

Executive Summary

Mobile business affected by weak economy and competition in data pricing

Slowdown in economic and business activities had been observed throughout 2020 as the pandemic impact arose since beginning of the year and the new phase of outbreak re-emerged in late 4Q. Mobile business had been pressured by sluggish economy amidst market competition around unlimited data plan. AIS had seen weaken mobile revenue due to consumer spending optimization and loss of revenue from traveler segment led to -6.5%YoY decline in mobile service revenue for FY2020.

Solid demand for home connectivity driven by pandemic

AIS Fibre, fixed broadband business (FBB), continued growing strongly with subscriber growth of 29% vs overall market growth of 10-12% driven by demand to work from home. By leveraging mobile subscriber base and expanding coverage across 77 cities, FBB achieved 1.3 million subscribers in FY20 and reached 12% subscriber market share from 10% in FY19. However, intense price competition resulted in 11%YoY drop in ARPU. AIS Fibre revenue in FY20 grew 22%YoY and accounted for 5.3% of AIS core service revenue.

Enterprise business grew with digitalization trend while 5G service at the start

Accelerated by pandemic, businesses have been urged to transition or adopt digital technologies. AIS saw revenue in cloud and enterprise solution posed double digit growth. In contrast, EDS (Enterprise data service) saw temporary drop in demand from service downgrade during pandemic. Overall, enterprise non-mobile business grew 6%YoY and accounted for 2.7% of core service revenue. To develop 5G service for enterprise, strategic partnership has been formed with leading industrial estate developers to provide 5G infrastructure aiming to serve potential 5G enterprise solutions in the future.

5G mobile over-achieved subscriber target while 5G package uplifted ARPU by 10-15%

AIS 5G service has been deployed with 2600MHz since Feb 20 while official 5G package for consumer launched in Oct20. Given an early stage of 5G technology with limitation of ecosystem, the adoption rate was still limited as total subscribers registered on 5G package amounted to 239k or 2.4% of postpaid sub as of end 2020, doubled the target of 100k. With 5G price plan geared toward larger data volume and added value of multiple SIMs, we saw an uplift in ARPU of 5G early adopter of approximately 10-15%.

Delivered FY20 performance in-line with guidance from well-managed cost

Overall FY20 performance tracked in-line with all guidance. Core serviced revenue of Bt129,594mn declined -5.1%YoY vs guidance of low to mid-single digit decline. EBITDA (pre-TFRS16) stood at Bt76,619mn, decreased -2.7%YoY with focusing on cost control and in-line with low single digit decline EBITDA guidance. Net profit (pre-TFRS 16) was Bt28,423mn, declined -8.9%YoY while CAPEX was Bt35bn for 5G/4G network and FBB in-line with guidance.

For FY21, AIS aims to strengthen leadership with 5G service to capture high-value segment in both consumer and enterprise as well as build strong retention program and product/service differentiation. FBB targets to achieve 1.6mn subscribers and continues leveraging mobile subscriber base and capturing rising demand in home connectivity. Enterprise non mobile focuses on support need for digital transformation with telecom infrastructure and services in cloud, cyber security and ICT solutions. AIS expects service revenue and EBITDA in 2021 to grow low-single digit while CAPEX for 5G/4G network and FBB budgeted Bt25-30bn.

Significant Event in FY20

1. In 1Q20, AIS adopted Thai Financial Reporting Standards (TFRS) 9 regarding Financial Instruments and TFRS 16 regarding Leases since 1 Jan 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.

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

On 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.

In this MDA material, we present a financial income statement based on pre-TFRS for comparison with FY19.

2. In 4Q20, according to the Royal Decree No. 695 dated 20 June 2020, investment in machinery during the period from 1 January 2020 to 31 December 2020 can qualify for 2.5x depreciation tax benefits. The term 'machinery' contains two characteristics are 1) assemblage of parts and 2) machinery for generating energy, changing or transmitting energy. These benefits will be recognized over a 5-years period starting from 2020. The tax benefit in 2020 was recorded in 4Q20 in amount of Bt246mn, with an approximately similar amount for the next four years.

Market and Competitive Environment

FY20 marked the beginning of the 5G network and service in Thailand, considering an early 5G deployment along with other leading countries. Telecom operators started launching 5G in key cities with coverage mainly in dense areas to capture the early adopter in the high-value segment. Given a limited number of 5G handset models with high starting price over Bt10,000, the adoption rate for 5G subscribers in 2020 was still limited.

