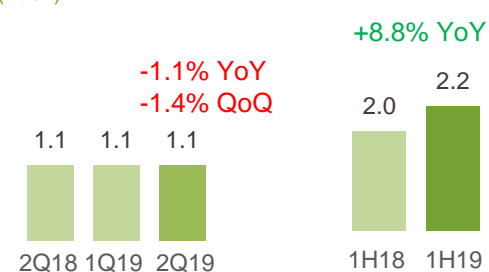
(Bt bn)



- Expanded subscriber base to 855k, adding 60.4k in the quarter

Other revenues

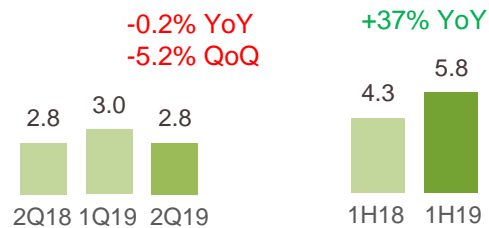
(Bt bn)



- 1H19, underpinned by improving sales in telecom & ICT services as well as CSL's revenue consolidated

IC and equipment rental

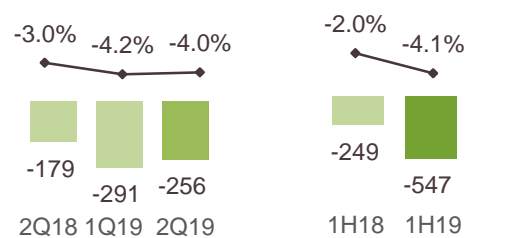
(Bt bn)



- Flat YoY. QoQ, declined from lower equipment rental.

Net Sales & margin

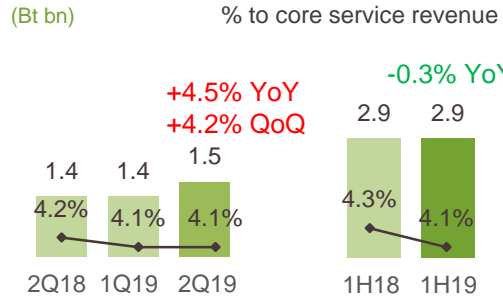
(Bt mn)



- Continued handset campaigns

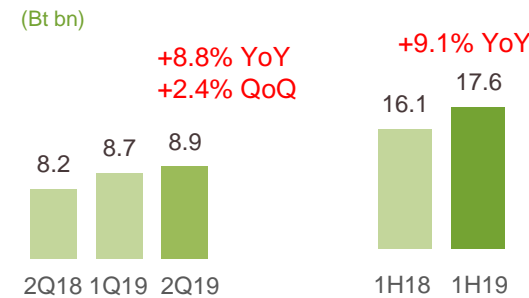
2Q19 & 1H19 Cost Breakdown

Regulatory fee



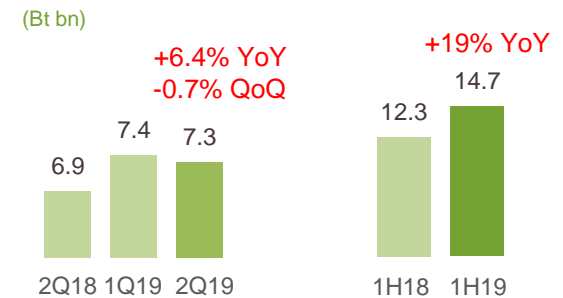
- Increased following higher service revenue.

D&A



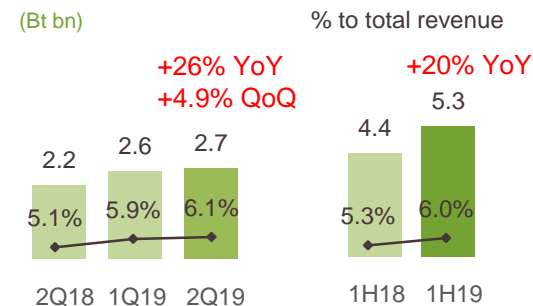
- Increased from 4G network and fixed broadband investment

Network OPEX



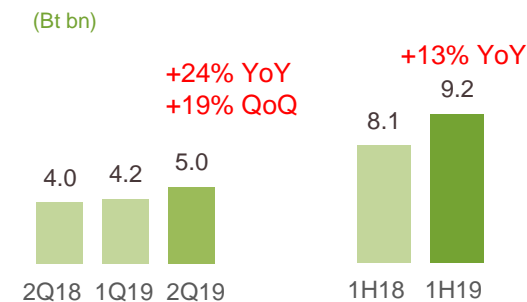
- Excluding TOT, 1H19 network OPEX would increase 8.8% YoY, mainly from higher utilities for expanding 4G

Marketing expense



- Increased from advertisement, handset campaigns as well as the low-base spending in 1H18.

