

Executive Summary

Core businesses growth from profitability focus amid economic uncertainties

In 2Q23 Thai economy demonstrated cautious growth driven by tourism-related sector expansion and subsided inflation, while facing political uncertainties and global economic risks. AIS core service revenue reported at Bt33,903mn, growing 1.8% YoY and 1.1% QoQ from a recovery in mobile and broadband businesses executed with the focus on profitability through quality and value offerings backed by superior network quality, product bundling, and service excellence. AIS also continues its focus on enterprise customer segments that provide solid margins to grow enterprise non-mobile revenue.

Positive momentum in Mobile from quality acquisition with cross-sell & upsell

Mobile revenue recorded Bt29,495mn, with a 1.0% YoY and 0.8% QoQ from increasing tourist-related usages and results from a focus on acquiring quality customers through higher value packages as well as cross-sell upsell to uplift the ARPU. The company is also committed to bringing more value to customers with various partnership offerings in contents, products, and service privileges.

AIS focuses on strengthening network capacity and service quality to elevate customer experience amid an increasing trend of data consumption. 5G network now has 87% of nationwide coverage and 5G penetration continues to grow and maintains its 10-15% ARPU uplift.

Solid Broadband growth with quality while steering Enterprise towards high-margin products in targeted sectors

Fixed broadband revenue recorded at Bt2,857mn, a robust growth of 15% YoY and 5.4% QoQ as a result of expanded service coverage to suburban areas by offering better value packages to uplift ARPU. The superior quality and advanced technology also allowed AIS to attract and retain high-quality customers.

Non-Mobile enterprise business reported a revenue of Bt1,339mn, growing 2.2% YoY and 0.7% QoQ from industry-conservative spending amid political uncertainty. AIS also focused on high-margin services including EDS, CloudX, and tailored vertical solutions for targeted industries.

EBITDA accelerated QoQ from growth in core service revenue and effective cost control

2Q23 provided an EBITDA of Bt23,317mn, improved 4.3% YoY and 3.0% QoQ from core services revenue improvement combined with cost optimization especially in the marketing expenses.

AIS reported a net profit of Bt7,180mn, improved 14% YoY and 6.3% QoQ in line with better operating performance, and YoY benefited from a net FX gain.

Market and Competitive Environment

In 2Q23, Thailand's economy showed a further recovery from revived global tourism and hospitality-related sectors and a slightly improved private consumption as a reflection of tamed inflation. Nonetheless, the inherent risks remained in the global economy that hindered the demand for exports, the local political uncertainties, and the imbalanced economic recovery among grassroots consumers. Most Thai business sectors remained cautious in investment spending awaiting clarity on the political situation and ongoing geopolitical concerns that impact the global economy.

The mobile industry demonstrated signs of healthier growth from stabilized competition coupled with the trend of increased consumption and usage, especially from a recovery in tourism-related activities. The continuous efforts to promote 5G adoption by operators have enabled consumers to access higher-value products and services and consequently brought a positive impact on ARPU.

Fixed broadband maintained continuous growth in line with the expanded penetration rate which is estimated at 47.5%, together with the urbanization trend. Most operators continued deploying strategies to uplift the ARPU by offering more comprehensive services and providing wider ranges of innovative products and services matching the customers' multi-dimensional needs.

Enterprise business had the most direct impact from the global economic slowdown, especially in the lower demand from foreign trading partners affecting the export sector. The local political uncertainties that arose in this quarter further added pressure and caused delayed investment decisions in several industries. However, there continues to be a genuine demand for quality connectivity with improved technology such as EDS with SD-WAN and digitalization with 5G network. AIS is committed to expanding its expertise in EDS, Cloud-related products, and customized solutions in targeted industries aiming to grow together with the customers amidst economic uncertainties.

2Q23 MD&A

Advanced Info Service Plc.



2Q23 Operational Summary

AIS places efforts on offering better-value packages to capture and retain quality customers amid a highly penetrated mobile market. It is our focus to grow the total revenue through the total values offered to the customers. Our effort to focus on quality acquisition generated lower new prepaid subscribers while postpaid grew marginally led by 5G packages. Nonetheless, the focus on quality and driving 5G acquisition together with a further recovery of domestic and international traveling brought in a 1.6% QoQ improvement in ARPU. 5G subscribers continued to grow to 7.8mn subscribers.

