

1Q24 MD&A

Advanced Info Service Plc.

Executive Summary

Revenue base expansion from core business growth and acquisition of TTTBB

1Q24, Thai consumer confidence slightly improved facilitated by government subsidizations. This was further supported by a continuous increase in foreign arrivals despite some structural headwinds and rising geopolitical conflicts. In summary, AIS reported core service revenue of Bt39,437mn, a solid increase of 18% YoY and 6.4% QoQ, driven by all businesses especially in mobile and FBB strategized on sustainable profitability focus, and boosted by full quarter revenue addition from TTTBB acquisition.

Mobile business continues its revival through enhanced quality offerings and value uplift strategies

Mobile revenue reported Bt30,339mn, marking 3.7% YoY and 0.9% QoQ alongside the economic boost from government and the incoming tourists. The focus on high-quality acquisition, personalized value-added packages offering at the right time through upselling and cross-selling strategies, and positive impact from package restructuring to enhance more value to the customers resulted in a continuous growth in ARPU.

The focus on quality also extended to subsidy optimization, leading to an improved sales margin of almost 5% for 1Q24. AIS continuously strives to enhance customer value and efficiency to serve customers with 5G services. Investments were prioritized to maximize efficiency to expand 5G capacity to cover over 90% of Thailand while ensuring customers enjoy the best service experience on the AIS 5G network. As of 1Q24, 5G subscribers reached close to 9.9 mn.

FBB illustrated significant growth from TTTBB contribution and quality customer growth

Fixed broadband revenue reached Bt7,118mn, demonstrated a robust growth of 163% YoY and 41% QoQ. This was attributed to the full quarter consolidation of TTTBB's revenue, as well as organic expansion of new subscribers with value packages leveraging on the expanded network footprint, superior service quality, innovative products, and comprehensive content-bundling packages.

Integration is progressing per plan with a priority placed on ensuring uninterrupted sales and services, harmonizing people and processes, and aligning products to deliver enhanced broadband experience.

Enterprise services maintained the growth from digitalization demand amid economic challenges

Non-mobile enterprise business posted a revenue of Bt1,602mn, growing 20% YoY benefitted from revenue contributed from TTTBB together with sustained demand on enhanced connectivity services aligned with digitization trend. It stays flat QoQ from full-quarter TTTBB revenue recognition offset by large projects closed in 4Q23.

Solid bottom line growth from core business growth and profitability focus

AIS reported 1Q24 EBITDA of Bt27,769mn, delivering a growth of 23% YoY, 16% QoQ from profitable revenue expansion with efficient cost management. The TTTBB acquisition has also been accretive to AIS' EBITDA since day one. Coupled with improved sales margin, the EBITDA margin increased from 47% in 4Q23 to 52% in 1Q24.

AIS reported net profit of Bt8,451mn, increasing 25% YoY and 21% QoQ, following an improved operating performance despite higher finance cost and FX loss.

Market and Competitive Environment

In the first quarter of 2024, Thailand's economic showed a slow recovery reflecting a mixed trend in the indicators. On one side, a strong growth driver came from increasing tourist arrivals and lower inflation rates attributed to government subsidies including utility bills and tax campaign which temporarily stimulated the private consumption. Nonetheless, inherent risks lay in structural challenges such as high household debt, delayed government budget disbursement in FY24, declining export and manufacturing competitiveness, and global supply chain issues.

Mobile industry sustained its growth momentum with increased usage both domestically and internationally riding on returned tourism activities. The device sales has also benefited from government tax stimulus early in the quarter. Consumers continued seeking packages that catered to their expanding digital needs, including those with higher data offerings, 5G packages, or content-bundling packages combining multiple services. This contributed to overall positive trajectory of industry ARPU. Additionally, service providers continually strengthened networks to enhance competitiveness in quality, efficiency, and customer experience.