With prolonged pandemic resulted in weak consumer spending, operators continued to offer fixed-speed unlimited data packages for prepaid and postpaid as a key acquisition strategy to capture value-for-money segment. The unlimited packages had been increasing in popularity among data users to optimize spending and impeded operators to monetize sharp increase in data usage. Although the industry was able to uplift the price of unlimited packages to alleviate contracted ARPU, pricing campaigns with lower-speed were usually deployed in provincial level to capture the low-budget segment.

Demand for home connectivity has been accelerated by work and learn from home trend and drove FBB penetration rate reaching over 50% from 47% in FY19. However, market competition had been intensified since broadband providers continued pricing strategy to capture new customers in response to the macro low spending environment. The starting price was lowered to Bt399/Month for 100Mbps from Bt599/Month a year earlier; therefore, industry ARPU was on declining trend. Integrated operators had increasingly emphasized on convergence offerings and value-added services such as speed boost, equipment upgrades and contents to differentiate and uplift revenue.

FY20 Operational summary

The COVID-19 pandemic has affected AIS mobile subscribers, particularly from the contraction in traveler segment. Prepaid segment saw a decline of 1.7 million or -5%YoY mainly from loss in tourist and consumer trend in converting from prepaid to postpaid service. As a result, postpaid subscribers continued to grow +12%YoY driven by handset bundling and accounted for 25% of total subscriber base, up from 22% in 4Q19. Although total subscribers dropped to 41.4mn as of ending FY20 or -1.4% YoY, AIS remained its leading position in mobile with No.1 subscriber and revenue market share. In addition, the effect from weak consumer spending and unlimited data plans also pressured overall ARPU which dropped -7.0% YoY to Bt234.

AIS Fibre subscriber growth was driven by rising demand for home connectivity during the pandemic with solid net additional subscribers of 299k in FY20. AIS Fibre reached total subscribers of 1.34mn or +29% YoY, significantly outgrowing the industry with approximately subscriber growth of 10-12%YoY. However, competition was intense throughout the year as operators continued to offer discount and low-price plan causing ARPU to drop to Bt476 from Bt533 in 4Q19.

Mobile Business	4Q19	3Q20	4Q20	%YoY	%QoQ
Subscribers					
Postpaid	9,107,400	9,771,500	10,192,400	12%	4.3%
Prepaid	32,906,400	31,170,000	31,244,400	-5.1%	0.2%
Total subscribers	42,013,800	40,941,500	41,436,800	-1.4%	1.2%
Net additions					
Postpaid	105,700	235,100	420,900	298%	79%
Prepaid	350,000	-313,400	74,400	-79%	-124%
Total net additions	455,700	-78,300	495,300	8.7%	-733%
ARPU (Baht.sub.month)					
Postpaid	537	498	486	-9.4%	-2.3%
Prepaid	173	157	154	-11%	-1.9%
Blended	252	237	234	-7.0%	-1.2%
MOU (minute.sub.month)					
Postpaid	212	189	187	-12%	-1.6%
Prepaid	92	78	79	-15%	0.9%
Blended	118	104	105	-11%	0.5%
VOU (GB.data.sub.month)					
Postpaid	16.6	19.8	21.6	30%	8.9%
Prepaid	11.1	16.1	16.5	47%	2.4%
Blended	12.7	17.2	18.0	42%	5.0%
Device Penetration					
4G-handset penetration	71%	76%	77%	-	-
Fixed Broadband Business					
FBB subscribers	1,037,600	1,255,500	1,336,900	29%	6.5%
FBB net addition	100,600	52,900	81,400	-19%	54%
FBB ARPU (Baht/user.month)	533	484	476	-11%	-1.6%

4Q20 Snapshot

In 4Q20, Thai economy remained sluggish while the new phase of outbreaks re-emerging in Dec-20 posed further challenges on economic recovery. Despite some positive development in subscriber base in 4Q20, pricing remained the key challenge causing mobile revenue to decrease -8.7%YoY and flat QoQ. On the other hand, the continued pressing demand for home connectivity benefited the broadband business which increased 17% YoY and 3.7%QoQ in revenue driven by strong net addition of 81k. Enterprise non-mobile remained resilient and grew 8%YoY and 6%QoQ in revenue from rising demand for Cloud, Data center and enterprise solution following digitalization trend. As a result, core service revenue reported Bt32,090mn decreasing -7.2%YoY and flat QoQ. The launch in new iPhone 12 coupled with government stimulus package to promote consumer spending helped device sale to increase 72%QoQ, however, still dropped -3%YoY due to late launch of iPhone12 compared to previous year.

