

Executive Summary

Continued economic impact on mobile business despite improved pandemic situation in Thailand

With well-managed pandemic situation, domestic lockdown in Thailand was lifted and business activities resumed in this quarter. However, economic recovery remained vulnerable as service sector continued to be impacted by the absence of foreign tourists. It was still challenging for telecom sector particularly in the mobile business due to weak consumer spending and revenue loss from traveler sector due to international travel restriction.

Fixed broadband remains resilient while enterprise business was recovering

Fixed broadband business continued to grow 21%YoY in revenue driven by increased demand for home connectivity from the new normal, albeit low price offerings remained in the market to address weak spending power. Enterprise non-mobile business grew 6% YoY. Demand for enterprise data service (EDS) started to recover after having been affected from service downgrade during pandemic, while services on cloud, ICT, IoT, cyber security doubled with digitization trend.

5G mobile official packages launched

Mobile 5G package was officially launched with starting price of Bt699 on volume base plus value added contents, such as Augmented reality (AR), Virtual reality (VR) and cloud gaming, to uplift ARPU and provide real 5G immersive experience for users. Given an early stage of 5G technology, there are currently 16 models of 5G device with starting price over Bt10,000. Hence, adoption rate is expected to be limited this year. We continued to expand our 5G coverage which now reaches over 60% of Bangkok's population with additional footprint in 77 cities for key strategic area and overall covers 16% of Thailand population.

Revised core service revenue guidance while others maintained

3Q20 reported core service revenue was -6.8%YoY and flat QoQ from prolonged impact of pandemic. EBITDA (pre-TFRS16) declined -11%YoY and -1.4% QoQ with continued cost control. Net profit (pre-TFRS 16) declined -23% YoY, -6.5% QoQ from unrealized foreign exchange loss and increasing D&A, while excluding foreign exchange effect net profit declined -21% YoY and flat QoQ. For 9M20, core service revenue declined -4.4%YoY, EBITDA contracted -3%YoY and net profit declined -13%YoY. FY20 guidance is revisited, core service revenue is expected to contract low to mid-single digit, while maintaining EBITDA outlook with low-single digit decline and CAPEX of around Bt35bn.

Market and Competitive Environment

In 3Q20, mobile competition remained stable as all operators retained higher price point for unlimited data plan which had been raised since 2Q20. However, overall pricing environment was still challenging to uplift ARPU as customers affected by sluggish economy are seeking for value-for-money service. Operators introduced smaller package with lower speed of unlimited data to capture low-budget segment amidst weak consumer spending.

Competition in fixed broadband remained intense in 3Q20 due to continued low price packages starting from Bt299 for 100Mbps, which is lower than industry ARPU, in response to the macro low-spending environment. Speed and device upgrade were the key marketing tool to attract new customers and prevent churn. In addition, building accretive value by providing value added services, such as multiple routers for broader home coverage and convergence package, could help supporting price point and maintaining gap over the industry.

3Q20 Operational summary

In 3Q20, total mobile subscribers were maintained around 41mn in absence of the traveler segment and continued movement of subscribers from prepaid to postpaid subscription. The postpaid segment hence grew strongly nearly +9% YoY and +2.5% QoQ while prepaid subscribers base declined -4% YoY, -1% QoQ. In this quarter, the decline in prepaid base (-313k) decelerated comparing to -532k in 2Q20 which reflected loss in traveler segment from pandemic. Prepaid ARPU recovered slightly, rising from Bt156 in 2Q20 to Bt157 in 3Q20 as a result of price adjustment. Price competition had resulted in postpaid ARPU dilution, -4.8% QoQ to Bt498. Overall, blended ARPU declined to Bt237 or -6.8% YoY and -0.9% QoQ.

AIS Fibre (home broadband service) subscriber base continued to be driven by demand for home connectivity in the new normal with the solid subscriber growth of 34% YoY, gaining 53k net adds in 3Q20 and reaching total subscribers of 1.26mn.

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The net addition in the quarter slowed down from the peak of 2Q20 work-from-home demand during pandemic lockdown. Amidst pricing competition, ARPU dropped -12% YoY and -1% QoQ to Bt484, impacted by the continued popularity of a low-price plan of Bt399.