AIS Fibre showed a net add of 60,500 subscribers toward 2.33mn total subscribers in 2Q23. The growth benefited from the expansion of coverage to new suburban areas alongside the urbanization trend. The lower net add in this quarter is as expected with the focus on quality acquisition by providing packages that enhance value-added services and bundling packs to the customers. This resulted in an increase ARPU to 414 baht, an improvement of 1.8% QoQ.

Mobile Business	2Q22	1Q23	2Q23	%YoY	%QoQ
Subscribers					
Postpaid	12,074,900	12,668,900	12,673,200	5.0%	—%
Prepaid	33,429,500	33,452,200	32,643,000	-2.4%	-2.4%
Total subscribers	45,504,400	46,121,100	45,316,200	-0.4%	-1.7%
Net additions (Churns)					
Postpaid	314,800	108,700	4,300	-99%	-96%
Prepaid	566,300	(700)	(809,200)	NM%	NM%
Total net additions	881,100	108,000	(804,900)	NM%	NM%
ARPU (Baht/sub/month)					
Postpaid	460	449	448	-2.6%	-0.1%
Prepaid	127	120	123	-2.7%	2.7%
Blended	215	210	213	-0.7%	1.6%
MOU (minute/sub/month)					
Postpaid	164	150	146	-11%	-2.7%
Prepaid	63	58	56	-11%	-3.4%
Blended	87	81	78	-10%	-3.7%
VOU (GB/data sub/month)					
Postpaid	30.2	34.0	34.7	15%	2.1%
Prepaid	26.8	30.9	31.0	16%	0.3%
Blended	28.0	32.0	32.3	15%	0.9%
5G subscription					
5G subscription	3,900,000	7,173,000	7,770,000	99%	8.3%
Fixed Broadband Business					
FBB subscribers	1,971,400	2,268,200	2,328,700	18%	2.7%
FBB net addition	106,300	99,100	60,500	-43%	-39%
ARPU (Baht/user/month)	432	407	414	-4.1%	1.8%

2Q23 MD&A

Advanced Info Service Plc.



1H23 Snapshot

For 1H23, core service revenue reported at Bt67,434mn, an increase of 2.1% YoY corresponded with gradual economic recovery. The rebound of tourism-related usage and domestic consumption benefited mobile revenue with a 1.2% YoY growth. Fixed broadband maintained a healthy growth momentum of 13% YoY focusing on high quality subscriber acquisitions leading by superior services and better technology in new products. Enterprise and other service revenue showed 1.3% YoY growth focusing on high margin products and services.

The cost of services rose 2.6% YoY due to an increased network OPEX following a higher electricity price while the other costs were under optimization program. Depreciation & amortization cost showed a minor decrease (-0.7% YoY) mainly from fully depreciated 3G assets while new depreciation from 5G asset gradually increase after continuing expanding 5G network capacity. Overall SG&A showed a decline of -6.7% YoY with marketing expense dropping -20% YoY reflected from a tight cost control. Admin & others expenses declined -0.9% YoY from operational efficiency improvements.

1H23 EBITDA growth 2.7% YoY following the movement of core service revenue and well executed cost control in SG&A items partially offset by surging of electricity price YoY in network OPEX. Net profit reported at Bt13,937mn, growing 10% YoY driven by improved operating profit and a net exchange rate gain.

2Q23 Financial Summary

Revenue

In 2Q23, AIS recorded a total revenue of Bt44,774mn, decreasing -1.1% YoY and -4.1% QoQ following a recovery in core service revenue offset by lower device sales due to seasonal factors.

Core service revenue (excluding IC and NT partnership) was at Bt33,903mn, improving 1.8% YoY and 1.1% QoQ from a growth momentum in broadband business and a positive recovery in the mobile business.

- **Mobile revenue** reported at Bt29,495mn, an improvement of 1.0% YoY and 0.8% QoQ from a recovery of tourism and ongoing efforts to offer better-value packages to customers. AIS continues to focus on the user experience and increase 5G subscribers which still gives an ARPU uplift around 10-15%.
- **Fixed broadband revenue** was at Bt2,857mn, increasing 15% YoY and 5.4% QoQ following content bundling strategy and upselling value packages which resulted in the ARPU recovery. AIS focused the growth on expanding its service to upcountry areas alongside offering quality products with advanced technologies that meet the needs of consumers.
- **Enterprise non-mobile revenue & others** was at Bt1,551mn, decreasing -2.4% YoY and -0.8% QoQ from other service revenue while enterprise business growing 2.2% YoY and 0.7% QoQ from focusing resources on deals and products that generate higher margins.

