1Q23 MD&A
Advanced Info Service Plc.

Executive Summary

Growing core businesses amid the cautious recovery of the Thai economy

1Q23 illustrated a fragile economy with signs of global economic slowdown despite a continuous recovery in Thailand's tourism and the improvement in inflation that helped boost private consumptions and economic activities. In the face of these challenges, AIS's execution focusing on profitable revenue brought in a core service revenue of Bt33,351mn, growing 2.3% YoY. This growth was driven by the continued expansion of fixed broadband and enterprise businesses, and a rebound in the mobile business. The core service revenue declined -0.9% QoQ, mainly attributed to the seasonality of the business in the previous quarter.

Maintain core mobile revenue growth with network and service quality leadership, pricing discipline, and ecosystem economy

Mobile revenue recorded Bt29,258mn, with a 1.4% YoY improvement benefited from the gradual rebound of consumer purchasing power alongside the effort to restructure the pricing plans and the recovery of tourist-related usages in tourist sims and international roaming calls. This growth was also benefited from the increase in 5G subscribers which still gives a 10-15% uplift in ARPU. AIS continues to prioritize customer experience by enhancing network and service quality and adopting the Ecosystem Economy strategy which engage partnerships from various industries to increase the value of the products and services bundling matching various customers' needs and maintained its position as a market leader in delivering an excellent user experience.

Broadband and Enterprise businesses continued the growth momentum with distinctive products and industry collaboration

Fixed broadband business continued the growth momentum with revenue of Bt2,710mn, growing 11% YoY and 4.3% QoQ from a subscriber base growing above the industry average. AIS maintained superior service quality and continuously introduced new products with advanced technology to enhance customer experience which consequently attracted and retained better quality customers.

Non-Mobile enterprise business reported a revenue of Bt1,330mn, growing 7.1% YoY from unique proposition of vertical solutions in collaboration with partnerships and efforts to expand the digital ecosystem to support the digital operations of enterprise customers. The revenue softened -6.9% QoQ from the large project sales during 4Q22.

EBITDA rebounded YoY from growth in core businesses and cost optimization discipline

1Q23 recorded an EBITDA of Bt22,636mn, improved 1.0% YoY from core services revenue growth combined with cost optimization to soften the rising utility cost impact. However, EBITDA soften -1.1% QoQ due to the high seasonality effect of Q4 which created a decline in mobile service revenue in this quarter.

Following the EBITDA movement, AIS reported a net profit of Bt6,757mn, improved 7.1% YoY from better operating performance, lower finance cost, and a net FX gain. It declined -8.2% QoQ from lower foreign exchange gain.

Market and Competitive Environment

Thai economy exhibited signs of further recovery in 1Q23 due to the improvements of tourism and service sectors, coupled with increased consumer purchasing power from reduced inflation. Nonetheless, the global economy showed a sign of uncertainty and a risk of recession, causing the Thai population and business sectors to become more vigilant in spending and investment.

The mobile industry showed a positive sign driven by the overall economic improvement which benefited from the recovery in tourism-related activities. Furthermore, the competitive environment was improved led by the price restructuring in the market with a gradual reduction of unlimited data offering packages. Moreover, the operators are promoting the adoption of 5G through various 5G packages bundling with affordable 5G devices to increase ARPU.

The home broadband industry experienced steady growth with increased penetration in the suburban regions. Some operators continued to offer low-price packages which resulted in a reduction in the industry's overall ARPU. Despite this challenge, AIS opted to compete on the service quality to uplift the ARPU and enhance the user experience by introducing new products leveraging new technologies. As a result of these efforts, AIS was able to maintain a growth rate that outpaced the industry, both in subscribers and revenue.

The enterprise business continues its growth alongside the digital transformation needs to improve the quality and efficiency of their various work processes, including production, service, and safety. To meet these evolving needs, AIS has elevated its level of strategic collaboration with clients and partners to develop specific solutions tailored to meet each organization's specific requirements. Despite challenges from economic uncertainty, AIS exercises prudence to ensure the clients' digital transformations are conducted in an efficient and effective manner in line with their budget and development plans.

1Q23 Operational Summary

The total mobile subscribers increased by 108k or 0.2% QoQ and reached 46.1mn. Postpaid subscribers increased by 109k QoQ, while prepaid customers remained flat. The lower net add compared to the previous quarters was a result of AIS focusing on acquiring quality subscribers through selective acquisition efforts and executing price restructuring schemes ahead of the market to grow the profitable revenue. The ARPU dropped by -1.5% QoQ in 1Q23 from a peak season in the previous quarter. It declined -2.6% YoY as a result of price competition that remained earlier in the quarter before market pricing alignment in March. However, the YoY ARPU reduction was lower compared to the -4.6% YoY drop in 4Q22 from the previous year, indicating the easing competition in this period. The 5G users continued the growth momentum and reached 7.2mn subscribers.