Mobile Business	3Q19	2Q20	3Q20	%YoY	%QoQ
Subscribers					
Postpaid	9,001,700	9,536,400	9,771,500	8.6%	2.5%
Prepaid	32,556,400	31,483,400	31,170,000	-4.3%	-1.0%
Total subscribers	41,558,100	41,019,800	40,941,500	-1.5%	-0.2%
Net additions					
Postpaid	208,200	395,600	235,100	13%	-41%
Prepaid	-114,500	-531,900	-313,400	174%	-41%
Total net additions	93,700	-136,300	-78,300	-184%	-43%
ARPU (Baht/sub.month)					
Postpaid	531	523	498	-6.2%	-4.8%
Prepaid	179	156	157	-12%	0.7%
Blended	254	239	237	-6.8%	-0.9%
MOU (minute/sub.month)					
Postpaid	225	189	189	-16%	0.1%
Prepaid	82	79	78	-5.0%	-1.4%
Blended	113	104	104	-7.8%	0.3%
VOU (GB/data sub.month)					
Postpaid	16.2	18.8	19.8	22%	5.7%
Prepaid	10.5	16.3	16.1	53%	-1.1%
Blended	12.2	17.0	17.2	41%	1.3%
Device Penetration					
4G-handset penetration	69%	75%	76%	-	-
Fixed Broadband Business					
FBB subscribers	937,000	1,202,600	1,255,500	34%	4.4%
FBB net addition	81,600	112,200	52,900	-35%	-53%
FBB ARPU (Baht/user/month)	549	489	484	-12%	-1.0%

9M20 Snapshot

For 9M20, AIS reported **total revenue** of Bt126,816mn, decreasing -4% YoY from slowdown in both sale and service revenues reflecting impact of COVID-19 since late 1Q20. Sale revenue dropped -4.3% YoY effected by shop closure during the lockdown and service revenue decreased -3.9% YoY from weak consumption and escalated price competition in mobile. Mobile business was affected from reintroduction of unlimited data plan in both prepaid and postpaid as well as revenue loss from traveler segment, led to -5.8% YoY decline in mobile revenue. Fixed broadband business grew robustly from work-from-home trend amidst intense price competition. With solid subscriber growth offsetting ARPU decline from low price plan and fierce discounts, revenue grew strongly 23% YoY. Non-mobile enterprise business grew 6% YoY from high growth in Data center, Cloud, Cyber securities, IOT and ICT solutions offset by flat growth in Enterprise Data Service (EDS). As a result, **Core service revenue** reported Bt97,504mn, decreasing -4.4% for 9M20.

Cost of services was Bt61,201mn flat YoY from cost control during the pandemic while AIS continued to expand and improve network quality with new 2600MHz spectrum and enhance 4G/5G network capacity to secure leading position.

As a result, **EBITDA (Pre-TFRS16)** decreased -3.0% YoY, in line with FY20 guidance of low single-digit decline YoY, with a margin of 45.4% increased by 50bps compare to 9M19. **Net profit (Pre-TFRS 16)** decreased by -13% YoY from network investment, spectrum acquisition as well as unrealized foreign exchange loss of Bt258mn for 9M20.

3Q20 Financial Summary (Pre-TFRS 16)

Revenue

For 3Q20, AIS reported a **total revenue** of Bt41,715mn, decreasing -6.7%YoY and -1.3%QoQ continued impact from COVID-19 pandemic and market competition.

Core service revenue (excluding IC and TOT partnership) was Bt32,130mn, decreasing -6.8YoY and flat QoQ from the decline in mobile revenue offset by growth in fixed broadband and recovery in enterprise segment.

- **Mobile revenue** was Bt29,197mn, decreasing -8.3%YoY and -1.1%QoQ as prolonged weak economy, price competition and revenue loss from traveler segment. Subscriber base was flat with movement of subscriber from prepaid to postpaid continued while blended ARPU remained low from the competition despite the price uplift on unlimited data plan.
- **Fixed broadband revenue** was Bt1,785mn, increasing +21%YoY and +6.1%QoQ due to strong subscriber growth offsetting by lower ARPU due to low price offering in the market to address weak consumption.
- **Other service revenue** was Bt1,148mn, increasing +1.1%YoY and +7.7%QoQ, composed mainly from enterprise business which was driven by rising demand for Cloud, Data center, and enterprise solution following digitization trend.

