2Q22 MD&A
Advanced Info Service Plc.

Executive Summary

Fading Covid-19 concerns drove 2Q22 economic recovery and AIS performance
2Q22 showed a continuous recovery in the Thai economy driven by the relaxation of controls and lower concerns on COVID-19 situation which brought in foreign tourists and increased business activities. Overall, AIS reported core service revenue of Bt33,293mn, improving 2.9% YoY and 1.6% QoQ, driven by strong growth in fixed broadband and non-mobile enterprise business together with a recovery of mobile business.

Mobile business improved from the re-opened economy amid continued intense competition
Mobile revenue reported Bt29,217mn, improving 0.4% YoY and 1.3% QoQ, mainly benefiting from the border reopening and 5G adoption. However, the growth in APRU continued to be affected by the ongoing intensity of market competition. For 5G service, our 5G network continued to expand with >23k BTS and reached 81% of the population as we aim to deliver a superior customer experience. Our effort to drive 5G adoption drove 5G subscribers to 3.9mn or 8.6% of total subscribers with the ARPU uplift of around 10-15%.

Broadband and Enterprise business remained a revenue growth engine through economic recovery
Broadband revenue maintained its growth momentum, with revenue of Bt2,487mn, increased 22% YoY and 2.0% QoQ. AIS strives to deliver excellent service and develop fixed-mobile-contents convergence (FMC) strategies to deliver a superior experience for our customers. The business sector recovered well in 2Q22 and benefited from the depreciation of Thai baht, especially in exports, tourism, and service sectors. Revenue from non-mobile enterprise business recorded Bt1,310mn, with strong growth of 38% YoY and 5.5% QoQ. AIS maintained the focus on supporting our customer growth and demand in cloud and IT solutions.

Soften EBITDA from higher marketing expense
EBITDA in 2Q22 dropped -2.8% YoY and -0.2% QoQ to Bt22,353mn with a margin of 49.4% due to an increase in new content and marketing expense corresponded with rising economic activity and our focus to drive 5G adoption. NPAT in 2Q22 was 6.3bn was flat QoQ but dropped -10% YoY from FX loss and high base of 2Q21 with one-time other income.

Revised guidance from rising economic concerns
Due to a rising concern on inflation, consumer spending, and continued intense competition, AIS revised FY22 guidance and outlook. Core-service revenue to low-single-digit growth (revised from mid-single-digit growth). EBITDA to flat to slightly decline (revised from low-single-digit growth). We revised CAPEX guidance to approx. 30bn focusing on optimization to manage network quality.

Market and Competitive Environment

Overall demand in 2Q22 recovered through an increase in foreign tourist arrivals, outbound tourists, and economic activity. However, the rising inflation was an emerging factor pressuring purchasing power for price-sensitive consumers to look for cheaper packages.

- Competition in the mobile market remained elevated with continued low-price unlimited data plans, especially in the prepaid segment i.e. 150-200 Baht for 4-15mbps unlimited data. There is also 5G offerings at a lower price range to accelerate 5G adoption toward the low-mid tier segment corresponding to wider 5G device availability.

- The home broadband market showed subsiding demand as the pandemic relaxation created less requirement to work or study from home. In terms of competition, many operators offered discounted packages to acquire and retain their customers driving the entry price plan to Bt299 from previously Bt399.

- The enterprise business has been a growing sector post COVID-19 and continued strong demand in CCIID (Cloud, Cyber Security, IoT, ICT solution, Data Center) from tourism, export, and service sectors, especially in the large enterprises. We continue to see the long-term trend of digital transformation driving the fundamental demand of enterprises to gradually transform their operation and business models using Cloud, ICT, and 5G solutions.

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2Q22 Operational Summary

In 2Q22, mobile subscriber addition was strong at 881K driven by traveler segment from the border re-opening as well as strong domestic acquisition from rising economic activity. AIS remained our focus on driving 5G adoption reaching 3.9mn subscribers with ARPU uplift of around 10-15%. However, ARPU continued under pressure from low-price unlimited data plans, particularly in the prepaid offerings i.e. 150-200 Baht for 4-15mbps unlimited data.

