3Q19 Financial Results

Advanced Info Service Plc.

31 October 2019

Ticker: ADVANC (SET)
AVIFY (ADR)

FTSE4Good

THSI
THAILAND SUSTAINABILITY INVESTMENT 2018

3Q19 Summary

Mobile revenue grew 6.4% YoY and flat QoQ with postpaid price adjustment

- In 3Q19, the postpaid segment continued its growth with a lower mix of unlimited plan. AIS continued to adjust postpaid price plans to suit customer's usage pattern.
- Prepaid competition remained challenging with offering of large data allowance on low-tier package. AIS selectively offered such plan to maintain fair share and ensure that we preserve our quality subscribers.

Fixed broadband revenue growth was 32% YoY and 6.9% QoQ following enhanced convergence strategy

- Despite competitive environment, AIS Fibre gained 81,600 subscribers in this quarter and landed a total subscriber of 937,000. Hence, we maintain our target of 1mn homes by end-19.
- With the focus on the fixed-mobile convergence (FMC) offering to acquire high-value customers leveraging upon mobile subscriber base, AIS Fibre revenue contribution grew to 4.2% of AIS core service revenue.

Maintained FY19 guidance

- In summary, **core service revenue** in 3Q19 increased +7.2% YoY and flat QoQ. **EBITDA** was Bt21,135mn increasing 19% YoY and 11% QoQ from revenue growth and cost control.
- For 9M19, AIS reported a robust **core service revenue growth** of 5.2% YoY with a 44.2% **EBITDA margin**, both in-line with guidance. NPAT was 24,019mn increased 5.1%.

Partnered to secure use of towers in long-term

- In the quarter, AIS has settled two disputes with TOT on towers and 2G equipment. Effectively, AIS will be renting towers from TOT for a period of 10 years and ended the rent on 2G equipment, both of which resulted in lower opex. Further details are shown on page 10.

3Q19 & 9M19 Financial Highlights (Pre-TFRS15)

	This table is based on pre-TFRS 15							
Bt mn	**3Q18**	**2Q19**	**3Q19**	**%YoY**	**%QoQ**	**9M18**	**9M19**	**%YoY**
Mobile revenue	30,895	32,911	32,880	▲6.4%	▼0.1%	93,358	97,346	▲4.3%
FBB revenue	1,117	1,380	1,475	▲32%	▲6.9%	3,224	4,143	▲29%
Other revenues	1,122	1,103	1,172	▲4.4%	▲6.3%	3,163	3,393	▲7.3%
Core service revenue	**33,134**	**35,394**	**35,527**	**▲7.2%**	**▲0.4%**	**99,745**	**104,883**	**▲5.2%**
IC and TOT partnership	3,111	2,841	4,278	▲38%	▲51%	7,374	10,113	▲37%
Service revenue	**36,245**	**38,235**	**39,804**	**▲9.8%**	**▲4.1%**	**107,120**	**114,996**	**▲7.4%**
SIM and device sales	5,865	6,453	5,652	▼3.6%	▼12%	18,152	18,973	▲4.5%
Total revenues	**42,110**	**44,688**	**45,457**	**▲7.9%**	**▲1.7%**	**125,271**	**133,969**	**▲6.9%**
Cost of service	(19,835)	(20,170)	(20,748)	▲4.6%	▲2.9%	(56,317)	(60,735)	▲7.8%
SG&A	(6,794)	(7,706)	(7,227)	▲6.4%	▼6.2%	(19,327)	(21,719)	▲12%
EBITDA*	**17,817**	**19,117**	**21,135**	**▲19%**	**▲11%**	**55,721**	**59,159**	**▲6.2%**
EBIT*	9,261	10,065	11,563	▲25%	▲15%	30,761	31,687	▲3.0%
NPAT*	**6,800**	**7,725**	**8,679**	**▲28%**	**▲12%**	**22,843**	**24,019**	**▲5.1%**
Sales margin	-5.5%	-4.0%	-4.2%	▲130bps	▼20bps	-3.2%	-4.1%	▼100bps
EBITDA margin*	42.3%	42.8%	46.5%	▲420bps	▲370bps	44.5%	44.2%	▼30bps
EBIT margin*	22.0%	22.5%	25.4%	▲340bps	▲290bps	24.6%	23.7%	▼90bps
NPAT margin*	16.1%	17.3%	19.1%	▲290bps	▲180bps	18.2%	17.9%	▼30bps