Revenue from interconnection charge (IC) and TOT partnership reported at Bt3,494mn, decreasing -18%YoY due to one-time revenue recognition in 3Q19 from the new tower agreement with TOT; and increasing +1.6%QoQ.

SIM & Device sales reported Bt6,091mn, increasing +1.6%YoY but decreasing -6.7%QoQ as the pent-up demand after lockdown faded and seasonality. SIM & Device margin was negative at -1.2%, compared to +2.5% in 2Q20 due to decline in high margin devices sale from weak economy

Cost & Expense

In 3Q20, **cost of service** was Bt20,377mn, flat QoQ but decreasing -1.8%YoY following lower core service revenue.

- **Regulatory fee** was Bt1,355mn, decreasing -7.7%YoY following decline in core service revenue but increasing +5.8%QoQ from one-time USO fee reduction in 2Q20. As a result, regulatory fee to core service revenue was 4.2% in 3Q20, comparing to 4.0% in 2Q20.
- **Depreciation & amortization** increased from continued network investment and new spectrum. D&A was Bt9,592mn, increasing +1.9%YoY but flat QoQ due to fully depreciated network equipment.
- **Network OPEX & TOT partnership cost (net of revenue)** was Bt4,676mn, increasing +18%YoY from one-time gain on TOT dispute settlement in 3Q19, but

decreasing -3%QoQ from reclassified expenses to admin & other expense.

- **Other costs of service** were Bt1,913mn, decreasing -22%YoY due to decrease in prepaid commission following the declined prepaid revenue, while decreasing -1.8%QoQ from lower interconnection charge cost.

SG&A expenses were Bt6,040mn, decreasing -4.6% YoY from one-time dispute settlement in 3Q19, while flat QoQ.

- **Marketing expenses** were Bt1,552mn, increasing -3.6%YoY from low marketing campaign in 3Q19, but decreasing -3% QoQ from seasonal effect and continued cost saving measures.
- **Admin & other expenses** were Bt4,487mn, decreasing -7.2%YoY from one-time dispute settlement in 3Q19 with TOT of 121mn, but increasing +1.5%QoQ due to reclassified expense from network and increase in shop rental after lockdown offset by improving bad debt expense.

Net FX loss was Bt181mn in 3Q20, turned negative, compared to FX gain of Bt344mn in 2Q20 as THB had depreciated against USD and increased capex payable.

Finance cost was Bt1,104mn, decreasing -7.6%YoY and -7.5%QoQ from lower deferred spectrum interest after 900MHz license payment has been made in Jul-20 offset by increase in interest bearing debt.

Profit

In 3Q20, **EBITDA (pre-TFRS 16)** was Bt18,861mn decreasing -11%YoY, -1.4%QoQ due to weak core service revenue, resulting in EBITDA margin of 45.2%, similar to previous quarter. **Net profit (pre-TFRS 16)** was Bt6,764mn, decreasing -23%YoY, -6.5%QoQ from unrealized foreign exchange loss and increase in D&A while excluding foreign exchange effect net profit declined -21%YoY and flat QoQ.

Reported net profit (post-TFRS16) was at Bt6,513mn, decreased by Bt251mn compared to pre-TFRS 16 adoption.

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Financial position (Post TFRS 9&16)

For the period ending Sep-20, total asset was Bt353,797mn increasing +22% compared to ending Dec-19 driven by TFRS16 adoption which recognized right of use assets of Bt60,892mn and increase in spectrum license in 1Q20. Total liabilities of Bt285,171mn increasing +29% from TFRS16 adoption, which recognized the lease liabilities of Bt60,323mn, and increase in borrowing offset by lower spectrum payable. Interest bearing-debt at the end of 3Q20 stood at Bt106,500mn, increasing compare to Bt94,200mn at ending Dec-19. Net debt to EBITDA (excluding lease liabilities and license payable) was 1.0x. Total equity reported Bt68,627mn decreasing -1.1% from increase in retained earnings offset by TFRS9 adoption.