AIS Fibre customers continued surging and closed 2Q22 at 1.97mn subscribers, with a net increase of 106k subscribers 5.7% QoQ, and an increase of 28% YoY, despite subsiding demand to work from home. The increase was driven by a low-price entry package and expanding acquisitions in new areas. AIS Fibre continued to focus on service quality and fixed-mobile-content convergence (FMC) strategy to acquire new subscribers. However, the low-price offering to acquire new subscribers caused a downward trend in ARPU falling to Bt432 or -3.1% QoQ.

Mobile Business Subscribers	2Q21	1Q22	2Q22	%YoY	%QoQ
Postpaid	10,986,500	11,760,100	12,074,900	9.9%	2.7%
Prepaid	32,247,200	32,863,100	33,429,500	3.7%	1.7%
Total subscribers	**43,233,700**	**44,623,200**	**45,504,400**	**5.3%**	**2.0%**
Net additions					
Postpaid	351,700	237,900	314,800	-11%	32%
Prepaid	114,900	268,700	566,400	393%	111%
Total net additions	**466,600**	**506,600**	**881,200**	89%	74%
ARPU (Baht/sub/month)					
Postpaid	471	460	460	-2.3%	0%
Prepaid	142	129	127	-11%	-1.6%
Blended	**225**	**216**	**215**	-4.4%	-0.5%
MOU (minute/sub/month)					
Postpaid	181	166	164	-9.4%	-1.2%
Prepaid	68	64	63	-7.4%	-1.6%
Blended	**94**	**88**	**87**	**-7.4%**	**-1.1%**
VOU (GB/data sub/month)					
Postpaid	25.7	27.9	30.2	18%	8.2%
Prepaid	17.3	25.8	26.8	55%	3.9%
Blended	**19.7**	**26.6**	**28.0**	**42%**	**5.3%**
5G subscription					
5G subscription	1,055,000	2,800,000	3,900,000	370%	39%
Fixed Broadband Business					
FBB subscribers	1,535,900	1,865,100	1,971,400	28%	5.7%
FBB net addition	104,000	93,100	106,300	2%	14%
FBB ARPU (Baht/user/month)	458	446	432	-5.7%	-3.1%

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

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1H22 Snapshot

For 1H22, core service revenue was 66,063 million, an increase of 2.0% YoY, which corresponded with a gradual economic recovery. High competition and rising inflation put pressure on mobile revenue resulting in a -0.7% YoY drop, but with a lesser magnitude compared to a drop in 1H21 vs 1H20 of -2.2%. The broadband business continued to be a key engine of growth, growing the revenue by 24% YoY, through expanding acquisitions and campaigns to deliver a superior service standard within 24 hours. Enterprise and other service revenue, driven by digital transformation in the Thai business sector, especially for Cloud products and ICT solutions, increased 30% YoY.

The cost of services rose 2.4% YoY, mainly due to the increase in content costs in line with the business direction of serving new content to our customers. D&A costs showed a minor increase (0.8% YoY) mainly from the increase of amortization of the spectrum license and depreciation from 5G network rollout, partially offset by fully depreciated 3G assets. Economic recovery and our 5G strategy led AIS to launch more marketing activities and campaigns, resulting in increased marketing expenses during 1H22 by 16% YoY and pushing SG&A expenses to increase 5.5% YoY.

1H22 EBITDA declined -1.8% YoY as a result of an improvement in total revenue offset by an increase in SG&A. Net profit reported at Bt12,616mn, declined by -7.8% YoY driven mainly by lower EBITDA with an impact of high base 1H21 from one-time other income.

2Q22 Financial Summary

Revenue

In 2Q22, AIS generated **total revenue** of Bt45,273mn, increasing 5.9% YoY due to growth in broadband and enterprise business with a recovery in handset sales from a low base in 2021 amid pandemic restriction. For QoQ, total revenue was flat with a slight increase in core service revenue offset by lower device sales.

