

Executive Summary

Impact from the COVID-19 pandemic

The COVID-19 pandemic has affected Thai economy as early on in February, particularly from the contraction in tourism and export. The partial lockdown mandated in the last week of March resulted in a more pronounced slowdown in economic and business activities. Telecommunication sector was affected from faded tourists and decline in new subscriber acquisition as a large number of telecom shops residing in shopping malls were mandated to close. While more people are working from home mostly started in the latter half of March, rising mobile data usage and demand for home broadband are offset with the discount and unlimited data plan offerings. In April and May, the NBTC's mandates for free data and voice calls would have some short term impact. As lockdown period remains uncertain and social distancing continues, telecom remains to be essential service to both personal and business communication.

Mobile revenue impacted from roaming and competition

With the pandemic and escalated price competition in 1Q20, mobile revenue contracted -1.1% YoY and -4.5% QoQ to Bt30,334mn. As both inbound and outbound tourists faded, revenue from internal roaming and prepaid tourist SIM which normally contributes around 2-2.5% of service revenue declined by 43% YoY. Prepaid subscribers also declined by 891k due to the sharp drop in tourist SIM while postpaid acquisition and handset subsidy slowed down from temporary shop closure, resulted in slower net add. With intense competition in prepaid and reintroduction of unlimited data for postpaid plan, ARPU continued to decline (Bt242, -1.6% YoY, -4.1% QoQ) while data consumption surged (14.7GB, +29% YoY, +16% QoQ), also elevated by the demand during the lockdown.

Demand for home broadband emerged late March

The city lockdown has also encouraged demand for home broadband which surged in the last week of March and continued in April. However, majority of new subscription came in under discount offerings targeting the work-from-home and student segment. Fixed broadband revenue grew strongly 27% YoY. However, QoQ growth decelerated with slower net add of 52,800 as aggressive discount were withdrew in Jan-Feb while demand from lockdown only emerged in the last week of March. APRU continued declining as the competition remained elevated particularly with deep discount AIS Fibre continue to focus on targeting AIS mobile subscriber base to cross-sell in order to achieve higher value ARPH (Average Revenue Per Household).

Growing EBITDA and continued cost conscious

In 1Q20, core service revenue was Bt33,090mn, flat YoY and -4.3% QoQ driven by growth in broadband offset with the drop in mobile. Continued network investment was offset with saving from tower and equipment rental, while SG&A was flat and dropped QoQ as marketing activities slowed down. EBITDA (pre-TFRS16) was Bt19,576mn, increased 3.8% YoY and 1.1% QoQ with a margin of 45.7%. Net profit (pre-TFRS16) was Bt7,004mn -7.5% YoY and -0.9% QoQ.

2020 Outlook

In February, AIS won the bid of spectrum band for 5G development to secure long term leadership and to build new revenue stream in the future as well as to support more efficient investment in 4G. Investment in the new 2600MHz is commencing this year to support both 4G and 5G with approx. budget of Bt35-40bn targeting dense areas where 4G demand is rising plus additional coverage of 5G in key area.

The growing COVID-19 impact on economy is likely to be less pronounced to telecom spending which is relatively resilient in nature to the economic downturn and normally performs ahead of the general GDP trend. As uncertainties lie ahead, the management focuses on mobilizing operational responses to protect revenue while managing cost to ensure resilient cash flow and profitability.

Significant Event in 1Q20

- On 16 February 2020, AIS won spectra for 5G development including;

No.	Spectrum	Range	Bandwidth	Price (Bt mn)	Acquired date
1.	700MHz	733MHz - 738 MHz 788MHz - 793MHz	2 x 5MHz	17,154	Estimated in 2Q21
2.	2600MHz	2500 - 2600MHz	100MHz	19,561	21 February 2020
3.	26GHz	25.2 - 26.4 GHz	1200MHz	5,345	Within February 2021

The licenses have a life of 15 years and are technology neutral.