Despite slowdown in revenue since beginning of 2020, AIS maintained its investment plan to strengthen leading position causing network opex to increase 3.3%YoY and flat QoQ. However, this was offset by decrease in cost related to revenue, such as regulatory fee and prepaid commission, resulted in overall cost of service decreasing -1.5%YoY and remained flat QoQ. SG&A was under well-controlled, declining -26%YoY and flat QoQ. Marketing expenses dropped -33%YoY from lower marketing activities while increased 9%QoQ from seasonality and 5G launch campaign. Admin and other expenses saw -22%YoY decrease from improving bad debt provision and efficient cost management while declined -3%QoQ.

As a result, EBITDA (Pre-TFRS16) in 4Q20 declined -1.7%YoY from weak core service revenue, but increased 1%QoQ from cost control in SG&A. Net profit (Pre-TFRS 16) increased 5%YoY and 9.7%QoQ benefited from government tax incentive of Bt246mn and foreign exchange gain.

FY20 Financial Summary (Pre-TFRS 16)

Revenue

In 2020, AIS reported a total revenue of Bt172,890mn, decreasing -4.4%YoY, from slowdown in service revenues reflecting impact of COVID-19 as well as market competition. Core service revenue (excluding IC and TOT partnership) was 129,594mn, decreasing -5.1%YoY from declining mobile revenue offsetting by robust growth in fixed broadband as well as continuing growth in enterprise business.

- **Mobile revenue** was Bt118,082mn, decreasing -6.5%YoY as prolonged weak economy, price competition and revenue loss from traveler segment. Postpaid revenue grew 4.4%YoY in contrast to prepaid revenue which decreased -12%YoY due to pre-to-post migration trend and loss of revenue from traveler segment. Price competition remained intense throughout the year as well as consumer spending optimization led to drop in blended ARPU from Bt252 to Bt234.
- **Fixed broadband revenue** was Bt6,959mn, increasing 22%YoY driven by solid subscriber growth following work-from-home demand since late Mar20. Total subscribers reached 1.3mn with net adds of +299K; however, aggressive price plan continued to pressure ARPU to drop from Bt533 to Bt476.
- **Other service revenue** was Bt4,552mn, increasing +1.0%YoY due to rising demand for enterprise non-mobile following digitalization trend offset by temporary revenue drop during 2Q20 from COVID-19 impact. Cloud and ICT solution grew double-digit YoY given its small base while EDS revenue, main contribution for enterprise non mobile, was flat YoY due to lower demand during pandemic in 2Q20.

Revenue from interconnection charge (IC) and TOT partnership reported at Bt13,722mn, increasing 1.2%YoY mainly from fluctuation of interconnection charge.

SIM & Device sales reported Bt29,574mn, decreasing -3.9%YoY due to shop closure in 1H20 and the late launch of iPhone 12 comparing to previous year. Sim & Device margin stood at +0.9%, relatively flat compared to +1.1% in FY19.

Cost & Expense

Cost of service for 2020 was Bt81,641mn, flat YoY from decrease in regulatory fee and prepaid commission following revenue decline offset by higher network OPEX.

- **Regulatory fee** was Bt5,309mn, decreasing -8.3%YoY following the decline in service revenue as well as one-time USO reduction in 2Q20. The regulatory fee as % to core service revenue remained stable at 4.1% in FY20.
- **Depreciation & amortization** was Bt38,601mn, increasing 5.5%YoY from 2600MHz spectrum acquisition

in 1Q20 and 4G/5G network expansion offsetting with fully depreciated 3G network equipment.

- **Network OPEX & TOT partnership cost (net of revenue)** was Bt18,642mn decreasing -2.3%YoY from saving on base rental from TOT partnership since Sep-19 offset by increasing expense from 4G/5G expansion.
- **Other costs of service** were Bt7,905mn, decreasing -18%YoY from lower interconnection charge as well as prepaid commission following declined prepaid revenue.

SG&A expenses were Bt24,381mn, decreasing -12%YoY due to less marketing spending and cost control amidst pandemic situation.