Core service revenue (excluding IC and NT partnership) recorded at Bt33,293mn, improving by 2.9% YoY and 1.6% QoQ mainly from strong growth in fixed broadband and enterprise business with a slight improvement in mobile revenue.

- **Mobile revenue** was at Bt29,217mn, increasing 0.4% YoY and 1.3% QoQ following the recovery of economic activities and increasing international roaming. However, ARPU declined inflation impacted mobile package selection towards lower from intense competition and rising price plans.
- **Fixed broadband revenue** was at Bt2,487mn, increasing 22% YoY and 2.0% QoQ driven by strong acquisitions in new areas and low-price offerings which affected ARPU to decline.
- **Enterprise non-mobile revenue & others** were at Bt1,588mn, improving 30% YoY and 6.9% QoQ driven by robust demand for Cloud service and ICT solutions.

Revenue from interconnection charge (IC) and NT partnership was at Bt3,193mn, dropped -2.9% YoY from lower IC rate and -1.4% QoQ following lower network traffic with NT.

SIM & Device sales reported Bt8,786mn, improving 23% YoY from the low base during 2Q21 amid pandemic restriction. The sales decreased -5.2% QoQ from 1Q22 seasonality sales of the new models of mobile phones. However, the sales margin dropped from 1.4% in 1Q22 to 0.2% in 2Q22 due to increased handset campaigns.

Cost & Expense

In 2Q22, the **cost of service** was Bt21,630mn, increasing 2.9% YoY and 0.4% QoQ mainly from the increase in content costs offset by lower D&A.

- **Regulatory fee** was Bt1,374mn, increased 2.0% YoY and 1.3% QoQ aligning with an increase in core service revenue. The regulatory fee was maintained at 4.1% of service revenue.
- **Depreciation & amortization** was Bt12,783mn, decreasing -1.4% YoY and -1.4% QoQ due to fully depreciating of some 3G equipment, while AIS continued investing to expand 5G network and coverage to drive 5G leadership.
- **Network OPEX & NT partnership cost** was at Bt4,825mn, increasing 4.5% YoY mainly due to the increased network utility cost following the rising electricity cost. It was flat at 0.2% QoQ.
- **Other costs of service** recorded at Bt2,648mn, increased 27% YoY from the new content acquired in 2H21 and cost of cloud service corresponding with higher cloud revenue and increased 11% QoQ from cost of cloud service.

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SG&A expenses were Bt5,690mn, increasing 11% YoY and 2.8% QoQ driven by marketing activities offset by lower administrative expenses.

- **Marketing expenses** were Bt1,840mn, increasing 49% YoY and 23% QoQ from rising marketing activities and campaigns to drive 5G and acquisition after re-opening economy as well as from low base marketing spend last year amid COVID-19 lockdown
- **Admin & other expenses** were Bt3,850mn, decreasing -1.5%YoY and -4.8% QoQ mainly from cost control. Bad debt provision was 2.7% of (postpaid & FBB) revenue, similar to previous quarter, and increased from the low-base 2.4% in 2Q21 amid lockdown.

Other income was Bt 247mn in 2Q22, decreasing -55% YoY from one-time item in 2Q21 and increasing 61% QoQ also from one-time revenue recognition from cash card.

Net FX loss was higher at Bt -335mn in 2Q22, compared to FX loss of Bt-42mn in 1Q22 due to THB depreciation. AIS has the policy to mitigate the currency risk using hedging instruments where applicable.

Finance cost was at Bt1,323mn, decreasing -9.4% YoY from lower interest-bearing debt, and was flat QoQ. The average cost of borrowing slightly increased from 2.5% to 2.7%.

Income Tax was at Bt1,467mn, decreasing -6.6% YoY and 4.9% QoQ, following the decline in profit before tax. The effective tax rate was 18.9% increasing from 18.2% in 2Q21 due to expiring tax benefits and declining from 19.6% in 1Q22 from general adjustment.