- On 1 January 2020, AIS adopted TFRS 9 (Financial Instruments) and TFRS 16 (Leases) under **Modified retrospective approach**. The impact of the standards adoption was recognized in Statement of Financial Position on 1 January 2020.

TFRS 9: Financial Instrument

The standard requires financial instruments to be classified into three measurement categories; amortized cost, fair value through other comprehensive income (“FVOCI”) and profit or loss (“FVTPL”) driven by the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instruments. The group designed certain derivatives as follows:

- a) Fair value hedge, the change in fair value of a forward contract, which is short term hedge, is recognized through profit or loss (“FVTPL”) and,
- b) Cash flow hedge, the effective portion of changes in the fair value of interest rate swap contract, which is short term hedge, is recognized through other comprehensive income (“FVOCI”) and reserve within equity.
- c) Measurement of other non-current financial assets, the change in fair value measurement of other investment is recognized through other comprehensive income (“FVOCI”) and reserve within equity.

TFRS 16: Lease (replacing TAS17: Operating lease and Finance lease)

As of 1 January 2020, operating leases were recognized as ‘right-of-use’ and ‘lease liability’ at the present value of lease payment over the remaining lease term. The leases including tower lease agreement, site rental, office & shop building rental, and minimum payment on TOT’s 2100MHz spectrum. Key changes are as follows:

- a) Lease liabilities is a present value of the remaining lease payments, plus with interest expense, and decreases as lease payments are made throughout the periods.
- b) Right of Use (ROU) is at present value at the same amount as the lease liability and is depreciated over the contract life on a straight line basis.

The amounts of adjustment were as follows:

Financial Position (Bt mn)	Previous Accounting policy	Adjustment from TFRS9	Adjustment from TFRS16	Current accounting policy
Assets				
Right of use	-	-	65,296	65,296
Liabilities				
Lease liability	-	-	64,263	64,263
Equity	65,548	(776)	-	64,772

Income statement	Previous Accounting policy	Adjustment from TFRS9	Adjustment from TFRS16	Current accounting policy
Revenue	42,845	-	-	42,845
Cost				
Cost of services	(20,385)	-	47	(20,338)
Depreciation	(9,712)	-	(2,873)	(12,586)
Network OPEX	(7,173)	-	2,920	(4,253)
SG&A	(6,288)	-	14	(6,273)
Financial cost	(1,201)	-	(363)	(1,564)
Income tax expense	(1,397)	-	62	(1,335)
Net foreign exchange gain (loss)	(452)	30	(8.6)	(430)
Profit for the period	6,974	30	(248)	6,756

Cash flow	Previous Accounting policy	Adjustment from TFRS16	Current accounting policy
Cash flow from operating activities	19,804	3,216	23,020
Cash paid for interest expense and tax	(470)	-	(470)
Net cash flows from operating activities	19,334	3,216	22,550
Net cash flows from investing activities	(8,059)	-	(8,059)
Lease liability payments	-	(2,866)	(2,866)
Finance cost paid	(297)	(350)	(647)
Net cash flow from financing activities	(297)	(3,216)	(3,513)
Net Change in cash	10,978	-	10,978

The effect of related transactions is presented in Note 2 of financial statements

3. On 5 March 2020, AIS entered into a joint venture with Singtel Telecommunication and SK Telecom Co, Ltd. The new joint venture, DGI (Digital Gaming International Pte.) will provide aggregated gaming content on an artificial intelligence (AI). The investment was SG\$ 10mn (Bt266.5mn) for 33.33% stake. The experienced joint partners will drive DGI’s expansion into growing gaming business in Asia.

Market and Competitive Environment

In 1Q20, the mobile market continued to face pricing pressure and weak economy. While competition in prepaid segment remained competitive, the postpaid competition escalated in late-Feb as all operators introduced 10Mbps speed unlimited data plans at Bt300/month for new subscription, conversion from prepaid to postpaid, and port-in customers. This could lead to industry's postpaid ARPU dilution.