**Included one-time expense of Bt479mn (before tax) for TOT Partnership in 3Q19. See page 7 for normalization*

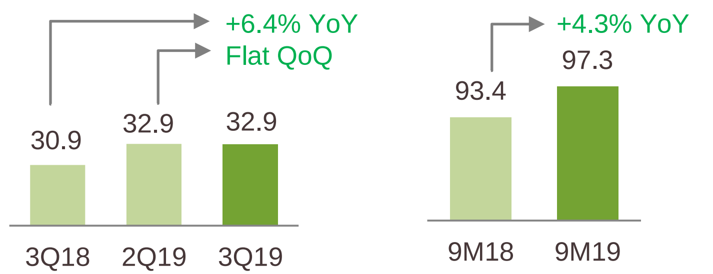
FY19 Pre-TFRS 15 Guidance (maintained)

FY19 guided items	Guidance	Rationale
Core service revenue	Mid-single digit growth	• 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)	• 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	• Focus on 4G capacity expansion incorporating 5G-compatible architecture • Expand last miles to serve 1mn FBB customers
Dividend policy	Minimum 70% payout ratio	• Preserve financial health and flexibility for future growth

Mobile: Revenue grew from postpaid price adjustment

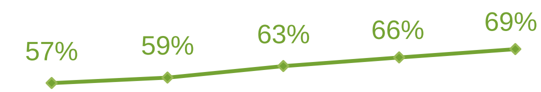
Revenue driven by postpaid price adjustment

Mobile revenue (Bt bn)

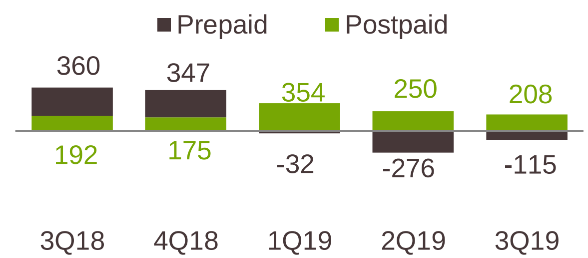


4G penetration continued uptrend

4G Penetration on total base

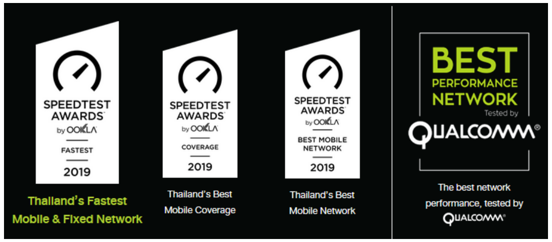


Net subscriber addition ('000)



- Maintained strong postpaid growth driven by 4G demand and handset campaigns.
- The decrease in prepaid customers resulted from customer demand to convert from prepaid to postpaid.

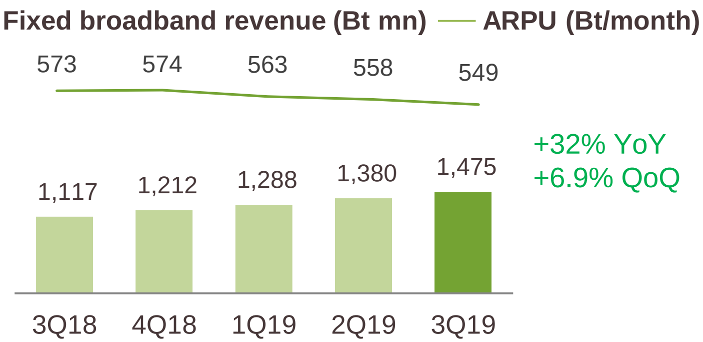
Maintained network quality leadership



- AIS awarded Thailand's Fastest Mobile Network for 5 consecutive years
- The best network performance, tested by QUALCOMM

