

Executive Summary

Slight revenue improvement despite COVID restriction measures and continued competition

During 3Q21, the economy remained subdued from COVID restriction measures limiting business activities while government offered some subsidies that partially supported consumer purchasing power. Restrictions were gradually relieved beginning September including re-opening the telecom shops in malls. Meanwhile, price competition remained fluid as operators continued offering low-end unlimited data plans in prepaid segment. Despite these challenges, we generated a slight increase in service revenue (+2.1% YoY and 1.4% QoQ). Our mobile business was flat both YoY and QoQ driven by soft consumer spending offset by our movement to retain market share and build-up 5G perception. Restrictions in the quarter also supported demand for Fixed broadband (FBB) which delivered strong growth of 23% YoY and 7.4% QoQ as well as non-mobile enterprise business growing 23% YoY and 14% QoQ. Cost optimization was continued even as we expanded our 5G network, resulting in increased cost of service (-5.3% YoY, +2% QoQ) but lower SG&A (-13% YoY, +1.8% QoQ). Our reported NPAT was 6.4bn, -2.1% YoY, and -9.5% QoQ. Excluding one-time items and FX loss, normalized NPAT was 6.7bn, +0.9% and -0.7% QoQ.

Continuous 5G subscriber scale expansion and maintain a leading position in 5G development

Our 5G network continued to expand with >10k BTS and reached 42% of population, focusing on utilizing the largest bandwidth of 2600MHz to provide superior customer experience compared to our peers. As of Sep-21, total number of 5G subscribers reached 1.5mn or 13% of postpaid subs, defining as those specifically signed up for the 5G package due to their willingness to pay a premium for the benefit of a larger data plan; this resulted in the ARPU uplift for these 5G subscribers by 10-15%. We still aim to achieve 2mn 5G subscribers by the end of the year. The key drivers would be a higher data volume of 5G package comparing to 4G package, iPhone13 as well as more affordable devices coming to Thailand.

Expand into potential growth areas of digital lending and continued new products in VDO and 5G enterprise

This quarter, AIS announced a joint venture with SCB, a listed leading bank, for digital lending business with an investment of Bt300mn in the 'AISCB' JV. The JV is expected to start service in 1Q22 and will initially target 43mn AIS customers who have good credit with financial needs but may have limited access to loans from financial institutions. Our AIS Play, VDO service has added two new premium channels from BBC World News and BBC Lifestyle. In addition, AIS enterprise business introduced new 5G services i.e. 5G FWA+, 5G network slicing, 5G private network and while building up smart manufacturing. These developments are part of our strategic intention to expand our competitiveness in serving digital services and platforms to both consumers and enterprise.

Full year guidance maintained

For 9M21, AIS' performance was in-line with the guidance, delivering a flat core service revenue due to on-going impact of the pandemic while reported slightly increase in EBITDA (+2% YoY). FY21 guidance is maintained as we started to see improvements on consumption with the shop re-openings since Sep-21 with the lifting of lockdown measures. Our network capex remains between 25-30bn to ensure that we continued invest for leadership both on network quality and customer perception.

Significant Event in 3Q21

1. In Sep-21, AIS entered into a settlement on some of the legal disputes with National Telecom Public Company Limited (NT). As a result, AIS agreed to pay for dispute settlement to NT in an amount of Bt447.87mn which has previously been provisioned for. The financial impact is on reduction of 'other receivable' and 'provision for revenue sharing' on balance sheet while there is no impact on the income statement.
2. During the quarter, AIS has announced a 50:50 Joint Venture (JV) Agreement with the Siam Commercial Bank Public Company Limited (SCB) to form a JV under the name AISCB Co., Ltd. (AISCB) through an investment of Bt300mn. AISCB is expected to commence service early next year with an objective to provide the digital lending via online platform to enhance the access to financial service

Market and Competitive Environment

The mobile industry has remained competitive as low-priced unlimited prepaid plans continue to dilute ARPU. Overall, pricing environment in prepaid market segment remained challenging to improve ARPU as customers affected by sluggish economy sought for value-for-money services. Competition in postpaid segment has been stable. Operators with 5G services are focusing on building 5G perception and attract 5G subscription. For AIS, we position 5G as premium product and price to build incremental ARPU.

The fixed broadband market has maintained a healthy growth rate following consumer demand to work and learn from the home while the entry plan remained stable around Bt400. The operators mainly focused on value-added services such as speed boost, equipment upgrade, service quality and VDO contents. AIS Fibre focused on building customer perception around service quality offering 24-month contracts with guaranteed quality service key differentiation.