Fixed broadband industry has consistently witnessed a solid demand for quality connectivity and expanded services beyond basic broadband at home. In response, service providers have been proactive in meeting these demands by introducing higher-value and innovative offerings, targeting users with advanced usage requirements. Furthermore, AIS has implemented various product segmentations with content-bundling to improve ARPU. For instance, Home FibreLAN to address customers that need 1Gbps constant speed in every room at home.

Enterprise solutions have the potential for growth in enhanced connectivity services alongside cloud related products amidst ongoing demand for digitalization, despite global and domestic economic uncertainties. Customers continue seeking solutions that enhance flexibility, enable effective cost management, and foster sustainable growth.

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1Q24 Operational Summary

Mobile Business: In 1Q24, mobile subscribers totaled 45 million, with a net addition of 408k, mainly fueled by prepaid subscribers benefited from rising foreign tourists in Thailand. Postpaid subscribers saw a slight increase of 18k subscribers. Efforts to enhance customer value and attract quality subscribers driven by successful value-based package restructuring since 2022 led to AIS's blended ARPU reaching 224 Baht, an increase of 6.5% YoY and 0.2% QoQ. The growth in prepaid ARPU was enabled by improved purchasing power across various customer segments, benefiting from government stimulus subsidies. The 5G user base continued to expand, reaching almost 9.9 million subscribers.

Broadband Business: AIS 3BB Fibre3 expanded its subscriber base to 4.8 million by 1Q24, representing an increase of 72,000 quality subscribers, benefiting from the increased service coverage and solid customer demand. The ARPU increased to 496 Baht, reflecting a 1.3% QoQ increase from consistent efforts to offer higher-value packages that meet consumer needs through segmented products.

Mobile Business Subscribers	1Q23	4Q23	1Q24	%YoY	%QoQ
Postpaid	12,668,900	12,715,000	12,733,200	0.5%	0.1%
Prepaid	33,452,200	31,901,500	32,291,700	-3.5%	1.2%
Total subscribers	46,121,100	44,616,500	45,024,900	-2.4%	0.9%
Net additions (Churns)					
Postpaid	108,800	51,200	18,200	-83%	-64%
Prepaid	(800)	115,600	390,200	NM%	238%
Total net additions	108,000	166,800	408,400	278%	145%
ARPU (Baht/sub/month)					
Postpaid	449	449	448	-0.2%	-0.3%
Prepaid	120	133	135	12%	1.1%
Blended	210	223	224	6.5%	0.2%
MOU (minute/sub/month)					
Postpaid	150	139	137	-8.7%	-1.5%
Prepaid	58	58	58	0.4%	-0.2%
Blended	81	79	78	-3.3%	-1.0%
VOU (GB/data sub/month)					
Postpaid	34.0	37.4	37.7	11%	0.8%
Prepaid	30.9	31.3	31.6	2.3%	1.0%
Blended	32.0	33.4	33.7	5.3%	0.9%
5G subscription					
5G subscription	7,173,000	9,170,000	9,865,700	38%	7.6%
Fixed Broadband Business					
FBB subscribers	2,268,200	4,742,300*	4,815,000	112%	1.5%
FBB net addition	99,000	2,361,600	72,700	-27%	-97%
FBB ARPU (Baht/user/month)	407	490	496	22%	1.3%

*Including acquisition of TTTBB subscriber of 2.3mn

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1Q24 Financial Summary

Revenue

In 1Q24, AIS achieved a total revenue of Bt53,293mn, marking a 14% YoY expansion. This growth was attributed to the consolidation of TTTBB's revenue, sustained momentum in organic broadband growth of quality subscribers, and a continuous revival of the mobile business. On a QoQ basis, a 3.8% growth was driven by the full-quarter recognition of TTTBB's revenue and continued expansion of core service revenue, partially offset by a minor reduction in device sales revenue.

Core service revenue (excluding IC and NT partnership) showed Bt39,437mn, increasing 18% YoY from an expansion of revenue base from TTTBB acquisition, supported by growth of all core businesses. It improved 6.4% QoQ from full-quarter recognition of TTTBB's revenue compared to 46 days in 4Q23, alongside continued growth momentum of mobile and FBB revenue.