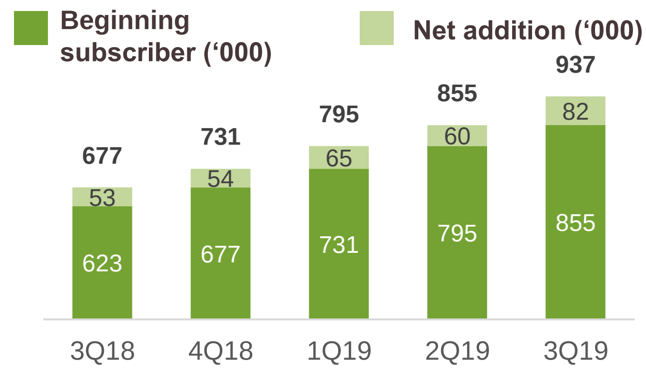
FBB: Continued both revenue and subscriber momentum

Remained double-digit revenue growth



- Robust revenue growth in 3Q19, focusing on high value customers acquisition through leveraging mobile subscribers

Enhanced quality subscriber growth



- Gained 81.6k subscribers in 3Q19, maintaining 1mn subscribers target within 2019

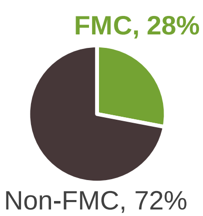
Launched the new 1Gbps fibre packs

Max Speed Internet (Download/Upload)

1Gbps/ 100 Mbps SUPER MESH WIFI Package

999 – 1,099 Bt/mth

Continued to increase value via FMC and leverage key channels

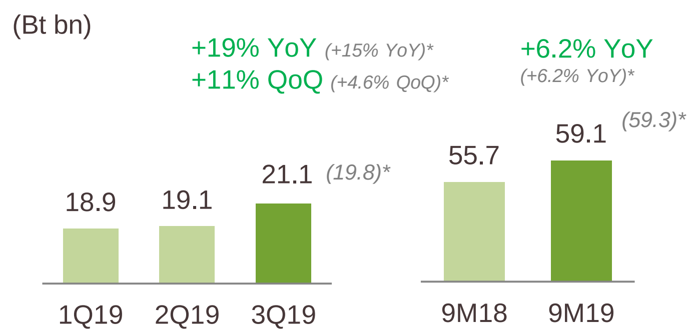


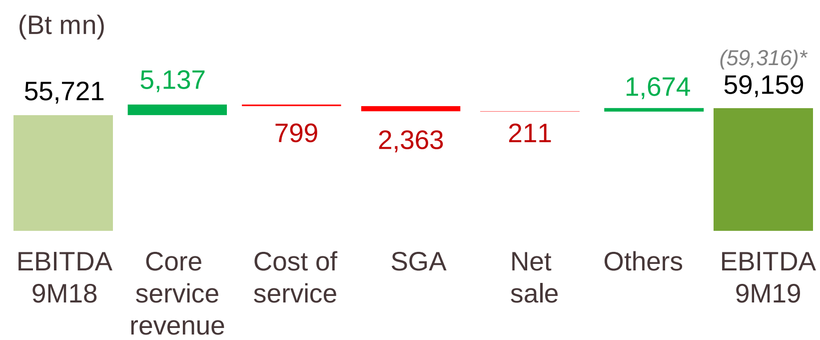
Of 937k subscribers

- Focus on cross-selling to AIS existing mobile subscriber base to acquire quality subscribers and enhance ARPA (average revenue per account)
- Enhance sales effectiveness through call center and Telewiz
- Awarded **"The fastest broadband network in Thailand"** by OOKLA