AIS Fibre sustained the positive momentum by expansion of service coverage to suburban areas with superior service quality and connectivity, added 99k new subscribers and reached 2.3mn in total subscribers, increasing 22% YoY. Our efforts to enhance ARPU by providing additional value to AIS packages resulted in a stable ARPU QoQ at Bt407.

Mobile Business Subscribers	**1Q22**	**4Q22**	**1Q23**	**%YoY**	**%QoQ**
Postpaid	11,760,100	12,560,100	12,668,900	7.7%	0.9%
Prepaid	32,863,100	33,453,000	33,452,200	1.8%	—%
Total subscribers	**44,623,200**	**46,013,100**	**46,121,100**	3.4%	0.2%
Net additions					
Postpaid	237,900	189,100	108,800	-54%	-43%
Prepaid	268,700	162,300	(800)	-100%	-100%
Total net additions	**506,600**	**351,400**	**108,000**	-79%	-69%
ARPU (Baht/sub/month)					
Postpaid	460	455	449	-2.6%	-1.3%
Prepaid	129	123	120	-6.7%	-2.4%
Blended	**216**	**213**	**210**	-2.6%	-1.5%
MOU (minute/sub/month)					
Postpaid	166	153	150	-9.6%	-2.0%
Prepaid	64	58	58	-9.4%	—%
Blended	**88**	**82**	**81**	-8.0%	-1.2%
VOU (GB/data sub/month)					
Postpaid	27.9	33.8	34.0	22%	0.6%
Prepaid	25.8	30.2	30.9	20%	2.3%
Blended	**26.6**	**31.5**	**32.0**	20%	1.6%
5G subscription					
5G subscription	2,800,000	6,830,000	7,173,000	155%	5.0%
Fixed Broadband Business					
FBB subscribers	1,865,100	2,169,200	2,268,200	22%	4.6%
FBB net addition	93,100	83,300	99,000	6.3%	19%
FBB ARPU (Baht/user/month)	446	407	407	-8.9%	—%

1Q23 Financial Summary

Revenue

In 1Q23, AIS recorded a total revenue of Bt46,712mn, improving 3.2% YoY due to the improvement in core service revenue and an increase in handset sales, supported by the economic recovery compared to 1Q22, which was still under the COVID-19 impact.

Core service revenue (excluding IC and NT partnership) recorded at Bt33,531mn, improving 2.3% YoY from maintained growth in both fixed-broadband and non-mobile enterprise business while mobile revenue recovery benefited from tourist-related usage and efforts to uplift ARPU under a better competitive environment. The revenue declined -0.9% QoQ due to the seasonality effect on mobile revenue and lower cloud sales in enterprise business.

- **Mobile revenue** reported at Bt29,258mn, a 1.4% YoY improvement mainly due to an increase in the subscriber base and a rebound in tourist-related usages. AIS focused on quality customer acquisition with 5G packages while enhancing customer experience and providing various benefits in collaboration with strategic partners. However, the revenue declined -0.9% QoQ due to seasonal effects.

- **Fixed broadband revenue** was at Bt2,710mn, increasing 11% YoY and 4.3% QoQ despite a highly competitive environment. AIS focused on expansion of service areas into outer regions while introducing quality product features and adopting new technologies to serve customers' need.

- **Enterprise non-mobile revenue & others** were at Bt1,564 improved of 5.2% YoY due to the increasing demand for Cloud services and ICT solutions in line with the digitization trend. However, it declined by -9.0% QoQ as a result of large projects closed in 4Q22.

Revenue from interconnection charge (IC) and NT partnership was at Bt3,255mn with a slight increase YoY by 0.5% and declined by -3.5% QoQ in line with traffic usage from NT and IC revenue.

SIM & Device sales reported at Bt9,926mn, growing 7.1%YoY from a higher device sale due to economic recovery boosted by government campaign early in the quarter compared to previous year which was still in the COVID-19 environment. Nonetheless, the sales declined -14% QoQ following the seasonality of iPhone14 sales period in Q4. The sales margin increased to 1.8% due to a higher mix of high-margin handsets.

Cost & Expense

In 1Q23, the **cost of service** was Bt21,950mn, increasing 1.9% YoY from higher network OPEX which following higher electricity cost. However, it decreased -0.4% QoQ mainly from lower cost of cloud for sales in line with lower cloud revenue in 1Q23.