- **Mobile revenue** was Bt30,339mn, increasing 3.7% YoY and 0.9% QoQ. This growth stemmed from efforts to uplift ARPU through continuous value-based package structuring, cross-selling with value-added services, and 5G adoption, boosted by recovery in tourism usage.
- **Fixed broadband revenue** reached Bt7,118mn, increasing 163% YoY and 41% QoQ, primarily due to the consolidation of TTTBB's revenue and expansion of the broadband business with high-quality subscribers, leveraging expanded network coverage. The ARPU continued to increase through upselling higher-value products alongside the implementation of cross-sell strategies.
- **Enterprise non-mobile & others** was at Bt1,980mn, increasing 27% YoY following growth of enterprise business with demand for enhanced connectivity and from TTTBB's revenue recognition. It increased by 1.2% QoQ by full quarter TTTBB's revenue recognition, offset by lack of large deal closed in 4Q23.

Revenue from interconnection charge (IC) and NT partnership was at Bt3,366 mn, a increase 3.4% YoY, following higher traffic usage with NT and a beginning to recognize rental revenue from network equipment rental on NT's 700MHz, despite a lower interconnection charged. It stayed flat QoQ.

SIM & Device sales reported Bt10,490mn, a 5.7% YoY increase, benefited from government tax incentive campaign (Easy E-Receipt) launched in Jan-Feb24. It declined -3.7% QoQ due to the seasonality of new iPhone selling which usually peaks in 4Q. The sales margin increased from 2.3% to 4.8% due to subsidy optimization.

Cost & Expense

1Q24, the **cost of service** was Bt24,881mn, increasing 13% YoY and 8.0% QoQ from consolidating full quarter of TTTBB's cost.

- **Regulatory fee** was Bt1,581mn, increasing 13% YoY and 4.8% QoQ, in line with revenue expansion from TTTBB consolidation and organic core service revenue growth. The regulatory fee as a percentage of core service revenue remained flat at around 4.0%.
- **Depreciation & amortization** were at Bt14,816mn, increasing 16% YoY and 11% QoQ mainly from the consolidation of right-of-use assets from TTTBB acquisition, partially offset by fully depreciated network equipment.
- **Network OPEX & NT partnership cost** was at Bt5,890mn, increasing by 12% YoY due to increased maintenance and transmission cost from TTTBB, partially offset by lower utility cost from lower FT rate YoY. It increasing 6.0% QoQ from full-quarter recognition of TTTBB's cost and higher utility cost from higher FT rate.
- **Other costs of service** was at Bt2,594mn, increasing 4.3% YoY from higher IDD cost in-line with revenue and cost of cloud, while decreasing -1.1% QoQ from lower IC and IDD cost, which related with lower IDD revenue.

SG&A expenses were at Bt5,890mn, increasing 5.2% YoY mainly from TTTBB impact in admin expense, offset by marketing cost optimization. The SG&A decreasing -21% QoQ from lower admin & other expenses.

- **Marketing expenses** reported at Bt1,322mn, decreasing -11% YoY from continuous cost optimization. It decreased -34% QoQ due to the seasonality of marketing and promotion campaigns which peaked in 4Q23.
- **Admin & other expenses** were at Bt4,568mn, increasing 11% YoY mainly due to increased staff costs and admin expenses following TTTBB's acquisition, while decreasing by -16% QoQ due to a one-time asset provision expense incurred in 4Q23. The provision for bad debts as a % of postpaid and broadband revenue was 2.1% lower from 4Q23 at 2.3%.

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Net FX gain (loss) in 1Q24 was a loss of Bt-198mn amid the weakened THB. AIS has the policy to mitigate the currency risk using hedging instruments where applicable.

Other Income (expense) at Bt414mn, increasing 212% YoY and 46% QoQ mainly from full quarter recognition of 3BBIF's share of profit.