Revenue from interconnection charge (IC) and NT partnership recorded at Bt3,413mn increasing 6.9% YoY and 4.9% QoQ from an increased traffic usage with NT offset by lower IC revenue from a lower charge rate.

SIM & Device sales reported at Bt7,459mn, a decrease of -15% YoY and -25% QoQ, in line with seasonality of the quarter with no flagship devices releases coupled with a slow recovery of consumer purchasing power. Handset margins recorded at 1.2%, primarily due to a higher proportion of low-margin device sales.

Cost & Expense

In 2Q23, the **cost of service** was at Bt22,334mn, increasing 3.3% YoY due to higher network OPEX costs from utility price (FT rate) and expenses from NT's partnership. It increased minimally 1.7% QoQ as the cost of utility started to decrease offset by increased NT's partnership cost and maintenance costs.

- **Regulatory fee** was at Bt1,369mn, a decrease of -0.4% YoY and -1.8% QoQ. The regulatory fee as % of core service revenue was at 4.0%.
- **Depreciation & amortization** was Bt12,787mn, flat both YoY and QoQ from the fully depreciated 3G equipment offset with the new CAPEX investment on network capacity expansion.
- **Network OPEX & NT partnership cost** was at Bt5,594mn, increasing 16% YoY due to higher electricity price and roaming costs with NT. It increased 5.9% QoQ from rising roaming cost with NT and maintenance costs offset by the decreased electricity costs from a lower FT rate applied in May-23.
- **Other costs of service** was at Bt2,585mn, decreasing -2.4% YoY from lower cost of interconnection (IC) while increasing by 3.9% QoQ due to rising IDD cost that aligned with IDD revenue.

2Q23 Financial Summary

SG&A expenses recorded Bt4,910mn, decreased -14% YoY and -12% QoQ from ongoing efforts to control marketing and administrative expenditures.

- **Marketing expenses** was at Bt1,175mn, decreased -36% YoY from 2Q22 which had a high base of marketing expenses following the border re-openings after improved Covid-19 situation. It decreased -21% QoQ from cost control measures in advertising and campaigns.
- **Admin & other expenses** at Bt3,736mn, decreased -3.0% YoY due to a reduction in depreciation of right-of-use assets and decreased by -8.6% QoQ due to cost controls. The provision of bad debts, as a % of postpaid and broadband revenue remained stable at 2.4%.

Net FX gain at Bt 22mn in 2Q23, lower than FX gain of Bt 62mn in 1Q23. AIS has the policy to mitigate the currency risk using hedging instruments where applicable to lower FX impact.

Other income was at Bt56mn, decreased YoY and QoQ from recognition of cash card expiry item recorded in 2Q22 and 1Q23.

Finance cost was at Bt1,333mn, increased 0.8% YoY due to reduction expense related to spectrum licenses and Right-of-use assets, offset by the increment in interest on new debentures. It increased 6.6% QoQ from new bank loans and debentures. The average cost of borrowing increased from 2.9% in 1Q23 to 3.0% affected by increased interest rates trend and the new debentures.

Income Tax was at Bt1,723mn, increased 17% YoY and 7.9% QoQ in line with profit before financial cost. The effective tax rate was at 19.4%.

Profit

EBITDA in 2Q23 was at Bt23,317mn, increasing 4.3% YoY and 3.0% QoQ from better operating performance, an improvement of core service revenue and cost controls in marketing and administrative expenses.

EBITDA margin was at 52.1%, increasing from 49.4% in 2Q22 and 48.5% in 1Q23 mainly from lower SG&A and lower revenue proportion from devices sales.

The reported net profit was at Bt7,180mn, an improvement of 14% YoY and 6.3% QoQ following the improvement in operating profit.

Financial position

For the period ending June 2023, the total assets reduced -3.1% to Bt326,646mn compared to the end of 2022 mainly from amortization of spectrum license and right-of-use. While current assets were at Bt38,196mn, an increase of 11% due to an increase in cash and cash equivalents. Total non-current assets was Bt288,450mn, a decrease of -4.7% from the amortization of network assets, Spectrum License and right-of-use assets.