Price competition in fixed broadband also remained elevated. Operators continued to deploy aggressive discounts in order to retain existing base and also attract new demand. During the COVID outbreak, operators have launched work from home package with lower price starting from Bt299-399/month for standard speed of 100Mbps compared to the industry ARPU level of Bt500+. In addition, 1Gbps plans are currently affordable at Bt590-1,000/month.

1Q20 Operational summary

The mobile subscribers was at 41.2mn, decreasing 858k in 1Q20. Prepaid segment softened, with net loss of 891k mainly from tourist segment as impacted from COVID-19. Postpaid subscribers remained about the same as the popularity in prepaid fixed speed unlimited resulted in a slowdown in prepaid-to-postpaid conversion. In addition, postpaid acquisition and handset subsidies also slow down due to temporary shop closure. Overall, aggressive data price plans and COVID-19 impact have resulted in ARPU dilution, -4.1% QoQ to Bt242 on a blended basis.

In 1Q20, fixed broadband subscribers stood at 1,090,400, adding 52,800 in the quarter. Net add slowed down both QoQ and YoY as AIS Fibre withdrew aggressive discounts in an attempt to focus on higher value customer segment. However, as the city lockdown emerged during the last week of March, discount plans were re-introduced to support the customer demand in working from home and resulted in higher subscription rate in late March. FBB ARPU decreased 3.6% QoQ as competition heightened with smaller package being introduced in the market.

Mobile Business	1Q19	4Q19	1Q20	% YoY	% QoQ
Subscribers					
Postpaid	8,543,800	9,107,400	9,140,800	7.0%	0.4%
Prepaid	32,946,900	32,906,400	32,015,300	-2.8%	-2.7%
Total subscribers	41,490,700	42,013,800	41,156,100	-0.8%	-2.0%
Net additions					
Postpaid	353,900	105,700	33,400	-91%	-68%
Prepaid	-32,400	350,000	-891,100	2650%	-355%
Total net additions	321,500	455,700	-857,700	-367%	-288%
ARPU (Baht/sub.month)					
Postpaid	529	537	525	-0.8%	-2.2%
Prepaid	174	173	162	-6.6%	-6.4%
Blended	246	252	242	-1.6%	-4.1%
MOU (minute/sub.month)					
Postpaid	237	212	207	-13%	-2.4%
Prepaid	113	92	86	-24%	-6.5%
Blended	138	118	112	-19%	-5.1%
VOU (GB data sub.month)					
Postpaid	14.4	16.6	17.0	18%	2.3%
Prepaid	10.3	11.1	13.8	34%	23%
Blended	11.4	12.7	14.7	29%	16%
Device Penetration					
4G-handset penetration	63%	71%	73%	-	-
Fixed Broadband Business					
FBB subscribers	795,000	1,037,600	1,090,400	37%	5.1%
FBB net addition	64,500	100,600	52,800	-18%	-48%
FBB ARPU (Baht/user.month)	563	533	514	-8.7%	-3.6%

1Q20 Financial Summary (Pre-TFRS 16)

Revenue

Total revenue reported Bt42,845mn, flat YoY and -12% QoQ resulted from global pandemic and continuous competition. Core service revenue contributed 77% while sales revenue contributed 15%.

Core service revenue (excluding IC and TOT partnership) recorded Bt33,090mn flat YoY, -4.3% QoQ mainly from decline in mobile revenue offsetting with growth in broadband.