- **Regulatory fee** was Bt1,394mn, increased 2.7% YoY aligned with core service revenue growth while staying flat QoQ. The regulatory fee as % of core service revenue was at 4.2%, compared to 4.1% in 4Q22.

- **Depreciation & amortization** was Bt12,789mn, declining -1.4% YoY due to fully depreciated 3G network equipment, however, it slightly increased 0.5% QoQ. from our continued investments of 5G network rollout.

- **Network OPEX & NT partnership cost** was at Bt5,281mn, increasing 9.7% YoY due to the increased utility cost following the rising energy price. It remained flat QoQ due to network cost optimization.

- **Other costs of service** was at Bt2,487mn, increasing 3.9% YoY from higher international call cost in line with revenue while decreasing -6.3% QoQ following a decrease in cost of cloud sales.

SG&A expenses recorded Bt5,570mn, increased 0.6% YoY from well-contained marketing and administrative expenses. It increased 1.4% QoQ from the marketing optimization effort together with last quarter's high season, offset by a normalized administrative cost.

- **Marketing expenses** at Bt1,482mn, decreased -0.6% YoY and -21% QoQ from cost optimization effort and high base in the previous quarter which was a high season.

- **Admin & other expenses** at Bt4,087mn, increased 1.0%YoY mainly from higher staff-related expenses partially offset by cost control. It increased 13% QoQ from a one-time reversal item which was recorded in 4Q22. Bad debt provision as % of postpaid and FBB revenue declined from 2.6% to 2.4% following the economic recovery.

1Q23 Financial Summary

Net FX gain at Bt 62mn in 1Q23, lower than FX gain of Bt 572mn in 4Q22 which THB turned to appreciated position. AIS has the policy to mitigate the currency risk using hedging instruments where applicable.

Other income was at Bt102mn, increased from 4Q22 by recognition of cash card expiry but decreased YoY from one-time item recorded in 1Q22.

Finance cost was at Bt1,250mn, decreased -5.3%YoY from lower spectrum licenses and Right-of-use assets, while -3.4% QoQ from lower interest-bearing debt. The average cost of borrowing slightly increased from 2.8% in 2022 to 2.9% affected by rising interest rates.

Income Tax was at Bt1,597mn, increased 3.5%YoY while decreased -8.6% QoQ aligned with profit before financial cost. The effective tax rate was 19.1%.

Profit

EBITDA in 1Q23 was at Bt22,636mn, increasing 1.0% YoY from improvement of core service business and efforts to control cost amid rising utilities and other costs environment. However, EBITDA declined -1.1% QoQ from seasonal factors on revenue side.

EBITDA margin was at 48.5%, declining from 49.5% in the previous year mainly from higher cost of service which surged following higher energy price. It improved from 47% in 4Q22 due to lower handset sales.

The reported net profit was at Bt6,757mn, showing 7.1% improvement YoY following the improvement in EBITDA, lower finance cost, and a net FX gain. QoQ showed a decline of -8.2% from lower EBITDA and lower FX gain.

Financial position

For the period ending Mar 2023, the total assets reduced -2.0% to Bt330,434mn compared to the end of 2022 mainly from amortization of operating assets. Current assets were at Bt37,462mn, increased 9.1% from higher cash. Total non-current assets were at Bt292,972mn, decreased -3.2% due to the amortization of network PPE, spectrum license and right-of-use assets.

Total liabilities closed at Bt250,467mn, declining -0.3% from the end of 2022. Interest-bearing debt stood at Bt80,790mn, decreased by -4.3% following the debt repayment. Net debt to EBITDA (excluding lease liabilities and license payable) remained healthy at 0.7x. Total equity was at Bt79,967mn, which decreased -6.8% due to a decrease in retained earnings appropriated for the dividend.

Cash flow

In 1Q23, cash flow from operation (after tax) reported at Bt20,318mn, increased 7.5% compared to 1Q22 following an improvement in EBITDA. Cash outflow for network investment was at Bt7,684mn and at Bt1,758mn for spectrum license. As a result, free cash flow for 1Q23 was at Bt7,667mn (OCF less CAPEX, spectrum license and lease liabilities paid). In total, net cash increased by Bt3,474mn resulting in outstanding cash of Bt12,488mn at the end of Mar-23.