Administrative & others

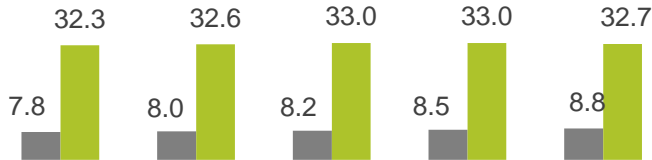


- Increased mainly from the one-time provision on legal severance of Bt602mn

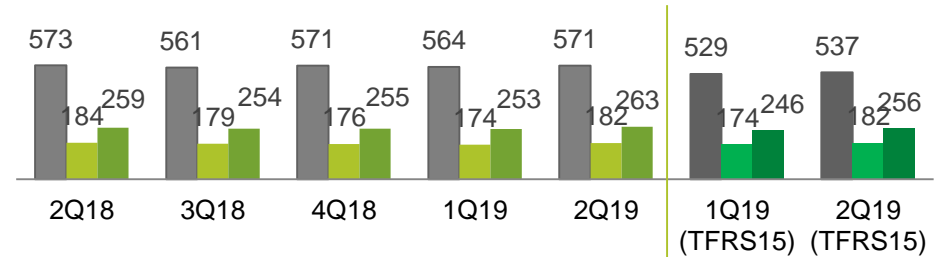
Mobile: Data usage grew more reasonably



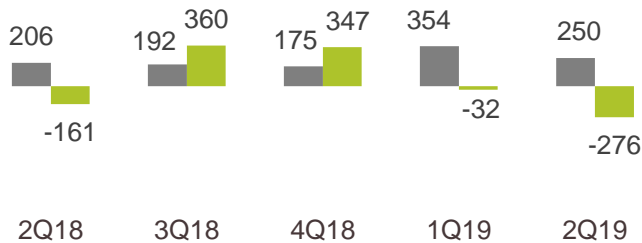
Subscribers (mn) ■ postpaid ■ prepaid



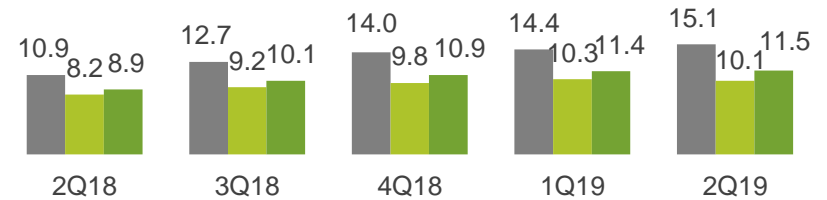
ARPU (Bt/sub/month) ■ postpaid ■ prepaid ■ blended



Net addition ('000)



VOU (GB/data sub/month)



- **Mobile subscribers was at 41.5mn**, slightly decreasing 26k QoQ from lower prepaid base.
- **Postpaid subscribers grew 250k** QoQ, underpinned by prepaid-to-postpaid conversion and attractive handset campaigns.
- **Prepaid subscribers decreased 276k** QoQ, mainly from seasonal churns of one-time segmented SIMs.

- **Blended ARPU improved to Bt263**, from price adjustment from unlimited data plans into volume-based plans.
- **Blended VOU** softly increased to 11.5 GB after unlimited data plans discontinued.

2Q19 & 1H19 Financial Highlights (Post-TFRS15)



| Bt mn | Post-TFRS 15 | | | |
|-----------------------------|---------------|---------------|--------------|---------------|
| | 1Q19 | 2Q19 | %QoQ | 1H19 |
| Mobile revenue | 30,678 | 32,042 | ▲4.4% | 62,720 |
| FBB revenue | 1,288 | 1,380 | ▲7.1% | 2,669 |
| Other revenues | 1,078 | 1,083 | ▲0.4% | 2,161 |
| Core service revenue | 33,044 | 34,505 | ▲4.4% | 67,549 |
| IC and equipment rental | 2,995 | 2,841 | ▼5.2% | 5,836 |
| Service revenue | 36,039 | 37,346 | ▲3.6% | 73,385 |
| SIM and device sales | 7,222 | 6,736 | ▼6.7% | 13,958 |
| Total revenue | 43,262 | 44,081 | ▲1.9% | 87,343 |
| Cost of service | (19,817) | (20,170) | ▲1.8% | (39,987) |
| SG&A | (6,262) | (7,047) | ▲13% | (13,309) |
| EBITDA | 18,868 | 19,169 | ▲1.6% | 38,037 |
| EBIT | 10,021 | 10,118 | ▲0.1% | 20,124 |
| NPAT | 7,570 | 7,754 | ▲2.4% | 15,324 |
| Sales margin | 0.9% | 0.4% | ▼50bps | -4.1% |
| EBITDA margin | 43.6% | 43.5% | ▼10bps | 43.5% |
| EBIT margin | 23.2% | 23.0% | ▼20bps | 23.1% |
| NPAT margin | 17.5% | 17.6% | ▲10bps | 17.5% |



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.