- **Marketing expenses** were Bt6,598mn, decreasing -16%YoY from slowdown in marketing campaign and activities during lockdown.
- **Admin & other expenses** were Bt17,782mn, decreasing -11%YoY from cost control and one-time expenses of legal severance pay and TOT dispute settlement recognized in FY19.

Net FX loss was Bt2mn, compared to FX gain of Bt308mn in FY19 due to THB depreciation against USD. In general, AIS has policy to mitigate currency risk using forward contract to partially cover capex payable.

Finance cost was Bt4,522mn, decreasing -5.3%YoY due to lower interest rate offset by slight increase in interest bearing debt. The average cost of debt declined by 50 basis point to approximately 2.5% per year in FY20, while interest bearing debt increased from Bt94,200mn in FY19 to Bt99,600mn to support spectrum payment in FY20.

Income tax was Bt5,336mn, decreasing -14% from lower profit before tax and tax benefit of Bt246mn causing effective tax rate to decline to 15.8%

Profit

In 2020, **EBITDA (pre-TFRS 16)** was Bt76,619mn decreasing -2.7%YoY due to decline in revenue offset by cost control, with EBITDA margin of 44.3% compared to 43.5% in FY19. **Net profit (pre-TFRS 16)** was Bt28,423mn, decreasing -8.9%YoY as D&A rose from spectrum acquisition and network investment resulted in net profit margin of 16.4% compared to 17.2% in FY19. **Reported net profit (post-TFRS16)** was at Bt27,434mn, which is Bt989mn lower compared to pre-TFRS 16 adoption with the net profit margin (post-TFRS16) of 15.9%.

Financial position (Post TFRS 9&16)

As of 31 December 2020, total asset was Bt350,171mn, increasing 21%YoY driven by the adoption of TFRS16 which recognized right of use assets of Bt58,723mn and license for telecom of Bt110,219mn, increasing 6.9%YoY from 2600MHz spectrum acquired in 1Q20. Moreover, intangible asset of Bt7,123mn, increasing 30%YoY, mainly from business operation software while inventories decreasing 51% due to late arrival of iPhone12 this year.

Total liability was Bt274,481, increasing 25%YoY from recognizing the lease liability of Bt58,363mn from TFRS16 adoption as well as increasing interest bearing debt of Bt99,600mn, compared to Bt94,200mn in FY19 to support the spectrum payment. Spectrum license payable stood at Bt53,449mn, decreasing 13%YoY from the spectrum payment offset by newly acquired spectrum. Total equity was Bt75,689mn increasing 9.1%YoY from higher retained earnings offset by TFRS9 adoption.

Cash flow (Post TFRS 9&16)

For 2020, operating cash flow after tax (OCF) was Bt85,629mn increasing 12%YoY mainly from the reclassification of lease liabilities paid of Bt11,754mn from TFRS 16 adoption. After deduct lease liabilities, OCF decreased -3.6%YoY following soften EBITDA. However, OCF remained healthy to fully cover CAPEX of Bt28,057mn and spectrum license payment of Bt26,835mn. As a result, free cash flow (OCF less CAPEX and spectrum license) was Bt30,738mn and ending FY20 with outstanding cash of Bt18,421mn

Financial ratios (Pre-TFRS 16)

Profitability: AIS continued to deliver decent profitability with EBITDA margin of 44.3% due to well-managed cost amidst pandemic while net profit margin stood at 16%, significantly above industry average. ROE slightly declined from 49% in FY19 to 47% as well as ROA declined from 11% FY19 to 8.9% as profit was lower while asset base increased from continued investment in network and spectrum.

Liquidity & Leverage: Liquidity remained solid with current ratio of 0.45x, similar level as previous year. AIS maintained strong financial position with low net debt to EBITDA of 1x and decent interest coverage ratio of 14x in FY20.

Asset turnover: Inventory was well-managed with inventory days declined from 51 days to 44 days due to lower handset stock. Account payable days slightly increased from 65 days to 72 days due to higher vendor financing following network expansion.

Credit term and collection period

The normal credit term granted by the Company ranges from 14 days to 120 days depend on type of provided service and clients. For consumer business mainly mobile and fixed broadband service, the Company allows 30 days of credit term as majority of service are monthly mobile subscription. However, Enterprise clients has been granted longer credit term ranging from 30 days to 120 days depend on type of services. Average collection period (days) for FY20 was 38 days, slight increase from 36 days in 2019. Although, AIS provided relaxed payment for consumers and enterprise clients during pandemic situation in 2Q20, the normal collection process had been resumed since 3Q20.