3Q21 Operational summary

In 3Q21, despite the shop closures for two months (Jul-Aug) due to COVID restriction measures, total subscribers expanded to 43.7mn, an increase of +424k net additions. This was attributable to online channels, tele sales and temporary shops which have played key role in acquiring new subscribers and providing services to existing customers. Prepaid segment continued its acquisition momentum with net addition of 134k while postpaid segment expanded robustly, adding 290k mainly from pre-to-post migration with our good customer perception on our 5G service. Overall, blended ARPU dropped -5.9% QoQ and -0.6% QoQ to Bt223/sub/month due to weak consumer spending.

AIS Fibre continued to ramp up with net addition of 133k subscribers in 3Q21. Increased demand for home connection during the pandemic has boosted our subscriber growth to 1.67mn, exceeding our target of 1.6mn subscribers by the end of this year. However, intense competition resulted in ARPU to dropped -5.9% YoY and -0.5% QoQ.

Mobile Business	3Q20	2Q21	3Q21	%YoY	%QoQ
Subscribers					
Postpaid	9,771,500	10,986,500	11,276,300	15%	2.6%
Prepaid	31,170,000	32,247,200	32,381,600	3.9%	0.4%
Total subscribers	40,941,500	43,233,700	43,657,900	6.6%	1.0%
Net additions					
Postpaid	235,100	351,700	289,800	23%	-18%
Prepaid	-313,400	114,900	134,400	-143%	17%
Total net additions	-78,300	466,600	424,200	-642%	-9.1%
ARPU (Baht/sub/month)					
Postpaid	498	471	470	-5.5%	-0.1%
Prepaid	157	142	138	-12%	-2.6%
Blended	237	225	223	-5.9%	-0.6%
MOU (minute/sub/month)					
Postpaid	189	174	177	-6.7%	1.6%
Prepaid	78	68	67	-14%	-0.6%
Blended	104	95	95	-8.4%	1.0%
VOU (GB/data sub/month)					
Postpaid	19.8	25.7	26.2	1.9%	32%
Prepaid	16.1	17.3	20.9	21%	30%
Blended	17.2	19.7	22.6	15%	32%
Device Penetration					
4G-handset penetration	76%	80%	81%	-	-
Fixed Broadband Business					
FBB subscribers	1,255,500	1,535,900	1,668,900	33%	8.7%
FBB net addition	52,900	104,000	133,000	151%	28%
FBB ARPU (Baht/user/month)	484	458	455	-5.9%	-0.5%

9M21 Snapshot

For 9M21, AIS's **total revenue** improved 3.3% YoY driven by significant increase in device sales due to the low baseline from lockdown last year. **Core service revenue** was Bt97,575mn, flat YoY, and reflected prolonged economic impact due to weak consumer spending. Aggressive competition and low customer purchasing power affected mobile revenue (Bt87,653mn) to drop -1.6% YoY. However, fixed broadband revenue (Bt6,146mn) surged 20% YoY driven by expanded subscription base from demand for working and studying from home. Enterprise non-mobile remained solid and grew 16%YoY in revenue from Cloud, Data center and ICT solution as corporates attempt to digitize their operations.

With AIS's investment in 5G to strengthen leading position, cost of service increased 4.1% YoY. However, overall SG&A expenses were optimized during prolonged pandemics, dropping by -13% YoY to Bt15,880mn. Marketing expenses were Bt4,310mn, decreasing -12% YoY with limited marketing activities. Admin & other expenses dropped -14% YoY to Bt11,570mn.

As a result, **EBITDA** in 9M21 increased by 2% YoY despite flat service revenue, compensate by well-cost control. D&A increased by 2.7% YoY from spectrum license of 700MHz and 2.6GHz acquired in 9M21. **Reported net profit** was Bt20,059mn, decreasing -1% YoY.

3Q21 Financial summary

In 3Q21, AIS recorded a **total revenue** of Bt42,377mn, increasing 1.6% YoY underpinned by robust growth in FBB and enterprise businesses, but decreasing -0.9% QoQ from a decrease on handset sales due to distribution channel lock down.

Core service revenue (excluding IC and TOT partnership) was Bt32,797mn, increased 2.1% YoY and 1.4% QoQ on the back of a continuing growth in both fixed broadband and enterprise revenue.

