

Executive Summary

Prolonged economic impact from Omicron outbreak and rising inflation in 1Q22

In 1Q22, Thailand's economic recovery was challenged as private consumption remained subdued amid concerns about the ongoing Omicron outbreak and rising inflation. The demand from the traveler segment also remained soft albeit slight increase in tourist arrivals. These have resulted in weak consumer spending, particularly on mobile services. However, remote working continued to provide decent demand for home broadband. Overall, AIS reported core service revenue of Bt32,770mn, improving 1.1% YoY mainly driven by strong growth of fixed broadband and non-mobile enterprise business. QoQ, core service revenue dropped by -1.9% mainly from lower mobile revenue.

Mobile revenue impacted by economy and price competition

Mobile revenue was Bt28,847mn, decreasing -1.7% YoY and -2.5% QoQ impacted by low spending amidst Omicron's spread and relatively high base of 1Q21 from government stimulus campaign boosting customer's spending. In addition, price competition has heightened, underpinned by the low fixed-speed unlimited plans which limit the ARPU growth. For 5G service, our 5G network continued to expand with >20k BTS and reached 78% of the population as we aim to deliver a superior customer experience. With our all-out effort to drive 5G adoption, a total number of 5G subscribers as of Mar-22 reached over 2.8mn or 6.3% of total subscribers. In addition, we continued to see an ARPU uplift of 5G subscribers of about 10-15%.

Market and Competitive Environment

Although Thailand has reopened and the lockdown restrictions have been lifted, the impact of the Omicron outbreak continues to put pressure on consumers' mobile spending. Unlike 1Q21, there were no government stimulus campaigns aimed at boosting consumer spending in this quarter. Mobile competition remained aggressive due to weak spending affecting mobile operators to maintain offering low-unlimited plans to keep their customer base. In addition, as mobile operators have attempted to increase their 5G adoption, there has been intense competition in certain areas for customer acquisition. However, the chipset shortage is a challenge to increasing affordable 5G-compatible models that enable 5G attraction.

The home broadband market continues to witness strong demand from remote working, while the entry price plan remained stable at around Bt400. In terms of competition, operators have emphasized quality service and value-added offering strategies such as guaranteeing service quality, superior service packages, and premium content to increase ARPU. Discounts on packages have been offered to new customers and those looking to switch service providers. This has resulted in a decrease in the industry's ARPU.

Growth in fixed broadband and enterprise revenue surged significantly

AIS Fibre continued its decent performance amidst a competitive environment with revenue of Bt2,437mn, increasing 27% YoY and 6.4% QoQ outperforming the industry average. Broadband subscribers rose to 1.87mn or a net addition of 93k as demand for home broadband remained strong, while APRU slightly rebounded QoQ to Bt446. AIS Fibre continues to focus on deploying a fixed-mobile-content (FMC) convergence strategy to acquire/retain quality customer segments to increase revenue per household. Non-mobile enterprise business also posted solid results with revenue of Bt1,241mn and growth of 30% YoY and 4.9% QoQ caused by higher demand for digital solutions e.g. Cloud and ICT solutions. In this quarter, non-mobile enterprise services contributed approximately 3.8% of core service revenue.

Soften EBITDA following revenue decline while maintaining FY22 guidance

AIS continued to enhance operating efficiency while expanding 5G/4G to strengthen our network leadership, reflected in a muted increase in both cost of service and SG&A. As a result of demand weakness, EBITDA in 1Q22 dropped -0.8% YoY and -2.3% QoQ to Bt22,404mn with a margin of 49.5%. Following declined EBITDA, AIS reported a net profit of Bt6,311mn, -5.0% YoY and -8.1% QoQ. Excluding unrealized FX loss, normalized NPAT was 6,345mn, -7.0% YoY due to higher spectrum amortization and -5.8% QoQ from lower core service revenue. The full-year guidance and outlook for 2022 were maintained.

1Q22 Operational summary

In 1Q22, total mobile subscribers continued to increase 1.1% QoQ and reached 44.6mn, representing a net addition of 507k subscribers. The prepaid segment continued its acquisition momentum with a net addition of 269K subscribers while the postpaid segment also expanded healthily, adding 238k underpinned by solid handset bundling and better churn management. As an impact of low spending amidst Omicron's spread and price competition, blended ARPU was pressured to drop by -3.5% QoQ to Bt216. At the end of 1Q22, 5G subscribers increased to 2.8mn accounting for 6.3% of the subscriber base.