Profit

In 2Q22, **EBITDA** was at Bt22,353mn, decreasing -2.8% YoY following the increase of cost and marketing expense, however, EBITDA was flat QoQ. **EBITDA margin** was at 49%, compared to 54% in 2Q21, from a higher mix of handset sales revenue.

The reported net profit was at Bt6,305mn, was flat QoQ but dropped -10% YoY from FX loss and high base of 2Q21 with one-time other income.

Financial position

Total asset as of ending quarter was flat at Bt349,517mn, compared to ending of 2021. Current assets were at Bt36,381mn, increasing 2.3% mainly from higher handset inventories. Total non-current assets were at Bt313,136mn, decreasing -2.3% due to the amortization of spectrum licenses, PPE, and lower right-of-use assets.

Total liabilities amounted to Bt267,116mn, which declined -2.7% mainly from decrease of long-term lease liabilities and spectrum license payable. Interest-bearing debt stood at Bt87,190mn, decreasing slightly by -0.7%. Net debt including lease liabilities and license payable to EBITDA was at 2.2x. Total equity was at Bt82,402mn, increasing 0.7%.

Cash flow

In 1H22, cash flow from operation (after tax) reported at Bt36,203mn, decreasing -12% YoY following a decreased EBITDA. Net cash flow from investing was at Bt14,455mn for network investment and Bt3,474mn for spectrum license. As a result, free cash flow for 1H22 was at Bt18,274mn (OCF less CAPEX and spectrum license). In summary, net cash decreased by Bt2,591mn resulting in outstanding cash of Bt10,148mn at the end of Jun-22.

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Income statement (Bt mn)	2Q21	1Q22	2Q22	%YoY	%QoQ	1H21	1H22	%YoY
Mobile revenue	29,098	28,847	29,217	0.4%	1.3%	58,449	58,064	-0.7%
Fixed broadband revenues	2,038	2,437	2,487	22%	2.0%	3,957	4,925	24%
Other service revenues	1,217	1,486	1,588	30%	6.9%	2,372	3,075	30%
Core service revenue	**32,353**	**32,770**	**33,293**	**2.9%**	**1.6%**	**64,778**	**66,063**	**2.0%**
IC and NT partnership	3,288	3,239	3,193	-2.9%	-1.4%	7,039	6,432	-8.6%
Service revenue	**35,641**	**36,009**	**36,486**	**2.4%**	**1.3%**	**71,816**	**72,495**	**0.9%**
SIM and device sales	7,116	9,270	8,786	23%	-5.2%	16,802	18,057	7.5%
Total revenues	**42,757**	**45,279**	**45,273**	**5.9%**	**0%**	**88,618**	**90,552**	**2.2%**
Regulatory fee	1,347	1,357	1,374	2.0%	1.3%	2,708	2,731	0.8%
Depreciation & Amortization	12,961	12,969	12,783	-1.4%	-1.4%	25,560	25,752	0.8%
Network OPEX and NT partnership	4,615	4,816	4,825	4.5%	0.2%	9,671	9,642	-0.3%
Other costs of services	2,088	2,395	2,648	27%	11%	4,199	5,043	20%
Cost of service	**21,012**	**21,537**	**21,630**	**2.9%**	**0.4%**	**42,138**	**43,167**	**2.4%**
Cost of SIM and device sales	6,923	9,141	8,769	27%	-4.1%	16,552	17,910	8.2%
Total costs of service and sale	**27,935**	**30,678**	**30,399**	**8.8%**	**-0.9%**	**58,690**	**61,077**	**4.1%**
Gross profit	**14,822**	**14,601**	**14,874**	**0.4%**	**1.9%**	**29,928**	**29,475**	**-1.5%**
SG&A	**5,145**	**5,537**	**5,690**	**11%**	**2.8%**	**10,639**	**11,228**	**5.5%**
Marketing Expense	1,237	1,491	1,840	49%	23%	2,880	3,331	16%
Admin and others	3,908	4,046	3,850	-1.5%	-4.8%	7,759	7,896	1.8%
Operating profit	**9,676**	**9,064**	**9,184**	**-5.1%**	**1.3%**	**19,289**	**18,247**	**-5.4%**
Net foreign exchange gain (loss)	-157	-42	-335	113%	688%	-380	-377	-0.9%
Other income (expense)	554	153	247	-55%	61%	671	400	-40%
Finance cost	1,460	1,320	1,323	-9.4%	0.2%	2,846	2,643	-7.2%
Income tax	1,571	1,543	1,467	-6.6%	-4.9%	3,048	3,011	-1.2%
Non-controlling interest	-0.4	-0.7	-0.6	28%	-20%	-1	-1	18%
Net profit for the period	**7,041**	**6,311**	**6,305**	**-10.4%**	**-0.1%**	**13,685**	**12,616**	**-7.8%**