Total liabilities closed at Bt239,463mn, declining -4.7% from the end of 2022. Interest-bearing debt stood at Bt90,882mn, increased by 7.7% following the new bonds issuance. AIS net debt to EBITDA (excluding lease liabilities and license payable) remained healthy at 0.8x. Total equity was at Bt87,183mn, increased 1.6% from higher retained earnings.

Cash flow

In 1H23, cash flow from operation (after tax) reported at Bt37,904mn, increased by 4.7% compared to 1H22 following an improvement in EBITDA. Cash outflow for network investment was at Bt15,856mn and at Bt3,474mn for spectrum license. As a result, free cash flow for 1H23 was at Bt12,308mn (OCF less CAPEX, spectrum license and lease liabilities paid). In total, net cash increased by Bt4,571mn, resulting in outstanding cash of Bt13,584mn at the end of June-23.

2Q23 MD&A

Advanced Info Service Plc.



Income statement (Bt mn)	2Q22	1Q23	2Q23	%YoY	%QoQ	1H22	1H23	%YoY
Mobile revenue	29,217	29,258	29,495	1.0%	0.8%	58,064	58,753	1.2%
Fixed broadband revenues	2,487	2,710	2,857	15%	5.4%	4,925	5,566	13%
Other service revenues	1,588	1,564	1,551	-2.4%	-0.8%	3,075	3,115	1.3%
Core service revenue	33,293	33,531	33,903	1.8%	1.1%	66,063	67,434	2.1%
IC and NT partnership	3,193	3,255	3,413	6.9%	4.9%	6,432	6,668	3.7%
Service revenue	36,486	36,786	37,315	2.3%	1.4%	72,495	74,102	2.2%
SIM and device sales	8,786	9,926	7,459	-15%	-25%	18,057	17,385	-3.7%
Total revenues	45,273	46,712	44,774	-1.1%	-4.1%	90,552	91,487	1.0%
Regulatory fee	1,374	1,394	1,369	-0.4%	-1.8%	2,731	2,762	1.2%
Depreciation & Amortization	12,783	12,789	12,787	—%	—%	25,752	25,576	-0.7%
Network OPEX and NT partnership	4,825	5,281	5,594	16%	5.9%	9,642	10,875	13%
Other costs of services	2,648	2,487	2,585	-2.4%	3.9%	5,043	5,072	0.6%
Cost of service	21,630	21,950	22,334	3.3%	1.7%	43,167	44,285	2.6%
Cost of SIM and device sales	8,769	9,752	7,370	-16%	-24%	17,910	17,122	-4.4%
Total costs of service and sale	30,399	31,702	29,704	-2.3%	-6.3%	61,077	61,406	0.5%
Gross profit	14,874	15,010	15,070	1.3%	0.4%	29,475	30,080	2.1%
SG&A	5,690	5,570	4,910	-14%	-12%	11,228	10,480	-6.7%
Marketing Expense	1,840	1,482	1,175	-36%	-21%	3,331	2,657	-20%
Admin and others	3,850	4,087	3,736	-3.0%	-8.6%	7,896	7,823	-0.9%
Operating profit	9,184	9,441	10,159	11%	7.6%	18,247	19,600	7.4%
Net foreign exchange gain (loss)	-335	62	22	-107%	-64%	-377	85	-122%
Other income (expense)	247	102	56	-77%	-45%	400	157	-61%
Finance cost	1,323	1,250	1,333	0.8%	6.6%	2,643	2,583	-2.2%
Income tax	1,467	1,597	1,723	17%	7.9%	3,011	3,320	10%
Non-controlling interest	-0.6	-0.7	-1.3	131%	78%	-1.3	-2.0	60%
Net profit for the period	6,305	6,757	7,180	14%	6.3%	12,616	13,937	10%

EBITDA (Bt mn)	2Q22	1Q23	2Q23	%YoY	%QoQ	1H22	1H23	%YoY
Operating Profit	9,184	9,441	10,159	11%	7.6%	18,247	19,600	7.4%
Depreciation & amortization	13,192	13,155	13,136	-0.4%	-0.1%	26,562	26,291	-1.0%
(Gain) loss on disposals of PPE	11	76	61	459%	-20%	25	137	441%
Management benefit expense	-28	-31	-36	29%	16%	-68	-67	-1.5%
Other financial cost	-6	-4	-3	-40%	-10%	-9	-7	-22%
EBITDA	22,353	22,636	23,317	4.3%	3.0%	44,757	45,953	2.7%
EBITDA margin (%)	49.4%	48.5%	52.1%	270bps	362bps	49.4%	50.2%	80bps

2Q23 MD&A

Advanced Info Service Plc.