AIS Fibre customers continued to surge to 1.87mn subscribers, strongly increasing 30% YoY due to robust demand from the continuation of the work-from-home trend, with a net increase of 93k subscribers in the quarter. Although price competition remained intense as operators continued to offer low-price plans and discounts for new acquisitions and to address weak consumption, ARPU slightly rebounded to Bt446 or +0.7% QoQ.

Mobile Business	1Q21	4Q21	1Q22	%YoY	%QoQ
Subscribers					
Postpaid	10,634,800	11,522,200	11,760,100	11%	2.1%
Prepaid	32,132,300	32,594,500	32,863,100	2.3%	0.8%
Total subscribers	42,767,100	44,116,700	44,623,200	4.3%	1.1%
Net additions					
Postpaid	442,400	245,900	237,900	-46%	-3.3%
Prepaid	887,900	212,900	268,600	-70%	26%
Total net additions	1,330,300	458,800	506,500	-62%	10%
ARPU (Baht/sub/month)					
Postpaid	480	473	460	-4.0%	-2.6%
Prepaid	150	136	129	-14%	-5.5%
Blended	232	224	216	-6.9%	-3.5%
MOU (minute/sub/month)*					
Postpaid	184	174	166	-4.4%	-10%
Prepaid	74	66	64	-3.6%	-14%
Blended	124	117	114	-2.8%	-8.2%
VOU (GB/data sub/month)					
Postpaid	22.6	27.1	27.9	23%	3.0%
Prepaid	16.3	23.5	25.8	58%	10%
Blended	18.2	24.9	26.6	46%	6.8%
5G subscription					
5G subscription	719,000	2,200,000	2,800,000	289%	27%
Fixed Broadband Business					
FBB subscribers	1,431,900	1,772,000	1,865,100	30%	5.3%
FBB net addition	95,000	103,100	93,100	-2.0%	-10%
FBB ARPU (Baht/user/month)	462	444	446	-3.4%	0.7%

*Note: there has been a change in the definition of MOU's calculation since 2021

1Q22 Financial summary

Revenue

In 1Q22, amid the continued Omicron, AIS generated **total revenue** of Bt45,279mn, decreasing -1.3% YoY mainly due to the economic pressure on mobile business. For QoQ, total revenue dropped -by 10% from the high season of iPhone sales in 4Q21.

Core service revenue (excluding IC and TOT partnership) was Bt32,770mn, improving by 1.1% YoY from strong growth in fixed broadband and enterprise business, but fell -1.9% QoQ mainly from mobile revenue.

- **Mobile revenue** was Bt28,847mn, declining -1.7% YoY and -2.5% QoQ following a downward trend in ARPU due to a prolonged pandemic and continued price competition, despite the subscriber growth.
- **Fixed broadband revenue** was Bt2,437mn, increasing 27% YoY and 6.4% QoQ driven by strong demand from remote working which supported subscriber growth, offsetting a decline YoY in ARPU from aggressive price offering in the market.
- **Enterprise non-mobile revenue & others** were Bt1,486mn, increasing 29% YoY driven by robust demand for Cloud service and ICT solutions, but decreasing -1.9% QoQ.

Revenue from interconnection charge (IC) and TOT partnership were Bt3,239mn, dropped -14% YoY and -4.0% QoQ following lower network traffic with TOT and change in IC rate effective from Jan-22.

Device & SIM card sales reported Bt9,270mn, decreasing -4.3% YoY and -32% QoQ. QoQ drop was mainly from high seasonal sales of the new iPhone13 in the previous quarter. However, the sales margin grew from +0.9% in 4Q21 to +1.4% in 1Q22 due to an increased sales mix of higher-margin handsets.

Cost & Expense

In 1Q22, the **cost of service** was Bt21,537mn, increasing 1.9% YoY from investment in network, spectrum, and content. However, it decreased -0.6% QoQ from lower D&A.

- **Regulatory fee** was Bt1,357mn, flat YoY aligned with core service revenue while increased 7.8% QoQ from the low base of 4Q21 which benefited from deductible expenses for USO payment. The regulatory fee as % of core service revenue was 4.1%, compared to 3.8% in 4Q21.