- **Mobile revenue** reported Bt30,334mn, decreasing -1.1% YoY, -4.5% QoQ mainly from declined prepaid revenue -6.9% YoY, -6.0% QoQ as price competition continued coupled with significant drop in traveler SIM following COVID situation. Nevertheless, postpaid revenue grew +8.7% YoY as postpaid subscriber base continued trending up, but -1.1% QoQ due to price competition and slowdown in net addition following closure of sales channel from partial lockdown.
- **Fixed broadband revenue** was Bt1,640mn increasing +27% YoY, +3.9% QoQ. The growth decelerated this quarter with slowdown in net add which reported -53K, a decline from the average of +77K per quarter last year due to removal of aggressive offerings offsetting with the increased demand of work from home in late March. The competition, however, remained elevated with offerings in smaller plans and aggressive discount which led to ARPU continued declining trend.
- **Other service revenues** were Bt1,116mn, increasing +3.5% YoY from continued rising demand for EDS and Cloud, but -8.0% QoQ as corporate customers were impacted from weak economy and reclassification of some enterprise service revenue to mobile revenue.

Revenue from interconnection charge (IC) and TOT partnership reported at Bt3,290mn, +9.9% YoY resulted from the new tower agreement with TOT in 3Q19. However -4.4% QoQ drop was mainly from fluctuation of interconnection charge.

SIM & Device sales reported Bt6,465mn, decreasing -11% YoY, -40% QoQ, due to distribution channel lock down and QoQ drop mainly from high seasonal sales of the new iPhone11 in previous quarter.

Cost & Expense

In 1Q20, **cost of service** was Bt20,385mn, increasing +2.9% YoY due to higher depreciation and amortization from network expansion and spectrum acquisition, but -1.8% QoQ from lower network OPEX.

- **Regulatory fee** was Bt1,409mn, relatively flat YoY, but -3.4% QoQ along with the decrease in core service

revenue. The fee was maintained at 4.3% of core service revenue.

- **Depreciation & amortization** was Bt9,712mn, increasing +12% YoY, +1.2% QoQ from newly acquired 2600MHz spectrum in late February and continued expanding 4G network capacity YoY.
- **Network OPEX & TOT partnership cost (net of revenue)** was Bt4,538mn, decreasing -12% YoY, -4.1% QoQ from lower rent after TOT dispute settlement in 3Q19 and lower network OPEX QoQ due to certain seasonal equipment upgrade in 4Q19.
- **Other costs of service**, including cost of content, prepaid commission, and IC cost, were Bt2,090mn, decreasing -11% YoY, -13% QoQ due to lower prepaid commission following the decline in prepaid revenue as well as staff remuneration in 4Q19.

SG&A expenses were Bt6,288mn +0.4% YoY, but -22% QoQ due to slowdown in marketing activities.

- **Marketing expenses** were Bt1,762mn, decreasing -8.9% YoY, -30% QoQ impacted from lower marketing campaign and activities from the lockdown and high base for special anniversary event in previous quarter.
- **Admin & other expenses** were Bt4,526mn, increasing +4.6% YoY due to increase in bad debt provision from NBTC credit term expansion policy, and -19% QoQ due to employee remuneration in 4Q19.

Net FX loss was Bt422mn in 1Q20, turned negative, compared to FX gain of Bt16mn in 4Q19. Unrealized loss from FX was due to Capex payable, while THB had depreciated 8.2% against USD QoQ. In general, AIS has policy to mitigate the currency risk using forward contract to partially cover Capex.

Finance cost was Bt1,201mn, decreasing -1.3% YoY due to lower interest bearing debt YoY, but +2.6% QoQ from deferred spectrum interest of newly acquired 2600MHz.

Profit

In 1Q20, despite of soften revenue growth, **EBITDA** was Bt19,576mn increasing +3.8% YoY, +1.1% QoQ from cost saving on marketing activities and TOT partnership, resulting in reported EBITDA margin at 45.7% in 1Q20. However, **Net profit** reported Bt7,004mn, decreasing -7.5% YoY, -0.9% QoQ mainly due to higher D&A and unrealized FX loss.