FY20 MD&A

Advanced Info Service Plc.



Income statement (Bt mn)	Pre-TFRS16							
	4Q19	3Q20	4Q20	%YoY	%QoQ	FY19	FY20	%YoY
Mobile revenue	31,770	29,197	29,015	-8.7%	-0.6%	126,341	118,082	-6.5%
Fixed broadband revenues	1,579	1,785	1,852	17%	3.7%	5,722	6,959	22%
Other service revenues	1,213	1,148	1,223	0.9%	6.6%	4,509	4,552	1.0%
Core service revenue	34,562	32,130	32,090	-7.2%	-0.1%	136,572	129,594	-5.1%
IC and TOT partnership	3,443	3,494	3,499	1.6%	0.2%	13,557	13,722	1.2%
Service revenue	38,005	35,624	35,589	-6.4%	-0.1%	150,129	143,316	-4.5%
SIM and device sales	10,813	6,091	10,485	-3.0%	72%	30,765	29,574	-3.9%
Total revenues	48,818	41,715	46,074	-5.6%	10%	180,894	172,890	-4.4%
Regulatory fee	1,459	1,355	1,265	-13%	-6.7%	5,792	5,309	-8.3%
Depreciation & Amortization	9,600	9,592	9,690	0.9%	1.0%	36,598	38,601	5.5%
Network OPEX and TOT partnership	7,293	7,517	7,531	3.3%	0.2%	29,399	29,826	1.4%
Other costs of services	2,401	1,913	1,954	-19%	2.1%	9,699	7,904	-18%
Cost of service	20,752	20,377	20,440	-1.5%	0.3%	81,487	81,641	0.2%
Cost of SIM and device sales	10,656	6,164	10,360	-2.8%	68%	30,412	29,314	-3.6%
Total costs of service and sale	31,408	26,541	30,800	-1.9%	16%	111,899	110,955	-0.8%
Gross profit	17,410	15,174	15,274	-12%	0.7%	68,994	61,935	-10%
SG&A	8,100	6,040	6,032	-26%	-0.1%	27,740	24,381	-12%
Marketing Expense	2,523	1,552	1,684	-33%	8.5%	7,861	6,598	-16%
Admin and others	5,577	4,487	4,348	-22%	-3.1%	19,879	17,782	-11%
Operating profit	9,310	9,135	9,242	-0.7%	1.2%	41,254	37,555	-9.0%
Net foreign exchange gain (loss)	16	-181	256	n/m	-242%	308	-2	-101%
Other income (expense)	214	195	136	-37%	-30%	616	731	19%
Finance cost	1,171	1,104	1,023	-13%	-7.4%	4,777	4,522	-5.3%
Income tax	1,303	1,278	1,191	-8.6%	-6.8%	6,209	5,336	-14%
Non-controlling interest	-1	-2	-1	-26%	-70%	-3	-3	-1.8%
Net profit for the period	7,065	6,764	7,419	5.0%	9.7%	31,190	28,423	-8.9%
Network OPEX & TOT partnership cost (net of revenue)	4,730	4,676	4,605	-2.6%	-1.5%	19,073	18,642	-2.3%

EBITDA (Bt mn)	4Q19	3Q20	4Q20	%YoY	%QoQ	FY19	FY20	%YoY
Operating Profit	9,310	9,135	9,242	-0.7%	1.2%	41,254	37,555	-9.0%
Depreciation & amortization	9,758	9,749	9,844	0.9%	1.0%	37,229	39,218	5.3%
(Gain) loss on disposals of PPE	332	25	6	-98%	-77%	372	30	-92%
Management benefit expense	-33	-43	-45	37%	3.4%	-144	-168	16%
Other financial cost	0	-4	-4	n/m	-0.6%	0	-17	n/m
EBITDA	19,366	18,861	19,043	-1.7%	1.0%	78,710	76,619	-2.7%
EBITDA margin (%)	39.7%	45.2%	41.3%			43.5%	44.3%	

FY20 MD&A

Advanced Info Service Plc.