Income statement (Bt mn)	1Q22	4Q22	1Q23	%YoY	%QoQ
Mobile revenue	28,847	29,524	29,258	1.4%	-0.9%
Fixed broadband revenues	2,437	2,598	2,710	11%	4.3%
Other service revenues	1,486	1,718	1,564	5.2%	-9.0%
Core service revenue	**32,770**	**33,840**	**33,531**	**2.3%**	**-0.9%**
IC and NT partnership	3,239	3,373	3,255	0.5%	-3.5%
Service revenue	**36,009**	**37,213**	**36,786**	**2.2%**	**-1.1%**
SIM and device sales	9,270	11,485	9,926	7.1%	-14%
Total revenues	**45,279**	**48,699**	**46,712**	**3.2%**	**-4.1%**
Regulatory fee	1,357	1,392	1,394	2.7%	0.1%
Depreciation & Amortization	12,969	12,722	12,789	-1.4%	0.5%
Network OPEX and NT partnership	4,816	5,277	5,281	9.7%	0.1%
Other costs of services	2,395	2,655	2,487	3.9%	-6.3%
Cost of service	**21,537**	**22,046**	**21,950**	**1.9%**	**-0.4%**
Cost of SIM and device sales	9,141	11,353	9,752	6.7%	-14%
Total costs of service and sale	**30,678**	**33,399**	**31,702**	**3.3%**	**-5.1%**
Gross profit	**14,601**	**15,300**	**15,010**	**2.8%**	**-1.9%**
SG&A	**5,537**	**5,492**	**5,570**	**0.6%**	**1.4%**
Marketing Expense	1,491	1,874	1,482	-0.6%	-21%
Admin and others	4,046	3,619	4,087	1.0%	13%
Operating profit	**9,064**	**9,807**	**9,441**	**4.2%**	**-3.7%**
Net foreign exchange gain (loss)	-42	572	62	-247%	-89%
Other income (expense)	153	26	102	-34%	284%
Finance cost	1,320	1,294	1,250	-5.3%	-3.4%
Income tax	1,543	1,747	1,597	3.5%	-8.6%
Non-controlling interest	-0.7	-0.7	-0.7	3.1%	4.6%
Net profit for the period	**6,311**	**7,363**	**6,757**	**7.1%**	**-8.2%**

EBITDA (Bt mn)	1Q22	4Q22	1Q23	%YoY	%QoQ
Operating Profit	9,064	9,807	9,441	4.2%	-3.7%
Depreciation & amortization	13,369	13,118	13,155	-1.6%	0.3%
(Gain) loss on disposals of PPE	14	-8	76	428%	-1,020%
Management benefit expense	-40	-29	-31	-23%	7.4%
Other financial cost	-4	-5	-4	5.9%	-17%
EBITDA	**22,404**	**22,884**	**22,636**	**1.0%**	**-1.1%**
EBITDA margin (%)	**49.5%**	**47.0%**	**48.5%**	**-102bps**	**147bps**

1Q23 MD&A
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Financial Position (Bt mn%to total asset)	4Q22		1Q23	
Cash	9,014	2.7 %	12,488	3.8 %
ST investment	982	0.3 %	889	0.3 %
Trade receivable	16,414	4.9 %	16,467	5.0 %
Inventories	3,839	1.1 %	3,992	1.2 %
Others	4,088	1.2 %	3,626	1.1 %
Current Assets	**34,338**	**10 %**	**37,462**	**11 %**
Spectrum license	119,765	36 %	116,804	35 %
Network and PPE	113,252	34 %	107,854	33 %
Right of use	42,861	13 %	41,327	13 %
Intangible asset	16,827	5.0 %	16,910	5.1 %
Defer tax asset	4,597	1.4 %	4,674	1.4 %
Others	5,404	1.6 %	5,403	1.6 %
Total Assets	**337,044**	**100 %**	**330,434**	**100 %**
Trade payable	24,215	7.2 %	16,782	5.1 %
ST loan & CP of LT loans	20,496	6.1 %	17,307	5.2 %
CP of lease liabilities	11,135	3.3 %	11,411	3.5 %
Accrued R/S expense	3,361	1.0 %	3,361	1.0 %
CP of spectrum payable	10,903	3.2 %	10,928	3.3 %
Others	26,231	7.8 %	39,536	12 %
Current Liabilities	**96,341**	**29 %**	**99,326**	**30 %**
Debenture & LT loans	63,914	19 %	63,483	19 %
LT lease liabilities	32,871	10 %	31,074	9 %
Spectrum payable	52,085	15 %	50,693	15 %
Other	6,015	1.8 %	5,891	1.8 %
Total Liabilities	**251,227**	**75 %**	**250,467**	**76 %**
Retained earnings	60,675	18 %	54,822	17 %
Others	25,141	7.5 %	25,145	7.6 %
Total Equity	**85,816**	**25 %**	**79,967**	**24 %**