Profit rose from both revenue and cost improvement

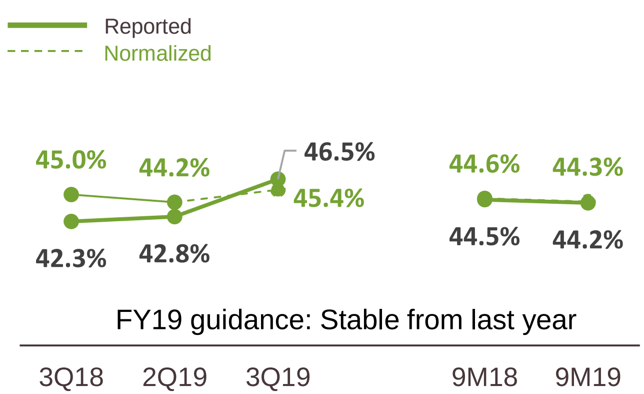
EBITDA



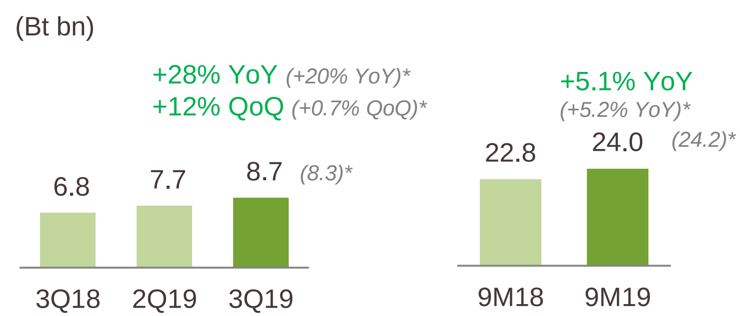


- Less marketing expense and rental saving on TOT settlement stimulate double-digit growth on EBITDA

EBITDA margin



Net profit

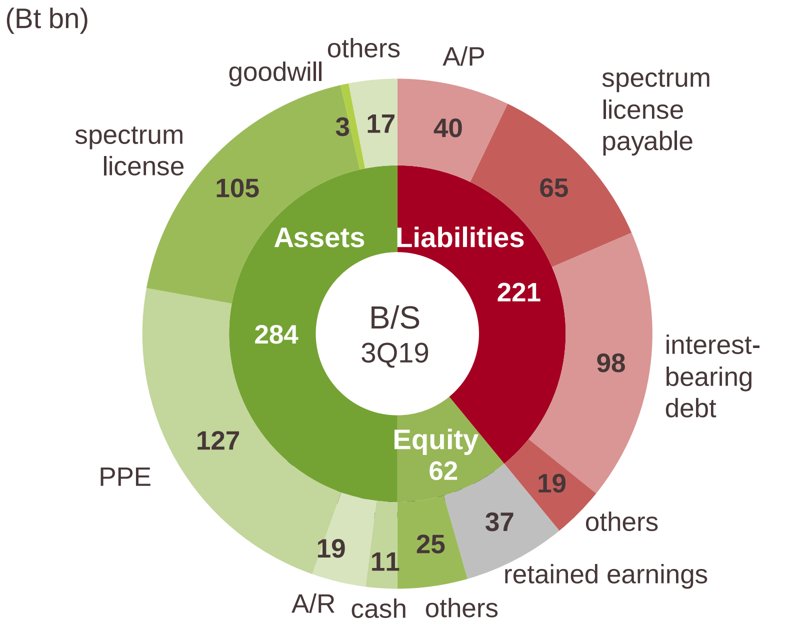


- 9M19 net profit increased by 5.1% due to growth in core service revenue and cost saving from TOT settlement