- **Mobile revenue** was Bt29,204mn, flat YoY and QoQ from soft consumer spending offset by our movement to retain market share and build-up 5G perception. The trend of customers moving from prepaid into postpaid subscription continued, reflected in Postpaid revenue grew 8.4% YoY and 2.7% QoQ, while prepaid revenue declined -9.7% YoY and -2.2% QoQ.
- **Fixed broadband revenue** was Bt2,189mn, increasing 23% YoY and 7.4% QoQ due to strong subscriber demand in working and studying from home, partially offset by continued low price offering to address weak consumption which lowered ARPU.
- **Other service revenue** was Bt1,403mn, increasing 22% YoY and 15% QoQ, composed mainly from enterprise business which was driven by growing demand for Cloud, Data center, and enterprise solution as well as the introduction of new services i.e., eFBB to expand into new markets.

Revenue from interconnection charge (IC) and TOT partnership reported at Bt3,407mn, decreasing -2.5%YoY from lower Interconnection charge revenue but increasing +3.6%QoQ due to higher network traffic.

SIM & Device sales reported Bt6,173mn, increasing 1.3%YoY while decreasing -13%QoQ as some parts of distribution channels were closed from nationwide restriction. SIM & Device margin was marginally negative at -0.5%, down from +2.7% in 2Q21 due to decline in high margin devices sale.

Cost & Expense

Cost of service in 3Q21 was Bt21,435mn, increasing 5.3% YoY and 2.0% QoQ which mainly from higher depreciation and other cost of service.

- **Regulatory fee** was Bt1,354mn, flat both YoY and QoQ, in-line with the revenue. Regulatory fee to core service revenue was 4.1% in 3Q21.
- **Depreciation & amortization** was Bt13,055mn, increasing 4.1% YoY and 0.7% QoQ. The YoY increase was attributed to acquisition of additional 700MHz and 26GHz spectrum this year.
- **Network OPEX & TOT partnership cost** was Bt4,649mn, increasing 2.2%YoY and 0.7%QoQ. Despite of continued 5G investment plan to strengthen leading position, network OPEX remained well-controlled.
- **Other costs of service** were Bt2,377mn, increasing +24% YoY and +14% QoQ mainly due to content acquisition cost i.e. Disney+ hotstar and Olympic program.

SG&A expenses were Bt5,240mn, decreasing -13%YoY mainly due to reduced admin expenses, but increasing 1.8% QoQ from higher marketing expenses.

- **Marketing expenses** were Bt1,430mn, decreasing -7.9%YoY due to cost optimized amid COVID restrictions but increasing 16% QoQ from low base in 2Q21 as well as more campaigns of new content and products in this quarter i.e. Disney+ hotstar, Olympics, and FBB 24-hr.
- **Admin & other expenses** were Bt3,810mn, decreasing -15% YoY due to lower bad debt provision and -2.5% QoQ.

Net FX loss was Bt-428mn in 3Q21, compared to FX loss of Bt-181mn in 3Q20 and -157 in 2Q21. The loss was incurred from THB depreciation against USD. In general, AIS has policy to mitigate currency risk using forward contract to partially cover capex payable

Finance cost was Bt1,414mn, decreasing -2.4% YoY and -3.2%QoQ due to decrease in interest-bearing debt and slightly drop in average interest rate.

Income tax was Bt1,399mn, increasing 15% YoY due to the ending of tax benefit recognized from 2016-2020 (Reference: Royal Decree No. 604 dated 18 April 2016) but decreasing 11% QoQ following an decline in profit before tax. The effective tax rate was at 18% compared to 15.7% in 3Q20 and 18.2% in 2Q21.

Profit

In 3Q21, EBITDA was Bt22,888mn increasing 3.6% YoY following increase in core service revenue and ongoing cost optimization while decreasing -0.5% QoQ due to higher cost of service from our 5G investment. Net profit was Bt6,374mn, decreasing -2.1% YoY mostly due to unrealized foreign exchange loss and increase in D&A and -9.5% QoQ from one-time income in 2Q21. Excluding foreign exchange effect and the one-time item (after tax), Normalized net profit increased 0.9%YoY but decreased -0.7% QoQ.

Financial position

For the period ending Sep-21, total asset was Bt356,521mn increasing 1.8% compared to ending Dec-20 mainly driven by an increase of 700MHz and 26GHz spectrum license in 9M21. Total liabilities of Bt281,678mn increasing 2.6% from new acquisition of spectrum. Interest bearing-debt at the end of Sep-21 stood at Bt93,066mn, decreasing compared to Bt99,600mn at ending Dec-20. Net debt to EBITDA was 0.9x. Total equity reported Bt74,843mn decreasing -1.1% from Dec-20 due to a decrease in retained earnings.