Financial position (Post TFRS 9&16)

Assets and liabilities were affected by the TFRS16 adoption which records **right-of-use assets** of Bt65,296mn against **lease liabilities** of Bt64,263mn. (TFRS details shown in Significant event section) This resulted in increase in total assets as of Mar-20 to Bt374,715mn, increasing +29% from ending Dec-19. In addition, cash also increased from strong operating cash flow, while new spectrum acquisition resulted in increase in both asset and liabilities. Total liabilities reported Bt309,944mn, increasing +41% from lease liabilities and spectrum payable. Total equity reported Bt64,772mn decline -6.7%QoQ from dividend appropriated.

Cash flow (Post TFRS 9&16)

AIS continued to report solid operating cash flow of Bt23,020mn in 1Q20, while total investing cash flow was Bt7,856mn for network investment and payment for spectrum including the new 2600MHz acquired in Feb-20 resulting in a free cash flow of Bt15,012mn. Financing cash flow was also impacted by TFRS16 and hence showed lease liabilities paid together with finance cost of Bt3,513mn. After which, AIS remains strong net cash increase of Bt10,920mn at the end of Mar-20.

1Q20 MD&A

Advanced Info Service Plc.



Income statement (Bt mn)	Pre-TFRS16					Post-TFRS16	Deviation from
	1Q19	4Q19	1Q20	%YoY	%QoQ	1Q20	Pre-TFRS16
Mobile revenue	30,678	31,770	30,334	-1.1%	-4.5%	30,334	-
Fixed broadband revenues	1,288	1,579	1,640	27%	3.9%	1,640	-
Other service revenues	1,078	1,213	1,116	3.5%	-8.0%	1,116	-
Core service revenue	33,044	34,562	33,090	0.1%	-4.3%	33,090	-
IC and TOT partnership	2,995	3,443	3,290	9.9%	-4.4%	3,290	-
Service revenue	36,039	38,005	36,380	0.9%	-4.3%	36,380	-
SIM and device sales	7,222	10,813	6,465	-10%	-40%	6,465	-
Total revenues	43,262	48,818	42,845	-1.0%	-12%	42,845	-
Regulatory fee	(1,403)	(1,459)	(1,409)	0.4%	-3.4%	(1,409)	-
Depreciation & Amortization	(8,691)	(9,600)	(9,712)	12%	1.2%	(12,586)	(2,873)
Network OPEX and TOT partnership	(7,371)	(7,293)	(7,173)	-2.7%	-1.6%	(4,253)	2,920
Other costs of services	(2,352)	(2,401)	(2,090)	-11%	-13%	(2,090)	-
Cost of service	(19,817)	(20,752)	(20,385)	2.9%	-1.8%	(20,338)	47
Cost of SIM and device sales	(7,159)	(10,656)	(6,419)	-10%	40%	(6,419)	-
Total costs of service and sale	(26,976)	(31,408)	(26,804)	-0.6%	-15%	(26,757)	47
Gross profit	16,286	17,410	16,042	-1.5%	-7.9%	16,088	47
SG&A	(6,262)	(8,100)	(6,288)	0.4%	-22%	(6,007)	14
Marketing Expense	(1,934)	(2,523)	(1,762)	-8.9%	-30%	(1,762)	-
Admin and others	(4,328)	(5,577)	(4,526)	4.6%	-19%	(4,511)	14
Operating profit	10,024	9,310	9,754	-2.7%	4.8%	9,815	61
Net foreign exchange gain (loss)	84	16	(422)	-602%	-2765%	(430)	(8.6)
Other income (expense)	203	214	271	34%	27%	271	-
Finance cost	(1,217)	(1,171)	(1,201)	-1.3%	2.6%	(1,564)	(363)
Income tax	(1,523)	(1,303)	(1,397)	-8.3%	7.2%	(1,335)	62
Non-controlling interest	(1.0)	(0.8)	(1)	-23%	-7.4%	(1)	-
Net profit for the period	7,570	7,065	7,004	-7.5%	-0.9%	6,756	(248)
Network OPEX & TOT partnership cost (net of revenue)	5,139	4,730	4,538	-12%	-4.1%	1,618	(2,920)