Cash flow (Post TFRS 9&16)

In 9M20, Cash flow from operation reported Bt59,235mn increasing +5.9%YoY mainly from the reclassification of lease liabilities of Bt8,774mn from TFRS 16 adoption. OCF after deducting lease liabilities declined -12%YoY from weakened EBITDA, hence, it was sufficient to cover CAPEX of Bt18,040mn and spectrum license payment of Bt23,707mn. As a result, free cash flow for 9M20 was Bt17,487mn (OCF less CAPEX and spectrum license) and ending 9M period with outstanding cash of Bt16,634mn.

3Q20 MD&A

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Income statement (Bt mn)	Pre-TFRS16							
	3Q19	2Q20	3Q20	%YoY	%QoQ	9M19	9M20	%YoY
Mobile revenue	31,851	29,536	29,197	-8.3%	-1.1%	94,571	89,067	-5.8%
Fixed broadband revenues	1,475	1,683	1,785	21%	6.1%	4,143	5,108	23%
Other service revenues	1,136	1,066	1,148	1.1%	7.7%	3,297	3,329	1.0%
Core service revenue	34,461	32,285	32,130	-6.8%	-0.5%	102,011	97,504	-4.4%
IC and TOT partnership	4,278	3,439	3,494	-18%	1.6%	10,113	10,223	1.1%
Service revenue	38,739	35,724	35,624	-8.0%	-0.3%	112,124	107,727	-3.9%
SIM and device sales	5,994	6,532	6,091	1.6%	-6.7%	19,952	19,089	-4.3%
Total revenues	44,733	42,256	41,715	-6.7%	-1.3%	132,076	126,816	-4.0%
Regulatory fee	1,467	1,281	1,355	-7.7%	5.8%	4,333	4,045	-6.6%
Depreciation & Amortization	9,410	9,606	9,592	1.9%	-0.1%	26,998	28,911	7.1%
Network OPEX and TOT partnership	7,416	7,604	7,517	1.4%	-1.2%	22,107	22,294	0.8%
Other costs of services	2,455	1,948	1,913	-22%	-1.8%	7,299	5,951	-19%
Cost of service	20,748	20,439	20,377	-1.8%	-0.3%	60,735	61,201	0.8%
Cost of SIM and device sales	5,889	6,372	6,164	4.7%	-3.3%	19,756	18,954	-4.1%
Total costs of service and sale	26,637	26,810	26,541	-0.4%	-1.0%	80,491	80,155	-0.4%
Gross profit	18,096	15,445	15,174	-16%	-1.8%	51,585	46,661	-9.5%
SG&A	6,331	6,021	6,040	-4.6%	0.3%	19,641	18,348	-6.6%
Marketing Expense	1,499	1,600	1,552	3.6%	-3.0%	5,338	4,914	-7.9%
Admin and others	4,833	4,421	4,487	-7.2%	1.5%	14,302	13,434	-6.1%
Operating profit	11,765	9,424	9,135	-22%	-3.1%	31,944	28,313	-11%
Net foreign exchange gain (loss)	-44	344	-181	315%	-153%	293	-258	-188%
Other income (expense)	108	129	195	81%	51%	402	595	48%
Finance cost	1,195	1,194	1,104	-7.6%	-7.5%	3,605	3,499	-2.9%
Income tax	1,833	1,469	1,278	-30%	-13%	4,906	4,144	-16%
Non-controlling interest	-1	1	-2	151%	-466%	-2	-2	7.4%
Net profit for the period	8,800	7,235	6,764	-23%	-6.5%	24,125	21,004	-13%
Network OPEX & TOT partnership cost (net of revenue)	3,953	4,821	4,676	18%	-3.0%	14,343	14,036	-2.1%