Financial Position (Bt mn%to total asset)	4Q22		2Q23	
Cash	9,014	2.7%	13,584	4.2%
ST investment	982	0.3%	848	0.3%
Trade receivable	16,414	4.9%	17,161	5.3%
Inventories	3,839	1.1%	2,948	0.9%
Others	4,088	1.2%	3,655	1.1%
Current Assets	34,338	10%	38,196	12%
Spectrum license	119,765	36%	113,810	35%
Network and PPE	113,252	34%	107,896	33%
Right of use	42,861	13%	39,025	12%
Intangible asset	16,827	5.0%	17,761	5.4%
Defer tax asset	4,597	1.4%	4,572	1.4%
Others	5,404	1.6%	5,386	1.6%
Total Assets	337,044	100%	326,646	100%
Trade payable	24,215	7.2%	16,503	5.1%
ST loan & CP of LT loans	20,496	6.1%	14,549	4.5%
CP of lease liabilities	11,135	3.3%	11,225	3.4%
Accrued R/S expense	3,361	1.0%	3,361	1.0%
CP of spectrum payable	10,903	3.2%	10,963	3.4%
Others	26,231	7.8%	22,184	6.8%
Current Liabilities	96,341	29%	78,784	24%
Debenture & LT loans	63,914	19%	76,332	23%
LT lease liabilities	32,871	9.8%	29,110	8.9%
Spectrum payable	52,085	15%	49,326	15%
Other	6,015	1.8%	5,910	1.8%
Total Liabilities	251,227	75%	239,463	73%
Retained earnings	60,675	18%	62,002	19%
Others	25,141	7.5%	25,181	7.7%
Total Equity	85,816	25%	87,183	27%

Key Financial Ratio	2Q22	1Q23	2Q23
Interest-bearing debt to equity (times)*	1.1	1.0	1.0
Net debt to equity (times)*	0.9	0.8	0.9
Net debt to EBITDA (times)*	0.8	0.7	0.8
Net debt & lease liability & spectrum license payable to EBITDA	2.2	1.9	1.9
Current Ratio (times)	0.4	0.4	0.5
Interest Coverage (times)	15.7	15.8	14.7
Debt Service Coverage Ratio (times)	3.2	3.7	4.3
Return on Equity	32%	33%	33%

Figures from P&L are annualized YTD.

*Exclude Lease liability

Debt Repayment Schedule			License payment schedule		
Bt mn	Debenture	Loan	900MHz	2600MH	700MHz
2H23		6,991	7,565		
2024	6,638	7,432	7,565		3,473
2025		9,102	7,565	2,934	3,473
2026	15,180	6,853		2,934	3,473
2027	9,000	6,110		2,934	3,473
2028	9,500	5,130		2,934	3,473
2029				2,934	3,473
2030	3,000			2,934	3,473
2031	3,000				
2032					
2033	3,000				

Credit Rating

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

Source and Use of Fund: 1H23 (Bt.mn)

Source of fund	Use of fund
Operating cash flow	41,578 CAPEX & Fixed assets
Net borrowings received	6,582 Dividend paid
Sale of equipment	79 Lease liability payments
Interest received	56 Income tax and Finance cost paid
Dividend received & Other	22 Spectrum license
	Investments in JV, Associate & Other
	194
	Cash increase
	4,571
Total	48,317
	48,317

2Q23 MD&A

Advanced Info Service Plc.



2023 Guidance - unchanged
(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 local political situation and 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 with profitability and value focus** – 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** – strategy to provide multi products and services 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 grow with continued digitization trend focusing on profitable products and targeted industries** – 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 EDS business, the vertical solutions with our flagship 5G Paragon Platform and CloudX to serve data sovereignty targeting 6 sectors; manufacturing, retail, property, transportation & logistics, Banking and Financial institute, and the Government sector.

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 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.