**Show performance after normalizing Bt479mn (before tax) of TOT partnership in 3Q19*

Maintained financial flexibility for future growth

Balance Sheet



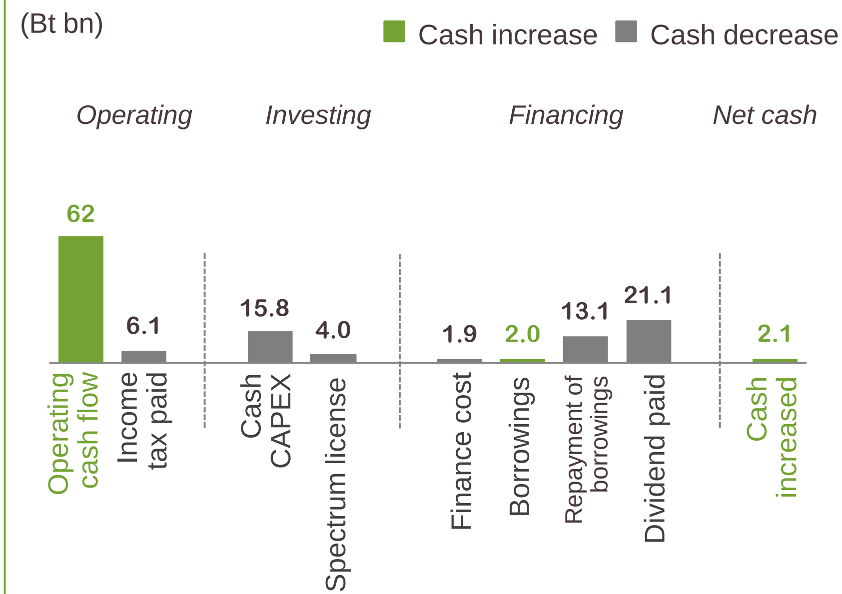
1.0x
Net debt to EBITDA

1.6x
Interest bearing debt to Equity

0.4x
Current ratio

55%
Return on Equity

9M19 Cash flow



Operating cash flow in 9M19 was sufficient to fund both CAPEX, debt repayment, and dividend.

Investing cash flow was Bt16bn while FY19 budgeted CAPEX is maintained at Bt20-25bn

Average finance costs = 3.1% p.a.

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

APPENDIX

Impact from TOT partnership

Tower agreement: With dispute of tower ownership settled, AIS agreed to rent towers from TOT who will rent the space and use maintenance services from AWN for 10 years, effective from 1-Jan-19 .The agreement effectively incurred a net cost of approximately Bt200mn/month in 2019 vs Bt300m previously.

OLD

Net basis

AIS recognized the TOT tower rental under **'Network operating expenses'**

Net cost = Bt900mn per quarter.

New

Gross basis

Revenue from space rental and maintenance services is booked under **'IC and TOT partnership revenue'**

Cost of tower rental is presented under **'Network OPEX and TOT partnership cost'**.

Net cost = Bt600mn per quarter (effective since Jan-19)

Net impact of cost-saving from new TOT agreement for 1H19: Bt600mn
Net impact of cost-saving from new TOT agreement for 3Q19: Bt300mn

Booked in 3Q19

2G equipment: AIS agreed to settle rental dispute and to purchase 2G equipment from TOT for Bt244mn, effectively discontinues the rent from Sep-19 onward. (Since Jul-15, AWN has paid for the use of 2G equipment at Bt167mn/month.)

OLD

AIS recognized the 2G equipment rental under **'Network operating expenses'**
Net cost = Bt500mn per quarter.