EBITDA (Bt mn)	3Q19	2Q20	3Q20	%YoY	%QoQ	9M19	9M20	%YoY
Operating Profit	11,765	9,424	9,135	-22%	-3.1%	31,944	28,313	-11%
Depreciation & amortization	9,572	9,758	9,749	1.8%	-0.1%	27,471	29,374	6.9%
(Gain) loss on disposals of PPE	-3	0	25	-875%	na	40	25	-39%
Management benefit expense	-30	-40	-43	44%	85%	-112	-123	10%
Other financial cost	3	-4	-4	-255%	-7.7%	0	-13	-5965%
EBITDA	21,307	19,139	18,861	-12%	-1.4%	59,344	57,576	-3.0%
EBITDA margin (%)	47.6%	45.3%	45.2%			44.9%	45.4%	

3Q20 MD&A

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Financial Position (Bt mn.% to total asset)	Post-TFRS 9&16			
	4Q19		3Q20	
Cash	19,637	6.8%	16,634	4.7%
ST investment	1,989	0.7%	1,829	0.5%
Trade receivable	16,277	5.6%	16,768	4.7%
Inventories	4,828	1.7%	2,669	0.8%
Others	4,411	1.5%	3,998	1.1%
Current Assets	47,142	16%	41,899	12%
Spectrum license	103,074	36%	112,681	32%
Network and PPE	125,510	43%	123,755	35%
Right of use	0	0.0%	60,892	17%
Intangible asset	5,468	1.9%	5,427	1.5%
Defer tax asset	3,491	1.2%	3,828	1.1%
Others	4,984	1.7%	5,316	1.5%
Total Assets	289,669	100%	353,797	100%
Trade payable	22,037	7.6%	23,228	6.6%
ST loan & CP of LT loans	24,872	8.6%	28,847	8.2%
CP of lease liabilities	0	0.0%	10,306	2.9%
Accrued R/S expense	5,248	1.8%	5,248	1.5%
CP of spectrum payable	24,490	8.5%	10,475	3.0%
Others	28,608	9.9%	24,784	7.0%
Current Liabilities	105,255	36%	102,889	29%
Debenture & LT loans	69,172	24%	76,513	22%
LT lease liabilities	0	0.0%	50,017	14%
Spectrum payable	37,299	13%	45,759	13%
Other	8,549	3.0%	9,993	2.8%
Total Liabilities	220,275	76%	285,171	81%
Retained earnings	44,226	15%	44,308	13%
Others	25,169	8.7%	24,319	6.9%
Total Equity	69,394	24%	68,627	19%

Key Financial Ratio	3Q19		2Q20	Post-TFRS 9&16 3Q20
	Interest-bearing debt to equity (times)	1.6	1.3	1.6
Net debt to equity (times)	1.4	0.9	1.3	1.3
Net debt to EBITDA (times)	1.0	0.7	1.0	1.0
Net debt & lease liability & spectrum license payable to EBITDA	1.7	2.3	2.3	2.3
Current Ratio (times)	0.4	0.4	0.4	0.4
Interest Coverage (times)	15.3	14.1	13.4	13.4
Debt Service Coverage Ratio (times)	4.1	2.7	2.2	2.2
Return on Equity	56%	41%	37%	37%

Figures from P&L are annualized YTD.

Bt mn	Debt Repayment Schedule		License payment schedule		
	Debenture	Loan	1800MHz	900MHz	2600MHz
4Q20	-	10,314	3,128	-	-
2021	1,776	12,079	3,128	7,565	-
2022	-	14,040	-	7,565	-
2023	7,820	7,483	-	7,565	-
2024	6,638	6,417	-	7,565	-
2025	-	7,167	-	7,565	2,934
2026	7,180	4,083	-	-	2,934
2027	9,000	3,750	-	-	2,934
2028	-	3,750	-	-	2,934

*700MHz license has not yet officially allocated Hence the first payment for the spectrum will begin around Jan - 2021

*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: 9M20 (Bt.mn)			
Source of fund		Use of fund	
Operating cash flow	65,214	CAPEX & Fixed assets	18,040
Sale of equipment	27	Spectrum license	23,707
Interest received	201	Income tax and Finance cost paid	8,808
Net borrowings received	11,386	Lease liability payments	8,774
Dividend received	9	Dividend paid	20,219
		Investments in JV & Other	249
Cash decrease	2,960		
Total	79,797		79,797