- **Depreciation & amortization** was Bt12,969mn, increasing 2.9% YoY due to additional 700MHz spectrum acquisition in Apr-21 and continued investment in 5G/4G network, but slightly declining -1.4% QoQ.
- **Network OPEX & TOT partnership cost** was Bt4,816mn, decreasing -4.7% YoY from lower network traffic with TOT while remaining flat QoQ.
- **Other costs of service** were Bt2,395mn, increasing 13% YoY mainly from new content such as Disney and Thai League while decreasing -1.9% QoQ following a decrease in interconnection charge.

SG&A expenses were Bt5,537mn, slightly increasing 0.8% YoY mainly from lower marketing campaigns offset by increased staff cost but decreasing -4.9% QoQ following a slowdown in marketing activities.

- **Marketing expenses** were Bt1,491mn, decreasing -9.2% YoY and -14% QoQ impacted by lower marketing campaigns and high-seasonal spending in 4Q21.
- **Admin & other expenses** were Bt4,046mn, increasing 5.1%YoY mainly from higher staff cost, whereas declined -1.2% QoQ due to some seasonal staff-related expenses.

Net FX loss was Bt-42mn in 1Q22, turned negative, compared to FX gain of Bt163mn in 4Q21 due to THB depreciation. AIS has the policy to mitigate the currency risk using hedge instruments where applicable.

Finance cost was Bt1,320mn, decreasing -4.8% YoY and -3.4% QoQ from lower interest-bearing debt. The average cost of borrowing remained stable at 2.6% per year.

Profit

In 1Q22, **EBITDA** was Bt22,404mn decreasing -0.8% YoY and -2.3% QoQ following revenue decline. **EBITDA margin** was 49.5%, compared to 49.2% in 1Q21. **The reported net profit** was Bt6,311mn, decreasing -5.0% YoY following higher spectrum amortization. QoQ, net profit dropped -by 8.1% from lower core service revenue and unrealized foreign exchange loss. Excluding foreign exchange impact, **normalized net profit** was Bt6,345mn, declining -7.0% YoY and -5.8% QoQ.

Financial position

Total asset as of ending quarter was flat at Bt355,783mn, compared to ending 2021. Current assets were Bt41,017mn, sharply increasing 15% from higher cash outstanding and handset inventories. Total non-current assets were Bt314,766mn decreasing -1.8% due to the amortization of spectrum licenses, PPE, and lower right-of-use assets.

Total liabilities amounted to Bt280,046mn, which rose 2.1% mainly from the Bt12,610mn dividend payable. Interest-bearing debt stood at Bt85,729mn, decreasing slightly -2.4%. Net debt to EBITDA (excluding lease liabilities and license payable) was 0.8x. Total equity was Bt75,737mn, decreasing -7.4% due to a decrease in retained earnings appropriated for the dividend.

Cashflow

In 1Q22, cash flow from operation (after tax) was Bt18,895mn, decreasing -9.0% YoY following decreased EBITDA, while total investing cash flow was Bt7,696mn for network investment and Bt1,758mn for spectrum license. As a result, free cash flow (OCF less CAPEX and spectrum license) for 1Q22 was Bt9,440mn. Cash flow used in financing activities was Bt5,800, mainly on lease liability paid of Bt3,122mn and repayment of borrowings of Bt2,106mn. In summary, net cash increased by Bt3,649mn, resulting in outstanding cash of Bt16,389mn at the end of Mar-22.

1Q22 MD&A

Advanced Info Service Plc.