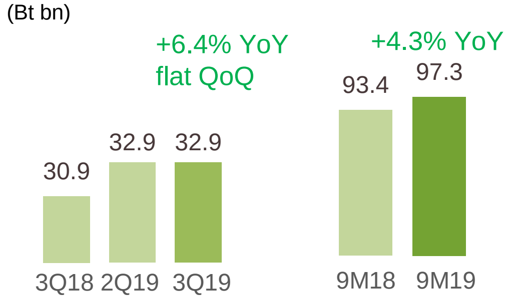
New

Effectively discontinued the rent from 3Q19 onward

Net impact of cost-saving from 2G equipment buyback for 3Q19: Bt500mn

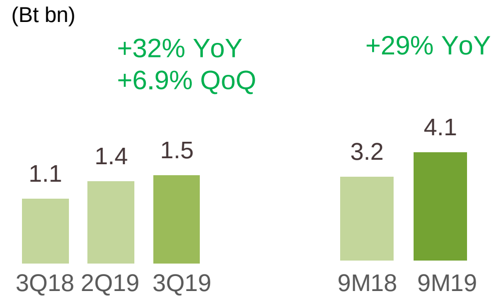
3Q19 & 9M19 Revenue Breakdown

Mobile revenue



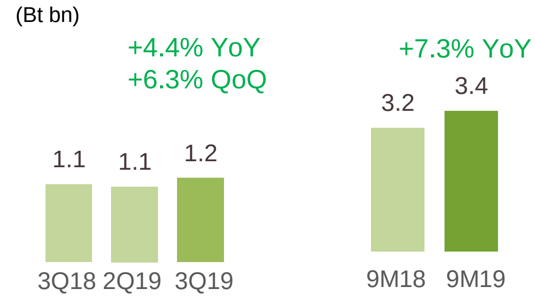
- YoY growth driven by improvement of data pricing

Fixed broadband revenue



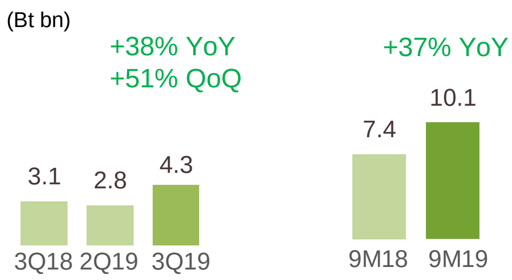
- Expanded subscriber base to 937k, adding 81.6k in the quarter

Other revenues



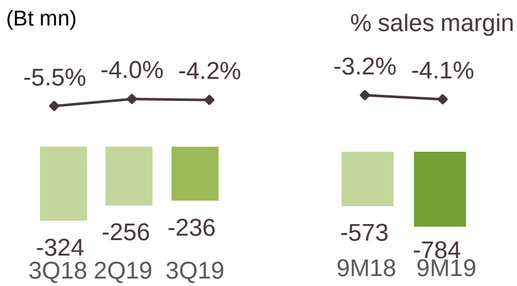
- DC & Cloud business were the main growth driver with higher capability from CSL acquisition

IC and equipment rental



- Increased YoY and QoQ due to TOT settlement

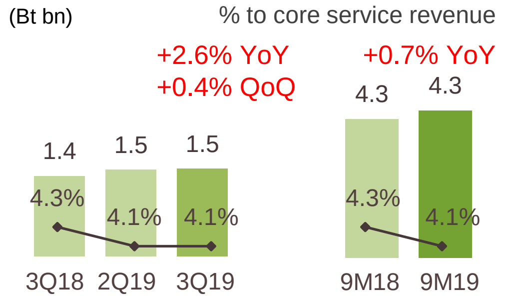
Net Sales & margin



- Continued handset campaigns

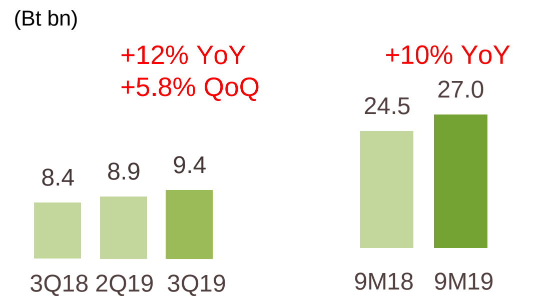
3Q19 & 9M19 Cost Breakdown

Regulatory fee



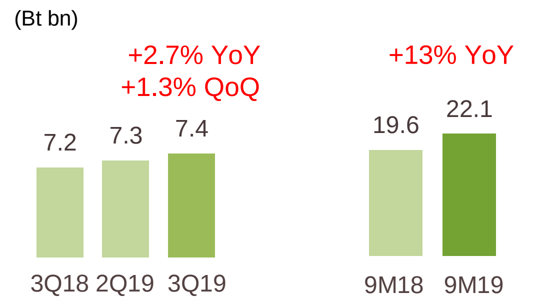
- Increased following higher service revenue and maintained at 4.1% of core service revenue