EBITDA (Bt mn)	Pre-TFRS16					Post-TFRS16	Deviation from
	1Q19	4Q19	1Q20	%YoY	%QoQ	1Q20	Pre-TFRS16
Operating Profit	10,024	9,310	9,754	-2.7%	4.8%	9,815	61
Depreciation & amortization	8,847	9,758	9,867	12%	1.1%	13,006	3,140
(Gain) loss on disposals of PPE	29	331	-	NA	NA	-	-
Management benefit expense	(35)	(33)	(40)	14%	23%	(40)	-
Other financial cost	3	(0)	(5)	-254%	1772%	(5)	-
EBITDA	18,868	19,366	19,576	3.8%	1.1%	22,777	3,201
EBITDA margin (%)	43.6%	39.7%	45.7%			53.2%	

1Q20 MD&A

Advanced Info Service Plc.



Financial Position		Post-TFRS 9&16		
(Bt mn. % to total asset)	4Q19		1Q20	
Cash	19,637	68%	30,557	8.2%
ST investment	1,989	0.7%	1,845	0.5%
Trade receivable	16,277	5.6%	16,310	4.4%
Inventories	4,828	1.7%	2,739	0.7%
Others	4,411	1.5%	3,887	1.0%
Current Assets	47,142	16%	55,337	15%
Spectrum license	103,074	36%	117,578	31%
Network and PPE	125,510	43%	122,331	33%
Right of use	-	0%	65,296	17%
Intangible asset	5,468	1.9%	5,413	1.4%
Defer tax asset	3,491	1.2%	3,705	1.0%
Others	4,984	1.7%	5,055	1.3%
Total Assets	289,669	100%	374,715	100%
Trade payable	22,037	7.6%	19,751	5.3%
ST loan & CP of LT loans	24,872	8.6%	25,569	6.8%
CP of lease liabilities	-	0%	10,345	2.8%
Accrued R/S expense	5,248	1.8%	5,248	1.4%
Others	53,097	18%	64,666	17%
Current Liabilities	105,255	36%	125,581	34%
Debenture & LT loans	69,172	24%	68,397	18%
LT lease liabilities	-	0%	53,918	14%
Other	45,848	16%	62,048	17%
Total Liabilities	220,275	76%	309,944	83%
Retained earnings	44,226	15%	40,427	11%
Others	25,169	8.7%	24,344	6.5%
Total Equity	69,394	24%	64,772	17%

Key Financial Ratio	1Q19	4Q19	Post TFRS 9&16 1Q20
Interest-bearing debt to equity (times)	1.8	1.4	1.5
Net debt to equity (times)	1.4	1.0	1.0
Net debt to EBITDA (times)	1.1	0.9	0.7
Net debt & lease liability & spectrum license payable to EBITDA	2.0	1.7	2.2
Current Ratio (times)	0.6	0.4	0.4
Interest Coverage (times)	13	13	14
Debt Service Coverage Ratio (times)	4.2	2.2	2.2
Return on Equity	53%	43%	42%

Figures from P&L are annualized YTD.

Bt mn	Debt Repayment Schedule		License payment schedule		
	Debenture	Loan	1800MHz	900MHz	2600MHz
2020	-	14,829	3,128	21,747	1,956
2021	1,776	12,079	3,128	7,565	-
2022	-	13,440	-	7,565	-
2023	7,820	6,883	-	7,565	-
2024	6,638	5,817	-	7,565	-
2025	-	5,967	-	7,565	2,934
2026	7,180	1,083	-	-	2,934
2027	9,000	750	-	-	2,934
2028	-	750	-	-	2,934

*700MHz license has not yet officially allocated Hence the first payment for the spectrum will begin around Oct - 2020

*26GHz license first payment will be made within one year after official auction result announcement (1Q20)

Credit Rating

Fitch National rating: AA+ (THA), Outlook: Stable
S&P BBB+, Outlook: Stable

Source and Use of Fund: 1Q20 (Bt.mn)