Income statement (Bt mn)	1Q21	4Q21	1Q22	%YoY	%QoQ
Mobile revenue	29,351	29,591	28,847	-1.7%	-2.5%
Fixed broadband revenues	1,919	2,290	2,437	27%	6.4%
Other service revenues	1,155	1,515	1,486	29%	-1.9%
Core service revenue	32,425	33,397	32,770	1.1%	-1.9%
IC and TOT partnership	3,750	3,374	3,239	-14%	-4.0%
Service revenue	36,175	36,771	36,009	-0.5%	-2.1%
SIM and device sales	9,686	13,568	9,270	-4.3%	-32%
Total revenues	45,861	50,338	45,279	-1.3%	-10%
Regulatory fee	1,361	1,258	1,357	-0.3%	7.8%
Depreciation & Amortization	12,599	13,158	12,969	2.9%	-1.4%
Network OPEX and TOT partnership	5,055	4,808	4,816	-4.7%	0.2%
Other costs of services	2,111	2,440	2,395	13%	-1.9%
Cost of service	21,126	21,664	21,537	1.9%	-0.6%
Cost of SIM and device sales	9,628	13,459	9,141	-5.1%	-32%
Total costs of service and sale	30,755	35,123	30,678	-0.2%	-13%
Gross profit	15,106	15,215	14,601	-3.3%	-4.0%
SG&A	5,494	5,821	5,537	0.8%	-4.9%
Marketing Expense	1,642	1,725	1,491	-9.2%	-14%
Admin and others	3,852	4,096	4,046	5.1%	-1.2%
Operating profit	9,613	9,394	9,064	-5.7%	-3.5%
Net foreign exchange gain (loss)	-223	163	-42	-81%	-126%
Other income (expense)	117	196	153	31%	-22%
Finance cost	1,386	1,366	1,320	-4.8%	-3.4%
Income tax	1,477	1,522	1,543	4.5%	1.4%
Non-controlling interest	-0.6	-0.7	-0.7	11%	1.4%
Net profit for the period	6,644	6,863	6,311	-5.0%	-8.1%

EBITDA (Bt mn)	1Q21	4Q21	1Q22	%YoY	%QoQ
Operating Profit	9,613	9,394	9,064	-5.7%	-3.5%
Depreciation & amortization	13,009	13,546	13,369	2.8%	-1.3%
(Gain) loss on disposals of PPE	8	26	14	72%	-44%
Management benefit expense	-45	-26	-40	-9.2%	57%
Other financial costs	-5	-6	-4	-30%	-45%
EBITDA	22,580	22,934	22,404	-0.8%	-2.3%
EBITDA margin (%)	49.2%	45.6%	49.5%		

1Q22 MD&A

Advanced Info Service Plc.



Financial Position				
(Bt mn % to total asset)	4Q21		1Q22	
Cash	12,739	3.6%	16,389	4.6%
ST investment	1,392	0.4%	1,258	0.4%
Trade receivable	15,219	4.3%	15,149	4.3%
Inventories	2,104	0.6%	3,831	1.1%
Others	4,111	1.2%	4,391	1.2%
Current Assets	35,566	10%	41,017	12%
Spectrum license	131,775	37%	128,813	36%
Network and PPE	117,844	33%	115,800	33%
Right of use	50,574	14%	48,827	14%
Intangible asset	10,864	3.0%	11,588	3.3%
Defer tax asset	4,236	1.2%	4,246	1.2%
Others	5,363	1.5%	5,491	1.5%
Total Assets	356,222	100%	355,783	100%
Trade payable	26,745	7.5%	23,781	6.7%
ST loan & CP of LT loans	14,132	4.0%	13,152	3.7%
CP of lease liabilities	10,537	3.0%	10,857	3.1%
Accrued R/S expense	3,361	0.9%	3,361	0.9%
CP of spectrum payable	10,903	3.1%	10,893	3.1%
Others	26,190	7.4%	40,044	11%
Current Liabilities	91,868	26%	102,088	29%
Debenture & LT loans	73,697	21%	72,577	20%
LT lease liabilities	40,597	11%	38,699	11%
Spectrum payable	61,416	17%	60,122	17%
Other	6,819	1.9%	6,561	1.8%
Total Liabilities	274,397	77%	280,046	79%
Retained earnings	57,103	16%	50,804	14%
Others	24,722	6.9%	24,933	7.0%
Total Equity	81,825	23%	75,737	21%

Key Financial Ratio			
	1Q21	4Q21	1Q22
Interest-bearing debt to equity (times)	1.3	1.1	1.1
Net debt to equity (times)	1.0	0.9	0.9
Net debt to EBITDA (times)	0.8	0.8	0.8
Net debt & lease liability & Spectrum license payable to EBITDA	2.2	2.2	2.1
Current Ratio (times)	0.4	0.4	0.4
Interest Coverage (times)	16	16	16
Debt Service Coverage Ratio (times)	3.7	4.5	4.6
Return on Equity	36%	34%	32%

Figures from P&L are annualized YTD.