Cash flow

For 9M21, cash flow from operation (after tax) was Bt64,699mn increasing +9.2%YoY on the back of EBITDA expansion. The investment to expand 5G4G and fixed broadband was Bt18,051mn and we also paid for spectrum license fee to the NBTC totaling Bt16,384mn. As a result, free cash flow for 9M21 was Bt30,264mn (OCF less CAPEX and spectrum license). With strong free cash flow, AIS paid a dividend of Bt21,203mn, a net debt repayment of Bt4,941mn, and lease of Bt8,858mn. As a result, net cash declined by Bt7,085m, ending with Bt11,336mn in outstanding cash.

3Q21 MD&A

Advanced Info Service Plc.



Income statement (Bt mn)	3Q20	2Q21	3Q21	%YoY	%QoQ	9M20	9M21	%YoY
Mobile revenue	29,197	29,098	29,204	0.0%	0.4%	89,067	87,653	-1.6%
Fixed broadband revenues	1,785	2,038	2,189	23%	7.4%	5,108	6,146	20%
Other service revenues	1,148	1,217	1,403	22%	15.3%	3,329	3,776	13%
Core service revenue	32,130	32,353	32,797	2.1%	1.4%	97,504	97,575	0.1%
IC and TOT partnership	3,494	3,288	3,407	-2.5%	4%	10,223	10,446	2.2%
Service revenue	35,624	35,641	36,204	1.6%	1.6%	107,727	108,020	0.3%
SIM and device sales	6,091	7,116	6,173	1.3%	-13%	19,089	22,974	20%
Total revenues	41,715	42,757	42,377	1.6%	-0.9%	126,816	130,995	3.3%
Regulatory fee	1,355	1,347	1,354	-1.0%	0.5%	4,045	4,062	0.4%
Depreciation & Amortization	12,545	12,961	13,055	4.1%	0.7%	37,615	38,615	2.7%
Network OPEX and TOT partnership	4,551	4,615	4,649	2.2%	0.7%	13,487	14,320	6.2%
Other costs of services	1,913	2,088	2,377	24.%	14%	5,951	6,577	11%
Cost of service	20,364	21,012	21,435	5.3%	2.0%	61,097	63,574	4.1%
Cost of SIM and device sales	6,164	6,923	6,205	0.7%	-10%	18,954	22,756	20%
Total costs of service and sale	26,528	27,935	27,640	4.2%	-1.1%	80,052	86,330	7.8%
Gross profit	15,187	14,822	14,737	-3.0%	-0.6%	46,764	44,665	-4.5%
SG&A	6,006	5,145	5,240	-13%	1.8%	18,305	15,880	-13%
Marketing Expense	1,552	1,237	1,430	-7.9%	16%	4,914	4,310	-12%
Admin and others	4,454	3,908	3,810	-15%	-2.5%	13,391	11,570	-14%
Operating profit	9,181	9,676	9,496	3.4%	-1.9%	28,459	28,785	1.1%
Net foreign exchange gain (loss)	-181	-157	-428	137%	172%	-261	-808	209%
Other income (expense)	179	554	120	-33%	-78%	595	791	33%
Finance cost	1,449	1,460	1,414	-2.4%	-3.2%	4,559	4,260	-6.6%
Income tax	1,215	1,571	1,399	15%	-10.9%	3,961	4,447	12%
Non-controlling interest	-2	-0.4	-0.6	-73%	27%	-2	-2	-29%
Net profit for the period	6,513	7,041	6,374	-2.1%	-9.5%	20,270	20,059	-1.0%
EBITDA (Bt mn)	3Q20	2Q21	3Q21	%YoY	%QoQ	9M20	9M21	%YoY
Operating Profit	9,181	9,676	9,496	3.4%	-1.9%	28,459	28,785	1.2%
Depreciation & amortization	12,948	13,377	13,442	3.8%	0.5%	38,817	39,828	2.6%
(Gain) loss on disposals of PPE	9	-1	-7	-180%	n/m	25	-	n/m
Management benefit expense	-43	-38	-37	-13%	-0.4%	-123	-120	-2.7%
Other financial cost	-4	-8	-6	44%	-28%	-13	-19	44%
EBITDA	22,091	23,006	22,888	3.6%	-0.5%	67,164	68,475	2.0%
EBITDA margin (%)	53.0%	53.8%	54.0%			53.0%	52.3%	

3Q21 MD&A

Advanced Info Service Plc.