Financial Position (Bt mn % to total asset)	Post-TFRS 9&16			
	4Q19		4Q20	
Cash	19,637	6.8%	18,421	5.3%
ST investment	1,989	0.7%	1,921	0.5%
Trade receivable	16,277	5.6%	16,579	4.7%
Inventories	4,828	1.7%	2,372	0.7%
Others	4,411	1.5%	3,132	0.8%
Current Assets	47,142	16%	42,155	12%
Spectrum license	103,074	36%	110,219	31%
Network and PPE	125,510	43%	122,518	35%
Right of use	0	0.0%	58,723	17%
Intangible asset	5,468	1.9%	7,123	2.0%
Defer tax asset	3,491	1.2%	4,120	1.2%
Others	4,984	1.7%	5,312	1.5%
Total Assets	289,669	100%	350,171	100.0%
Trade payable	22,037	7.6%	22,382	6.4%
ST loan & CP of LT loans	24,872	8.6%	18,748	5.4%
CP of lease liabilities	0	0.0%	10,213	2.9%
Accrued R/S expense	5,248	1.8%	5,248	1.5%
CP of spectrum payable	24,490	8.5%	10,538	3.0%
Others	28,608	9.9%	26,684	7.6%
Current Liabilities	105,255	36%	93,813	27%
Debenture & LT loans	69,172	24%	79,301	23%
LT lease liabilities	0	0.0%	48,150	14%
Spectrum payable	37,299	13%	42,911	12%
Other	8,549	3.0%	10,306	2.9%
Total Liabilities	220,275	76%	274,481	78%
Retained earnings	44,226	15%	51,382	15%
Others	25,169	8.7%	24,307	6.9%
Total Equity	69,394	24%	75,689	22%

Key Financial Ratio	4Q19		3Q20	Post-TFRS 9&16 4Q20
	Interest-bearing debt to equity (times)	1.4	1.6	1.3
Net debt to equity (times)	1.0	1.3	1.0	1.0
Net debt to EBITDA (times)	0.9	1.0	0.9	0.9
Net debt & lease liability & spectrum license payable to EBITDA	1.7	2.3	2.1	2.1
Current Ratio (times)	0.4	0.4	0.4	0.4
Interest Coverage (times)	12.6	13.4	14.0	14.0
Debt Service Coverage Ratio (times)	2.2	2.2	3.3	3.3
Return on Equity	43%	37%	40%	40%

Figures from P&L are annualized YTD.

Bt mn	Debt Repayment Schedule		License payment schedule			
	Debenture	Loan	1800MHz	900MHz	2600MHz	700MHz
2021	1,776	12,079	3,128	7,565	-	1,758
2022	-	14,040	-	7,565	-	1,758
2023	7,820	7,483	-	7,565	-	1,758
2024	6,638	6,417	-	7,565	-	1,758
2025	-	7,367	-	7,565	2,934	1,758
2026	7,180	5,083	-	-	2,934	1,758
2027	9,000	4,550	-	-	2,934	1,758
2028	-	3,750	-	-	2,934	1,758
2029	-	-	-	-	2,934	1,758

*700MHz (2x5MHz) license from the auction has not yet officially allocated and the first payment of Bt1,716mn is expected to be made in Apr - 2021

*26GHz license payment of Bt5.3bn 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 FY20 (Bt mn)			
Source of fund		Use of fund	
Operating cash flow	92,104	CAPEX & Fixed assets	28,057
Sale of equipment	109	Spectrum license	26,835
Interest received	326	Income tax and Finance cost paid	10,719
Net borrowing received	4,071	Lease liability payments	11,754
Dividend received	9	Dividend paid	20,219
		Investments in JV & Other	252
Cash decrease	1,216		
Total	97,835		97,835

2021 Guidance

All guidance is based on [Post-TFRS 16](#)

Core service revenue	• Low single digit growth
EBITDA	• Low-single digit growth
CAPEX (exclude spectrum)	• Bt25-30bn

Core service revenue to recover and grow low-single digit

Thai economic growth in 2021 is expected to remain vulnerable as the new outbreak of pandemic re-emerged in late 2020 while most businesses are yet to recover to their pre-Covid level. Consumer spending is expected to remain weak as prolonged impact from pandemic lingers over declined income of local businesses, their workers as well as increased household debt. Moreover, recovery on tourist and export sectors, key engines for Thai economy, still mainly depend on large scale vaccination in domestic population and major developed countries. These uncertainties would pressure telecom industry and our core service revenue, while competition is anticipated to remain high with pricing strategy to capture value-to-money segment amidst weak spending environment. AIS will be focusing on creating differentiation through personalized products and services and enhancing retention program as well as digitalizing channels and operational processes to gain fair market share and expand our scale in respective businesses.