Bt mn	Debt Repayment Schedule		License payment schedule		
	Debenture	Loan	900MHz	2600MHz	700MHz
9M22	-	12,037	7,565	-	1,715
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	-	-	-	-

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

Source and use of fund: 1Q22 (Bt mn)				
	Source of fund		Use of fund	
Operating cash flow	19,382		CAPEX & Fixed assets	7,696
Sale of equipment		9	Spectrum license	1,758
Interest received		1	Lease liability payments	3,122
			Repayment of LT borrowings	2,106
			Income tax paid	487
			Finance cost paid	573
			Cash increase	3,649
Total	19,392			19,392

1Q22 MD&A

Advanced Info Service Plc.



2022 Guidance

Core service revenue	Mid-single digit growth
EBITDA	Low-single digit growth
CAPEX (exclude spectrum)	Bt30-35bn

Core service revenue is expected to grow mid-single digit

In 2022, the Thai economy is expected to be on a recovery path despite the uncertainty around the outbreak of a new COVID-19 strain, Omicron, in early Jan-21. With a substantially higher vaccination rate than in 2021, economic activity and domestic consumption are expected to gradually improve. AIS will focus on building the foundations to be a 'Cognitive Telco' that accelerates network intelligence and IT automation, enabling autonomous monitoring, maintenance, predictive data analytics, and artificial intelligence capabilities. With these, we emphasize driving growth in core service revenue across all business segments.

- **Mobile revenue is expected to rebound** - AIS strives to extend leadership in the mobile sector by capturing the 5G trend and gaining revenue market share, particularly in high-value segments through superior network and offerings. Despite heightened price competition, we place our focus on enhancing network quality, and customer engagement via customer value management using data analytics and effective retention programs.
- **Fixed broadband growth to outpace the industry's growth** - In 2022, FMC (Fixed-Mobile-Content Convergence) strategy will be more pronounced as we seek to increase ARPU per household (ARPH) by leveraging the mobile customer base and deeper household personalization. We are committed to being a significant player in 2022 with a target milestone of 2.2mn fiber customers this year. AIS Fiber will continue to lead the industry as a provider of superior service quality via a service guarantee amidst price competition.
- **Enterprise business continues to grow at double-digit:** Underpinned by the growing demand following digital transformation trends, we aim to grow our CCIID (Cloud, Cyber Security, IoT, ICT solutions and Data center) by double-digit growth through cooperation with strategic partnerships to boost our competitiveness and capability. We also focus on leveraging 5G enterprise service as differentiation in key areas i.e., manufacturing, property, and logistics.

EBITDA expands in low-single-digit growth

AIS will continue to digitally transform by bringing new technologies to deliver a distinctive customer experience and optimize the cost to serve. We have embarked on a multi-year journey of IT transformation to enhance our time-to-market and simplify internal operational processes, as well as implemented an autonomous network to improve both CAPEX and OPEX efficiency. As we aim to lead the 5G market, we will ensure an effective capital allocation to extend our leadership and capture growth segments. As a result, we expect EBITDA expansion at a low-single-digit rate.

Continued investing in growth opportunities

CAPEX is planned to be around Bt30-35bn as we aim to extend our network leadership to address more opportunities and provide a superior customer experience by leveraging our 5G best-in-class technology. The 5G network expansion is targeted to reach 85% population coverage and will be deployed on a comprehensive spectrum portfolio, including low and mid-band as well as millimeter-wave band spectrum, to deliver the best quality in selective areas with a high penetration of 5G devices. AIS emphasizes delivering the best 5G user experience in response to the accelerating demand for 5G services. In addition, we aim to expand AIS Fibre coverage to capture untapped demand as well as enhance our enterprise business and digital services. This year, we expect around Bt7bn investment in fixed broadband.

Dividend policy at minimum 70% of net profit

AIS is committed to driving long-term growth while delivering returns to shareholders. We place importance on maintaining strong financial health and flexibility to pursue future growth. Our dividend policy is to pay a minimum of 70% of net profit. By preserving cash flow, we ensure that we have the financial flexibility to lead, compete, and pursue growth prospects 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 and investment plan including any other future obligations of the Company and/or subsidiaries. Such dividends shall not adversely affect the Company and subsidiaries' ongoing operations.