Finance cost was at Bt2,300mn, increasing 84% YoY and 4.8% QoQ mainly from full quarter interest payment for acquisition loan, and higher right-of-use assets from 3BBIF. The average cost of borrowing was 3.3% in 1Q24.

Income Tax was at Bt1,993mn, increasing 25% YoY and 17% QoQ following the increase in profit before tax. The effective tax rate was at 19.5%.

Profitability

1Q24 **EBITDA** was at Bt27,769mn, increasing 23% YoY and 16% QoQ driven by an increase in core service revenue and the positive contribution from TTTBB consolidation.

EBITDA margin was at 52.1%, compared to 48.3% in 1Q23 and 46.7% in 4Q23 due to profitable revenue growth, improved sales margin, and cost efficiency.

The reported net profit was at Bt8,451mn, increasing 25% YoY and 21% QoQ, following improvement of operating profit despite increased finance cost and FX loss.

Cash flow

In 3M24, cash flow from operation (after tax) reported at Bt29,952mn, increasing 47% compared to 3M23 following an improvement in EBITDA. Cash outflow for network investment was at Bt7,077mn and at Bt1,758mn for spectrum license. As a result, free cash flow for 3M24 was at Bt16,657mn (OCF less CAPEX, spectrum license, and lease liability paid). In summary, net cash increased by Bt8,520mn resulting in an outstanding cash of Bt23,263mn at the end of Mar-24.

Financial position

Total assets as of 1Q24 were at Bt455,211mn, slightly increasing by 0.2% from the end of 2023. Current assets were at Bt49,798mn, increasing by 18% due to higher cash reserves. Total non-current assets were at Bt405,413mn, decreasing by 1.6%, primarily from the amortization of network PPE, spectrum licenses, and right-of-use assets.

Total liabilities amounted to Bt369,824mn increasing by 1.7% mainly from dividend payable. Interest-bearing debt stood at Bt120,458mn, decreasing by -5.3%. Net debt to EBITDA (including lease liabilities and license payable) was at 2.5x decrease from 2.9x in FY23 due to improving EBITDA and lower debt. Total equity was at Bt85,388mn, decreasing by -5.8% due to a decrease in retained earnings appropriated for the dividends.

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Consolidated Profit and loss Statement

Income statement (Bt mn)	1Q23	4Q23	1Q24	%YoY	%QoQ
Mobile revenue	29,258	30,065	30,339	3.7%	0.9%
Fixed broadband revenues	2,710	5,033	7,118	163%	41%
Other service revenues	1,564	1,957	1,980	27%	1.2%
Core service revenue	33,531	37,055	39,437	18%	6.4%
IC and NT partnership	3,255	3,371	3,366	3.4%	-0.1%
Service revenue	36,786	40,426	42,803	16%	5.9%
SIM and device sales	9,926	10,892	10,490	5.7%	-3.7%
Total revenues	46,712	51,318	53,293	14%	3.8%
Regulatory fee	1,394	1,509	1,581	13%	4.8%
Depreciation & Amortization	12,789	13,349	14,816	16%	11%
Network OPEX and NT partnership	5,281	5,557	5,890	12%	6.0%
Other costs of services	2,487	2,622	2,594	4.3%	-1.1%
Cost of service	21,950	23,036	24,881	13%	8.0%
Cost of SIM and device sales	9,752	10,638	9,993	2.5%	-6.1%
Total costs of service and sale	31,702	33,674	34,875	10%	3.6%
Gross profit	15,010	17,644	18,418	23%	4.4%
SG&A	5,601	7,438	5,890	5.2%	-21%
Marketing Expense	1,482	2,001	1,322	-11%	-34%
Admin and others	4,119	5,437	4,568	11%	-16%
Operating profit	9,410	10,205	12,529	33%	23%
Net foreign exchange gain (loss)	62	412	-198	-417%	-148%
Other income (expense)	133	282	414	212%	46%
Finance cost	1,250	2,196	2,300	84%	4.8%
Income tax	1,597	1,702	1,993	25%	17%
Non-controlling interest	-0.7	0.2	-0.4	44%	-318%
Net profit for the period	6,757	7,003	8,451	25%	21%
EBITDA	22,561	23,945	27,769	23%	16%
EBITDA margin (%)	48.3%	46.7%	52.1%	+381bps	+545bps