Financial Position				
(Bt mn-% to total asset)	4Q20		3Q21	
Cash	18,421	5.3%	11,336	3.2%
ST investment	1,921	0.5%	1,385	0.4%
Trade receivable	16,579	4.7%	15,103	4.2%
Inventories	2,372	0.7%	1,895	0.5%
Others	3,132	0.8%	4,044	1.1%
Current Assets	42,155	12%	33,762	9.5%
Spectrum license	110,219	31%	134,802	38%
Network and PPE	122,518	35%	116,704	33%
Right of use	58,723	17%	52,516	15%
Intangible asset	7,123	2.0%	9,435	2.6%
Defer tax asset	4,120	1.2%	4,033	1.1%
Others	5,312	1.5%	5,269	1.5%
Total Assets	350,171	100%	356,521	100%
Trade payable	22,382	6.4%	22,704	6.4%
ST loan & CP of LT loans	18,748	5.4%	15,095	4.2%
CP of lease liabilities	10,213	2.9%	10,429	2.9%
Accrued R/S expense	5,248	1.5%	3,361	0.9%
CP of spectrum payable	10,538	3.0%	13,958	3.9%
Others	26,684	7.6%	27,842	7.8%
Current Liabilities	93,813	27%	93,389	26%
Debenture & LT loans	79,301	23%	77,971	22%
LT lease liabilities	48,150	14%	42,418	12%
Spectrum payable	42,911	12%	61,029	17%
Other	10,306	2.9%	6,871	1.9%
Total Liabilities	274,481	78%	281,678	79%
Retained earnings	51,382	15%	50,239	14%
Others	24,307	6.9%	24,604	6.9%
Total Equity	75,689	22%	74,843	21%

Key Financial Ratio			
	3Q20	2Q21	3Q21
Interest-bearing debt to equity (times)	1.6	1.2	1.1
Net debt to equity (times)	1.3	1.0	1.0
Net debt to EBITDA (times)	1.0	0.8	0.9
Net debt & lease liability & spectrum license payable to EBITDA	2.3	2.3	2.3
Current Ratio (times)	0.4	0.5	0.4
Interest Coverage (times)	13.4	16	16
Debt Service Coverage Ratio (times)	2.2	4.8	4.2
Return on Equity	37%	36%	35%

Figures from P&L are annualized YTD.

Bt mn	Debt Repayment Schedule		License payment schedule			
	Debenture	Loan	1800MHz	900MHz	2600MHz	700MHz
4Q21	-	5,244	-	-	-	-
2022	-	14,142	-	7,565	-	3,473
2023	7,820	7,689	-	7,565	-	3,473
2024	6,638	6,805	-	7,565	-	3,473
2025	-	7,848	-	7,565	2,934	3,473
2026	8,180	5,599	-	-	2,934	3,473
2027	9,000	4,856	-	-	2,934	3,473
2028	2,500	3,819	-	-	2,934	3,473
2029	-	-	-	-	2,934	3,473
2030	-	-	-	-	2,934	3,473
2031	3,000	-	-	-	-	-

*The full payments for 26GHz spectrum licenses were made in 1Q21.

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

Source and use of fund: 9M21 (Bt mn)

Source of fund		Use of fund	
Operating cash flow	69,975	CAPEX & Fixed assets	18,051
Proceed from LT borrowings	8,600	Spectrum license	16,384
Interest received	122	Dividend paid	21,203
Sale of equipment	89	Lease liability payments	8,858
Dividend received	15	Repayment of ST & LT borrowings	13,541
		Income tax paid	5,275
		Finance cost paid	2,498
Cash decrease	7,080	Others	71
Total	85,881		85,881

2021 Guidance

Core service revenue	Flat to slightly decline
EBITDA	Flat
CAPEX (exclude spectrum)	Bt25-30bn

Core service revenue to be flat or slightly decline due to prolonged pandemic

Thailand has been experiencing the new wave of Covid-19 outbreak since April-2021 with sharp rise in number of new cases per day causing tighten restriction across the country while full vaccination remains low and vaccine supply posts another pressing factor. This raises the downside risk to the already weak economy, reflecting in fragile consumer spending and sentiment. Several research houses have subsequently revised down the GDP growth forecast below 1% with the view of prolonged impact toward year end. Toward the end of 3Q21, the government has gradually continued to uplift restrictions on mobility and economic activities and also plans for opening to international tourists in 4Q21. At the same time, the industry competition is anticipated to remain high with pricing strategy to address low affordability. Amid this uncertainty, AIS continue to focus on creating differentiation 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 continue under pressure:** Albeit weak consumer spending, 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, 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 base. AIS Fibre focuses on superior service quality and integrated bundling to increase average revenue per household (ARPH).
- **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 in particular the latest strategic partnership with Microsoft that will enhance our Cloud business capability.

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 amid 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, of revising down revenue projection, we expect EBITDA to be flat supported by the above-mentioned ongoing cost program.

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.

3Q21 MD&A Advanced Info Service Plc.



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.

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