Key Financial Ratio	1Q22	4Q22	1Q23
Interest-bearing debt to equity (times)*	1.1	1.0	1.0
Net debt to equity (times)*	0.9	0.9	0.8
Net debt to EBITDA (times)*	0.8	0.8	0.7
Net debt & lease liability & spectrum license payable to EBITDA	2.1	2.0	1.9
Current Ratio (times)	0.4	0.4	0.4
Interest Coverage (times)	16.0	15.9	15.8
Debt Service Coverage Ratio (times)	4.6	3.1	3.7
Return on Equity	32%	31%	33%

Figures from P&L are annualized YTD.
*Exclude Lease liability

Debt Repayment Schedule			License payment schedule		
Bt mn	Debenture	Loan	900MHz	2600MH	700MHz
9M23	7,820	9,064	7,565		
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: 3M23 (Bt.mn)			
Source of fund		**Use of fund**	
Operating cash flow	20,831	CAPEX & Fixed assets	7,684
Sale of equipment	76	Spectrum license	1,758
Interest received	1	Lease liability payments	3,208
		Income tax and Finance cost paid	1,121
		Net borrowings payment	3,625
		Investments in JV & Other	37
		Cash increase	3,474
Total	**20,908**		**20,908**

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2023 Guidance
(excluding 3BB impact)

Core service revenue	Around 3 – 5 %
EBITDA	Mid-single digit growth
CAPEX (exclude spectrum)	Bt27–30bn (depending on Foreign Exchange Rate)

Core service revenue to grow cautiously amid risks and uncertainties at 3 – 5%

In 2023, the macroeconomic outlook remains fragile with the recession risk creating uncertainties in several regions. At the same time, the geopolitical risk continues catalyzing global supply chain disruption and affects industrial supplies in manufacturing activities. Nonetheless, Thailand's recovery has gained a firmer ground with tourism-related sectors benefiting from China re-opening its border faster than expected since the beginning of 2023, and a lower inflation rate that encourages higher private consumption. AIS sets our aspiration to transform from a Digital Life Service Provider towards a Cognitive Tech-Co with our 3 key foundations in Autonomous Network, IT Intelligence, and Data Analytics to drive growth across our core business areas.

- **Mobile revenue to grow despite a challenging competitive landscape** – AIS continues to focus on a profitable market share by delivering superior 5G experiences of network quality and coverage. We will place our efforts on creating value-based differentiation through the privilege ecosystem powered by partnership collaborations to better engage our customers with personalized and real-time offerings.
- **Fixed broadband to leap forward with quality and coverage** – FMC (Fixed-Mobile-Content Convergence) strategy will be deployed targeting mid-to-high-end customer segments bringing differentiated quality and services of home solutions expanding into the new under-served areas. It is our dedication to become a key player with double-digit growth and building our organic portfolio towards 2.5mn customers this year.
- **Enterprise business to thrive with continued digitization trend** – Our key strengths in the partnership ecosystem coupled with our leading 5G and smart solutions will help us grow together with our customers' digital transformation. AIS aims to grow CCIID (Cloud, Cyber security, IoT, ICT Solutions, and Data Center) products with our flagship 5GNextGen Platform and CloudX to serve data sovereignty targeting 4 sectors; manufacturing, retail, property, and transportation & logistics.

EBITDA with mid-single digit growth from our focus on profitability

The foundation of Cognitive Tech-Co is in adopting technology to optimize process and cost-to-serve and achieve sustainable growth in profitability amid the challenging cost environment. AIS will continue the journey to enhance the autonomous network and improve IT processes & systems to unlock higher efficiency and productivity of our operations to ensure distinctive customer experiences. Capital allocation will be executed with caution to ensure we streamline ourselves, improve CAPEX and OPEX efficiency, and deliver maximum value to our customers and stakeholders. As a result, EBITDA expects to grow at a mid-single digit rate.

Continued investing in growth opportunities with optimization discipline

CAPEX is planned to be around Bt27-30bn depending on the foreign exchange rate. AIS aims to sustain our network leadership with optimal CAPEX expenditure while delivering a superior customer experience. AIS emphasizes the importance of delivering the best-in-class network quality alongside the growing demand for traffic capacity and coverage. To optimize our investment, we plan on reducing low-value traffic and shifting traffic towards 5G network, and at the same time, ensure we deploy our network efficiently across our spectrum portfolio. In addition, we also target our AIS Fibre expansion into the new untapped areas as well as putting resources to grow our enterprise business and digital services with high growth potential.

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.