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Financial Position (Bt mn%to total asset)	4Q23		1Q24	
Cash	14,744	3.2%	23,263	5.1%
ST investment	557	0.1%	516	0.1%
Trade receivable	19,356	4.3%	18,650	4.1%
Inventories	4,147	0.9%	3,864	0.8%
Others	3,477	0.8%	3,505	0.8%
Current Assets	42,281	9.3%	49,798	11%
Spectrum license	121,154	27%	117,898	26%
Network and PPE	139,224	31%	137,089	30%
Right of use	101,225	22%	98,967	22%
Intangible asset	20,882	4.6%	21,586	4.7%
Defer tax asset	3,703	0.8%	3,649	0.8%
Others	25,970	5.7%	26,224	5.8%
Total Assets	454,439	100%	455,211	100%
Trade payable	16,031	3.5%	15,372	3.4%
ST loan & CP of LT loans	57,404	13%	54,584	12%
CP of lease liabilities	15,062	3.3%	15,933	3.5%
Accrued R/S expense	3,361	0.7%	3,361	0.7%
CP of spectrum payable	12,599	2.8%	15,514	3.4%
Others	29,190	6.4%	45,129	9.9%
Current Liabilities	133,647	29%	149,893	33%
Debenture & LT loans	69,840	15%	65,874	14%
LT lease liabilities	100,077	22%	96,985	21%
Spectrum payable	51,610	11%	47,351	10%
Other	8,587	1.9%	9,721	2.1%
Total Liabilities	363,761	80%	369,824	81%
Retained earnings	65,515	14%	60,257	13%
Others	25,163	5.5%	25,131	5.5%
Total Equity	90,678	20%	85,388	19%

Key Financial Ratio	1Q23	4Q23	1Q24
Debt to equity (times)	3.1	4.0	4.3
Interest-bearing debt to equity (times)*	1.0	1.4	1.4
Net debt to EBITDA (times)*	0.8	1.1	0.9
Net debt & lease liability & spectrum license payable to EBITDA	1.9	2.9	2.5
Current Ratio (times)	0.4	0.3	0.3
Interest Coverage (times)	18.0	15.2	12.1
Debt Service Coverage Ratio (times)	3.1	1.3	1.6
Return on Equity	33 %	33 %	38 %

Figures from P&L are YTD annualized.

*Exclude Lease liability

Debt Repayment Schedule			License payment schedule		
Bt mn	Debenture	Loan	900MHz	2600MHz	700MHz
9M24	6,638	43,997*	7,565		3,431
2025		9,102	7,565	2,934	5,189
2026	15,180	6,853		2,934	5,189
2027	9,000	6,110		2,934	5,189
2028	9,500	5,130		2,934	5,189
2029				2,934	5,189
2030	3,000			2,934	5,189
2031	3,000				
2032					
2033	3,000				

*Including bridge loan for financing TTTBB's deal.

Credit Rating

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

Source and Use of Fund: 3M24 (Bt.mn)

Source of fund		Use of fund	
Operating cash flow	30,516	Net CAPEX & Fixed assets	7,071
Proceed from capital reduction of investment in an associate	243	Net borrowings payment	6,809
Interest received	29	Lease liability payments	4,460
		Income tax and Finance cost paid	2,167
		Spectrum license	1,758
		Other	3
		Cash increase	8,520
Total	30,788		30,788

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2024 Guidance (Unchanged)

Core service revenue	Around 13-15%
EBITDA	Around 14-16%
CAPEX (exclude spectrum)	Approx. Bt 25-26bn

Core service revenue to grow around 13-15%

In 2024, the growth would benefit from inorganic growth from TTTBB acquisition and good momentum in organic performance, with expanded economic conditions and a stabilized competition outlook. The key is to deliver convergence across our services leveraging our relationship with the customers while continuously uplifting the value in multi-product proposition.