D&A



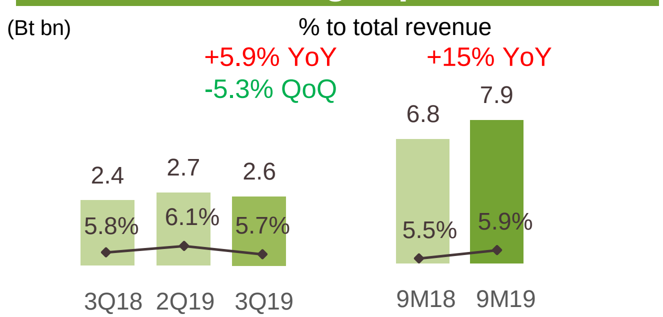
- Continued investment in 4G network, FBB, and 1800MHz spectrum license

Network OPEX



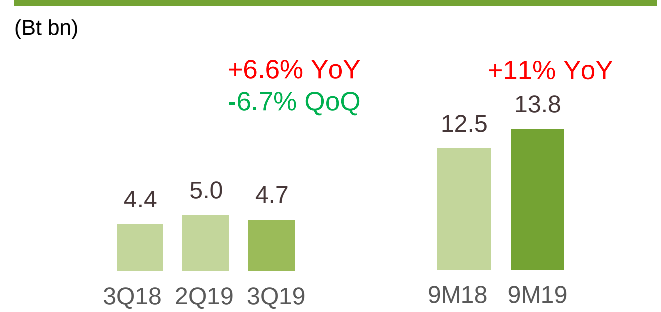
- 9M19 network OPEX increase 13% YoY from 4G expansion and TOT partnership cost

Marketing expense



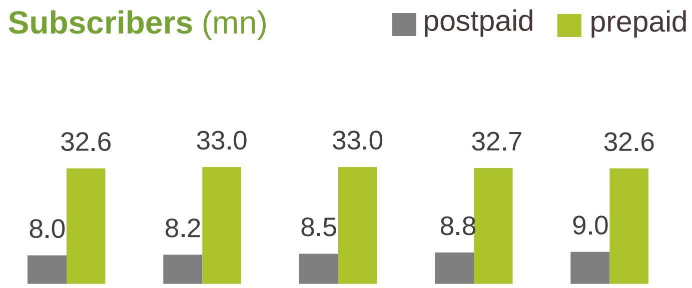
- QoQ reduction mainly resulted from an increase in brand campaign in 2Q19
- 9M19 increased from investment for brand perception and handset subsidies