EBITDA (Bt mn)	2Q21	1Q22	2Q22	%YoY	%QoQ	1H21	1H22	%YoY
Operating Profit	9,676	9,064	9,184	-5.1%	1.3%	19,289	18,247	-5.4%
Depreciation & amortization	13,377	13,369	13,192	-1.4%	-1.3%	26,386	26,562	0.7%
(Gain) loss on disposals of PPE	-1	14	11	-1177%	-24%	7	25	243%
Management benefit expense	**-38**	**-40**	**-28**	**-26%**	**-31%**	**-82**	**-68**	**-17%**
Other financial cost	-8	-4	-6	-30%	58%	-13	-9	-30%
EBITDA	**23,006**	**22,404**	**22,353**	**-2.8%**	**-0.2%**	**45,587**	**44,757**	**-1.8%**
EBITDA margin (%)	**54%**	**49%**	**49%**	**-8.2%**	**-0.2%**	**51%**	**49%**	**-83%**

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Financial Position (Bt mn%to total asset)	4Q21		2Q22	
Cash	12,739	3.6%	10,148	2.9%
ST investment	1,392	0.4%	1,020	0.3%
Trade receivable	15,219	4.3%	16,083	4.6%
Inventories	2,104	0.6%	4,058	1.2%
Others	4,111	1.2%	5,071	1.5%
Current Assets	**35,566**	**10%**	**36,381**	**10%**
Spectrum license	131,775	37%	125,819	36%
Network and PPE	117,844	33%	116,087	33%
Right of use	50,574	14%	47,045	13%
Intangible asset	10,864	3.0%	14,532	4.2%
Defer tax asset	4,236	1.2%	4,094	1.2%
Others	5,363	1.5%	5,559	1.6%
Total Assets	**356,222**	**100.0%**	**349,517**	**100%**
Trade payable	26,745	7.5%	28,859	8.3%
ST loan & CP of LT loans	14,132	4.0%	20,300	5.8%
CP of lease liabilities	10,537	3.0%	11,330	3.2%
Accrued R/S expense	3,361	0.9%	3,361	1.0%
CP of spectrum payable	10,903	3.1%	10,966	3.1%
Others	26,190	7.4%	23,602	6.8%
Current Liabilities	**91,868**	**26%**	**98,419**	**28%**
Debenture & LT loans	73,697	21%	66,890	19%
LT lease liabilities	40,597	11%	36,724	11%
Spectrum payable	61,416	17%	58,781	17%
Other	6,819	1.9%	6,302	1.8%
Total Liabilities	**274,397**	**77%**	**267,116**	**76%**
Retained earnings	57,103	16%	57,109	16%
Others	24,722	6.9%	25,292	7.2%
Total Equity	**81,825**	**23%**	**82,402**	**24%**

Key Financial Ratio	2Q21	1Q22	2Q22
Interest-bearing debt to equity (times)	1.2	1.1	1.1
Net debt to equity (times)	1.0	0.9	0.9
Net debt to EBITDA (times)	0.8	0.8	0.9
Net debt & lease liability & spectrum license payable to EBITDA	2.3	2.1	2.2
Current Ratio (times)	0.5	0.4	0.4
Interest Coverage (times)	15.9	16.0	15.7
Debt Service Coverage Ratio (times)	4.9	4.6	3.2
Return on Equity	36%	32%	32%

Figures from P&L are annualized YTD.