All guidance is based on Pre-TFRS 16

<p>Core service revenue</p> <p>EBITDA</p> <p>CAPEX (exclude spectrum)</p> <p>Dividend policy</p>	<ul style="list-style-type: none"> • Low to mid-single digit decline (<i>revised from low-single digit decline</i>) • Low-single digit decline (<i>maintained</i>) • Approximately Bt35bn (<i>maintained</i>) • Minimum 70% of net profit
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Core service revenue to contract mid-single digit

- **Economic recovery remained vulnerable:** Although pandemic situation in Thailand is under well-controlled and businesses somewhat resume normal operation, economic recovery remains vulnerable from high unemployment rate, slowdown export, absence of foreign tourist and uncertainty in political situation.
- **Mobile business pressured by weak consumption:** We are expecting mobile revenue to be under pressure from weak private consumption and hence continued low-price environment with industry continues on unlimited pricing, as well as a lack of revenue from traveler segment in 4Q20.
- **Home broadband and Enterprise business maintained growth momentum:** Home broadband is expected to maintain growth momentum with targeted 1.35 subscribers by year end; however, ARPU still under pressure amidst intense price competition. Enterprise non-mobile services, currently representing approximately 3% of core service revenue, should continue to grow double-digit from CCII (Cloud, cyber security, IOT, IT solution) following digitalization trend.
- **Cost management to support EBITDA:** AIS continues to focus on cost optimization for operation and SG&A to preserve profitability; therefore, we are expecting EBITDA for FY2020 to decline low single digit, same level as previous guidance.

Development on 5G service

AIS continues to invest for long term leading position with CAPEX budget of Bt35bn for 4G/5G network and FBB. We target for 5G service to cover over 16% of Thai population by end of 2020. Currently our 5G coverage reached over 60% of Bangkok's population and 60% of Eastern economic corridor area which had met the requirement of 2600MHz license. Official 5G packages for mobile has been launched with starting price of Bt699 and full speed unlimited package starting price of 1,199. Given an early stage of 5G technology and limited no. of 5G handset model, our 5G subscribers are expected approximately 100k by the end of 2020. However, quick development on 5G ecosystem, especially sharp decline in handset price, will accelerate no. of 5G users and other revenue on 5G related service such as AR, VR and cloud gaming.

3Q20 MD&A

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Appendix

Income statement (Bt mn)	Post TFRS 16			
	2Q20	3Q20	%QoQ	9M20
Mobile revenue	29,536	29,197	-1.1%	89,067
Fixed broadband revenue	1,683	1,785	6.1%	5,108
Other service revenues	1,066	1,148	7.7%	3,329
Core service revenue	32,285	32,130	-0.5%	97,504
IC and equipment rental	3,439	3,494	1.6%	10,223
Service revenue	35,724	35,624	-0.3%	107,727
SIM and device sales	6,532	6,091	-6.7%	19,089
Total revenues	42,256	41,715	-1.3%	126,816
Regulatory fee	1,281	1,355	5.8%	4,045
Depreciation & Amortization	12,484	12,545	0.5%	37,615
Network operating expense	4,683	4,551	-2.8%	13,487
Other costs of services	1,948	1,913	-1.8%	5,951
Cost of service	20,396	20,364	-0.2%	61,097
Cost of SIM and device sales	6,372	6,164	-3.3%	18,954
Total costs of service and sale	26,767	26,528	-0.9%	80,052
Gross profit	15,489	15,187	-1.9%	46,764
SG&A	6,010	6,022	0.2%	18,305
Marketing Expense	1,600	1,552	-3.0%	4,914
Admin and others	4,410	4,470	1.4%	13,391
Operating profit	9,478	9,165	-3.3%	28,459
Net foreign exchange gain (loss)	350	-181	-152%	-261
Other income (expense)	129	195	51%	595
Finance cost	1,546	1,449	-6.2%	4,559
Income tax	1,411	1,215	-14%	3,961
Non-controlling interest	1	-2	-466%	-2
Net profit for the period	7,001	6,513	-7.0%	20,270
EBITDA	22,297	22,091	-0.9%	67,165

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