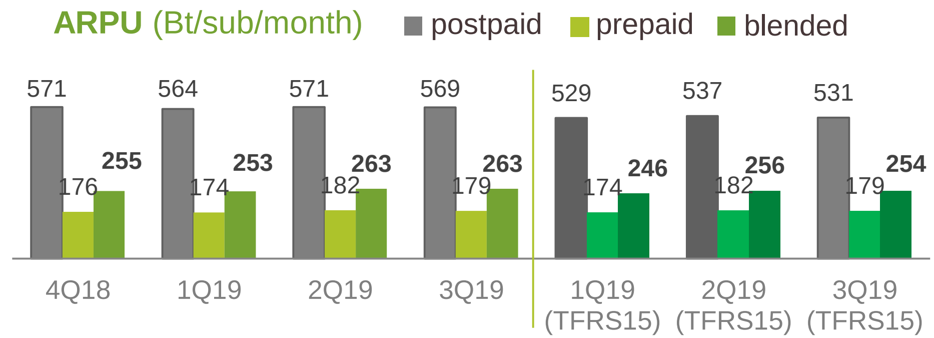
Admin & others

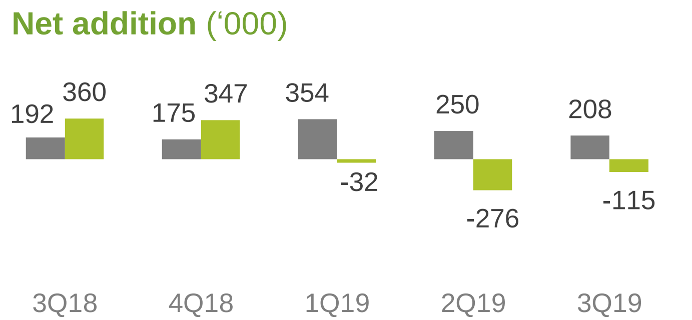


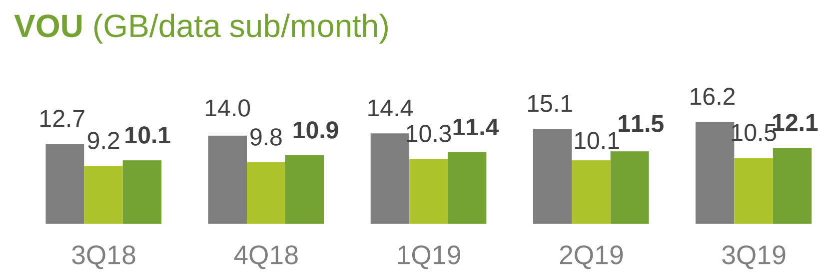
- The drop QoQ due to one-time provision for legal severance in 2Q19. However, YoY increase came from interest charge on settlement of 2G equipment with TOT
- 9M19 increase resulted from legal severance recognition in 2Q19

Mobile: Data usage grew more reasonably









- **Mobile subscribers was at 41.6mn,** slightly increased with net add of 94k QoQ
- **Postpaid subscribers grew 208k** QoQ, underpinned by prepaid-to-postpaid conversion and attractive handset campaigns.
- **Prepaid subscribers decreased 115k** QoQ, partly from postpaid migration.
- **Blended ARPU maintained at Bt263**, resulted mostly from corporate subscribers
- **Blended VOU** increased to 12GB but the rate of growth was more modest compared to the hype from last year unlimited data plan.

3Q19 & 9M19 Financial Highlights (Post-TFRS15)

	Post-TFRS 15				
Bt mn	1Q19	2Q19	3Q19	%QoQ	9M19
Mobile revenue	30,678	32,042	31,851	▼0.6%	94,571
FBB revenue	1,288	1,380	1,409	▲2.1%	4,078
Other revenues	1,078	1,083	1,201	▲11%	3,362
Core service revenue	**33,044**	**34,505**	**34,461**	**▼0.1%**	**102,011**
IC and TOT partnership	2,995	2,841	4,278	▲51%	10,113
Service revenue	**36,039**	**37,346**	**38,739**	**▲3.7%**	**112,124**
SIM and device sales	7,222	6,736	5,994	▼11%	19,952
Total revenue	**43,262**	**44,081**	**44,733**	**▲1.5%**	**132,076**
Cost of service	(19,817)	(20,170)	(20,748)	▲2.9%	(60,735)
SG&A	(6,262)	(7,047)	(6,331)	▼10%	(19,641)
EBITDA	**18,868**	**19,169**	**21,307**	**▲11%**	**59,344**
EBIT	10,021	10,118	11,734	▲17%	31,873
NPAT	**7,570**	**7,754**	**8,800**	**▲13%**	**24,125**
Sales margin	0.9%	0.4%	1.8%	▲140bps	-1.0%
EBITDA margin	43.6%	43.5%	47.6%	▲410bps	44.9%
EBIT margin	23.2%	23.0%	26.2%	▲330bps	24.1%
NPAT margin	17.5%	17.6%	19.7%	▲210bps	18.3%

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