- **Mobile revenue to gradually rebound** - AIS aims to lead with 5G service emphasizing on superior 5G user experience to capture high value segment and gain revenue market share. Despite intense competition in the market, we place focus on strengthening retention program and use analytics to protect and enhance revenue to tackle continued challenging data pricing environment.
- **Home broadband to maintain growth momentum and outpace the industry growth** - Driven by rising demand from pandemic, home broadband aims to expand coverage around outskirts area of key cities with high potential growth and leverage mobile customers to grow subscriber with target of 1.6 million by ending 2021. Given weak consumption and intense competition, AIS Fibre focuses on value added service bundling to increase average revenue per household (ARPH) and ease pressure on ARPU as well as maintain pricing gap from competition.
- **Enterprise business is anticipated to continue delivering double digit growth** - With strong demand for digitalizing business operation under new normal, we expect enterprise business to capture demand with our strong ICT infrastructure and solution as well as 5G solution as a new driver.

Continue investing in 5G/4G to strengthen leading position

To strengthen our leading position, AIS maintain our investment plan for long term with CAPEX budget of Bt25-30bn focusing on building 5G leadership, 4G quality, home broadband expansion, and investment in digital and enterprise service platform. The 5G network expansion will be deployed on both low band and mid band to deliver superior quality in selective area with high 5G device penetration. AIS emphasizes on delivering best 5G user experience and ensuring good 5G coverage as device penetration grows.

Maintain profitability with well-manage cost control

To ensure healthy cash flow and preserve profitability amidst uncertainty in 2021, AIS' approach to optimize cost focuses on digitalization, efficiencies and prioritization. We expect ongoing digital cost initiatives to deliver saving particularly in automation and online sale and service channels. Moreover, IT transformation will enhance our time-to-market and simplify internal operational processes, as well as revamped network utilization management to improve capex efficiency. As a result, we expect EBITDA to grow low single digit.

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. 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.

FY20 MD&A

Advanced Info Service Plc.



Appendix

Income statement (Bt mn)	Post TFRS 16					
	1Q20	2Q20	3Q20	4Q20	%QoQ	FY20
Mobile revenue	30,334	29,536	29,197	29,015	-0.6%	118,082
Fixed broadband revenue	1,640	1,683	1,785	1,852	3.7%	6,959
Other service revenues	1,116	1,066	1,148	1,223	6.6%	4,552
Core service revenue	33,090	32,285	32,130	32,090	-0.1%	129,594
IC and equipment rental	3,290	3,439	3,494	3,499	0.2%	13,722
Service revenue	36,380	35,724	35,624	35,589	-0.1%	143,316
SIM and device sales	6,465	6,532	6,091	10,485	72%	29,574
Total revenues	42,845	42,256	41,715	46,074	10%	172,890
Regulatory fee	1,409	1,281	1,355	1,265	-6.7%	5,309
Depreciation & Amortization	12,586	12,484	12,545	12,596	0.4%	50,210
Network operating expense	4,253	4,683	4,551	4,622	1.6%	18,109
Other costs of services	2,090	1,948	1,913	1,954	2.1%	7,905
Cost of service	20,338	20,396	20,364	20,437	0.4%	81,534
Cost of SIM and device sales	6,419	6,372	6,164	10,360	68%	29,314
Total costs of service and sale	26,757	26,767	26,528	30,796	16%	110,848
Gross profit	16,088	15,489	15,187	15,277	0.6%	62,042
SG&A	6,273	6,010	6,022	6,026	0.1%	24,331
Marketing Expense	1,762	1,600	1,552	1,684	8.5%	6,598
Admin and others	4,511	4,410	4,470	4,342	-2.9%	17,733
Operating profit	9,815	9,478	9,165	9,252	0.9%	37,711
Net foreign exchange gain (loss)	-430	350	-181	263	-245%	2
Other income (expense)	271	129	195	136	-30%	731
Finance cost	1,564	1,546	1,449	1,358	-6.3%	5,917
Income tax	1,335	1,411	1,215	1,128	-7.2%	5,089
Non-controlling interest	1	1	-2	-1	-70%	-3
Net profit for the period	6,756	7,001	6,513	7,164	10%	27,434
EBITDA	22,777	22,297	22,091	22,234	0.6%	89,398

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