	Debt Repayment Schedule		License payment schedule		
Bt mn	**Debenture**	**Loan**	**900MHz**	**2600MH**	**700MHz**
2H22	-	7,793	-	-	1,715
2023	7,820	7,689	7,565	-	3,473
2024	6,638	7,432	7,565	-	3,473
2025	-	9,102	7,565	2,934	3,473
2026	8,180	6,853	-	2,934	3,473
2027	9,000	6,110	-	2,934	3,473
2028	2,500	5,130	-	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: 1H22 (Bt.mn)

Source of fund		Use of fund	
Operating cash flow	39,459	CAPEX & Fixed assets	14,455
Sale of equipment	68	Spectrum license	3,474
Interest received	87	Income tax and Finance cost paid	4,934
Dividend received & Other	28	Net borrowings payment	650
		Lease liability payments	6,110
		Dividend paid	12,610
Cash decrease	2,591		
Total	**42,232**		**42,232**

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2022 Revised Guidance

Core service revenue	Low-single digit growth (*revised from mid-single digit growth)*
EBITDA	Flat to slightly decline (*revised from Low-single digit growth)*
CAPEX (exclude spectrum)	Approx. Bt30bn (revised from Bt30-35bn)

Core service revenue is expected to grow at low-single digit due to economic fluctuation.

Thai economy outlook for 2H22 expects to remain fragile despite a sign of recovery in 1H22 due to inflation and continuous hike in energy price globally from the impact of Russian invasion of Ukraine which magnified the slowdown in the global economy. Global recession is foreseen to be a key to slow down the growth in Thai economic recovery, private consumption, and purchasing powers particularly in low-mid income segment. The lower purchasing power might be the key pressure on industry ARPU. Consequently, AIS revises its core service revenue to a Low-Single Digit growth amidst the volatile environment. However, our focus remains unchanged in building our foundation of 'Cognitive Tech-Co' and strive to deliver superior service excellence for our customers in all segments.

- **Mobile revenue remains under pressure** – Heighten inflation risk is a key impact in raising cautious spending behavior and adversely influences low-mid income customers to turn to a cheaper package. AIS aims to lead with superior 5G user experience to capture high value segment to prevent the compete with price directly to uplift ARPU. We continue our focus on enhancing network quality, increase customer engagement, and delivering effective retention programs.
- **Fixed broadband maintains the growth momentum to outpace the industry growth** – Despite lower demands from less requirement to work from home, AIS will continue to increase penetration in new areas that are underserved and deliver superior service quality. We maintain our execution to deepening household penetration with Fix-Mobile-Content Convergence (FMC) strategy. Our aim is maintained to be a significant player with target milestone of 2.2mn fiber customer in 2022.
- **Enterprise business will continue delivering double digit growth** – It is our focus on strategic partnership and building collaborations for our customers to help them adapt with digital transformation trends and grow together with AIS.

EBITDA is expected in flat to slightly decline

AIS continues driving our revenue growth amidst the uncertainty in all business segments but faced challenges in the bottom line due to an impact from the increased cost. AIS takes efforts in executing cost optimization and efficiency improvement, but downside risk is inherited in the rising utilities costs and required spending to grow our business per plan in this challenging competitive environment. Cost of contents invested in 2H21 to build our value-added services will remain for the rest of the year. Higher marketing cost will be incurred from resumed business promotions and activities compared to a low base in 2021 due to several lockdowns. We launch campaigns to acquire and retain customers and will continue to do so in 2H22. As a result, EBITDA is revised to flat to slightly decline.

Continued investing in growth opportunities

CAPEX guidance was approximate at Bt30bn. AIS aim to maintain our 5G network leadership in Thailand, both in coverage and capacity, following the accelerating demand in traffic of 4G/5G data using which continuously increases and aims to provide a superior customer experience by leveraging our 5G best-in-class technology. The 5G network expansion 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.

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.