Source of fund		Use of fund	
Operating cash flow	23,020	CAPEX & Fixed assets	5,896
Sale of equipment	4	Spectrum license	1,960
Interest received	19	Income tax paid	470
		Investments in joint ventures	226
		Finance cost paid	647
		Lease liability payments	2,866
Total	23,043		23,043

2020 OUTLOOK

Acquired additional spectrum for early 5G development and more efficient 4G investment

In February, AIS won the bid of three additional spectrum band i.e. 700MHz, 2600MHz, 26GHz, which strengthening AIS spectrum portfolio to lead in 5G development. The spectrum acquisition allows AIS to secure long term leadership and to build new revenue stream both in consumer and enterprise segment in the future as well as to optimize investment in 4G. Investment in the new 2600MHz is commencing this year to support both 4G and 5G with approximate budget of Bt35-40bn (including investment in FBB). The network equipment which is multi-band and multi-technology will support both 4G and 5G enabling efficient investment to serve both in short term the rising 4G demand and medium term the adoption of 5G. The investment hence focuses on key cities area where demand for 4G is rising plus additional 5G city coverage to enhance customer experience. 5G service coverage will be expanded to cover 77 cities (not nationwide coverage) with approximately 13% of population by end of 2020. Moreover, 5G network will fill the gap of FBB market with FWA (Fixed Wireless Access) technology to penetrate underserved area such as buildings and housing communities inaccessible by Fiber. We see 2020 as a year of early 5G adoption which we expect 5G devices to remain in the high-end segment but growing quickly to mid-tier toward beginning of 2021.

Downward pressure on revenue due to COVID-19 impact and drought

The gravity of COVID-19 impact on world economies and its evolving situation will likely cause a continued changing and dispersed forecast of the GDP growth this year as well as how and when the economic resumption would occur. Telecom as an essential infrastructure and service is relatively resilient in nature to the economic downturn and hence normally performs ahead of the general GDP trend. Thai GDP contribution has heavy reliance on tourism and export, both of which depends largely on global economic recovery based on pandemic risk being subsided. Widespread exercise of social distancing as well as domestic and cross-border movement restriction will continue to push for telecom demand. However, potential rise in unemployment and businesses shutdown could post a negative outlook for telecom. In addition to the pandemic, this year several agricultural areas in Thailand has already started to experience severe drought, the condition that will impact crop production and income of a large rural population, hence presents another downward pressure to overall economy and telecom spending.

Cost management and long-term investment view for resiliency

As risks and uncertainties lie ahead, AIS management places focus on mobilizing operational responses to protect and grow certain revenue segments while seeking to reduce and optimize cost to ensure the company is able to fairly manage its cash flow and profitability. At the same time, we stay focus on the long-term view for network investment as telecom infrastructure will be even more critical to the future environment post crisis with consumers and businesses accelerate into digital. AIS is able to execute ongoing capex owing to our solid and strong balance sheet as well as cash flow resiliency. We expect to continue generating positive cash flow after network investment. The company also prepare for sufficient credit facilities from various banks while there is also an option for the company to tap into bond market given our S&P's credit rating of BBB+.

Dividend policy at minimum 70% of net profit

AIS is committed to driving long-term growth while delivering return to shareholders. We place importance in maintaining strong financial health and flexibility to pursue future growth. Our dividend policy is to pay a minimum 70% of net profit. AIS is able to continue its investment plan and deliver financial commitment, while maintaining strong financial flexibility. By preserving cash flow, we ensure that we have the financial flexibility to lead, compete, and pursue growth prospect in any changing circumstances.

The dividend payment shall still be made twice a year and is based on consolidated earnings and subjected to the availability of retained earnings on the separate financial statements. In all cases, dividend payment shall depend on cash flow, investment plan including any other future obligations of the Company and/or subsidiaries. Such dividend shall not adversely affect the Company and subsidiaries ongoing operations.

Disclaimer

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.