- **Mobile** to focus on sustaining leadership in network quality and coverage, personalized segmented offerings, value-uplifting proposition with 5G, FMC, and privilege ecosystems, as well as delivering superior digitized service quality to the customers.
- **Broadband** to benefit from TTTBB acquisition and continue the growth momentum with a larger subscriber base, leveraging a combined coverage across Thailand, innovative product offerings, and superior service quality to offer more than broadband experiences. The key focus would also be on integration activities in combining the operations to achieve operational efficiencies and synergies.
- **Enterprise** to focus on profitable growth with digital technology and evolving socioeconomic context, leveraging on connectivity with enhanced technologies, value-added digital product offerings, and differentiated 5G Paragon platform.

EBITDA growth around 14-16% focusing on profitability

AIS to continuously execute cost optimization with TTTBB synergies to achieve sustainable operations. To achieve higher efficiency while improving product delivery and superior customer experience, AIS will continue to enhance IT processes & systems, autonomous network, data analytics, and people capability. Optimal capital allocation will be executed to improve efficiency to maximize value to customers and stakeholders.

CAPEX approx. 25-26bn to sustain quality with optimization

CAPEX this year is expected to be lower than in previous years, benefiting from the acceleration of the 700MHz 5G rollout in the prior year and leveraging TTTBB's larger broadband footprint. The optimized spending is in line with the business ambition to bring in and maintain quality customers through sustained network leadership. The broadband growth would continue in the new areas while achieving CAPEX synergy from a combined broadband network. Approximately, 60% of CAPEX is for mobile business, 28% in broadband business, and the rest in enterprise and others.

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 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 its subsidiaries' ongoing operations.

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Glossary

Subscriber	Number of registered SIM at ending period whose status is not defined as churn
Postpaid churn	Subscribers whose payment status is overdue more than 60 days from due date
Prepaid churn	Subscribers who do not refill to extend their validity within 45 days or subscribers who are inactive more than 90 days
Net additions	Change of number of subscribers from beginning period to ending period
Churn rate	Number of subscriber disconnections in the period divided by the sum of gross new subscribers in the period and the subscribers at the beginning period
ARPU	Consolidated service revenue excluding inbound international roaming and interconnect revenues divided by average of subscriber at the beginning and ending period
MOU	Number of billed outgoing minutes generated from voice call including international call usage divided by average subscriber
VOU	Number of billed gigabyte generated from data usage divided by average data subscriber

EBITDA margin	$EBITDA / Total\ Revenues$
Interest-Bearing Debt to Equity	$Interest\ Bearing\ Debt / Ending\ Equity$
Debt to Equity	$Ending\ Liability / Ending\ Equity$
Net Debt to EBITDA	$(Interest\ Bearing\ Debt - Cash) / EBITDA$
Net Debt to EBITDA (Incl. lease liability and spectrum license payable)	$(Interest\ Bearing\ Debt + Lease\ Liability + Spectrum\ License\ Payable - Cash) / EBITDA$
Interest Coverage	$EBITDA / Finance\ Cost$
Debt Service Coverage Ratio	$EBITDA / (Debt\ Repayment\ Within\ 1\ Year\ Including\ Lease\ Liability)$
ROA	$Net\ Profit / Average\ Asset\ Between\ Beginning\ and\ Ending\ Period$
ROE	$Net\ Profit / Average\ Equity\ Between\ Beginning\ and\ Ending\ Period$
Free Cash Flow (FCF)	$Net\ Cash\ Flow\ From\ Operating\ Activities - CAPEX - Lease\ Liability\ Paid$