



Please note that all financial figures and analyses are based on the previous accounting policy (IAS 18) for 2018 and new accounting policy (TFRS 15) for 2019, unless otherwise stated.

Executive Summary

In Q219, dtac continued to focus on fine tuning the network as well as continuing the rollout of 2300 MHz network in order to provide a consistent customer experience. Early sign of improvement is visible with prepaid revenue stabilization, postpaid net adds increase, sharp reduction in network complaints, and increase in network NPS.

At the end of Q219, a total of approximately 16,000 nodes of 4G-2300 MHz network were installed, an additional of approximately 600 during the quarter. Furthermore, an additional 348 nodes of 4G/3G-2100 MHz network were installed in Q219, pushing number of 4G-2100 MHz and 3G-2100 MHz nodes to approximately 24,600 for both.

In June 2019, dtac also participated in the 700 MHz allocation and got allocated 2x10 MHz of 700 MHz with validity of 15 years. The license is potentially scheduled to commence in October 2020. By acquiring the 700 MHz, dtac is also eligible for the 900 MHz payment term extension, and the adjustments in our booking related to the 900 MHz payment term extension has already been reflected in this quarter as appeared in non-current liabilities with the difference booked as 'Deferred – accrued cost of spectrum licenses', which will be used to adjust against 700 MHz once the license is issued.

Market remains competitive but still growing driven by strong demand for data and shift towards postpaid. The latest improvement in prepaid trend is reflected by removal of unlimited prepaid acquisition package and introduction of aggressive fixed data volume packages at slightly higher price point. As a result, the prepaid results show the first positive QoQ growth since Q115 while postpaid net adds maintain the positive momentum with lower churn QoQ.

At the end of Q219, total subscriber base stood at 20.6 million, approximately 31 percent of which were postpaid subscribers. Postpaid subscriber base continued to increase as a result of prepaid-to-postpaid conversion and attractive upselling campaigns.

Our strong financials are a result of network improvement, prepaid and postpaid subscriber base development driven by sales and marketing efforts. Service revenues excluding IC in Q219 increased 1.6% QoQ but declined 5.3% YoY. Blended ARPU improved QoQ and YoY, mainly driven by removal of unlimited data products and price increase starting May 2019 as well as higher postpaid revenue mix. EBITDA (before other items) increased 7.2% QoQ due to higher revenue while costs were continuously well under control but declined 13.3% YoY to THB 6,569 million mainly from lower revenues. EBITDA margin for Q219 based on revenue before and after excluding revenues from CAT lease agreements and TOT network rental in the denominator stood at 32.4% and 36.9%, respectively, an improvement QoQ. Moreover, net profit for Q219 amounted to THB 1,695 million, increasing 20.3% QoQ.

As communicated in Capital Markets Day on 4 June 2019, we expect a low single-digit decline for service revenue (excluding IC), and EBITDA and CAPEX to be in the range of THB 24 – 25 billion, and THB 13 – 15 billion, respectively, for 2019.

On 4 April 2019, we made the first payment of THB 6,840 million (excluding VAT) as part of the Disputes Settlement Agreement with CAT. Payment for half of the remaining balance was made in late Q219 subsequent to court orders for cases withdrawal while the payment of the remaining balance will be made once the relevant disputes and/or court cases are withdrawn from the arbitration and the court.



Operational Summary

At the end of Q219, total subscriber base stood at 20.6 million, declining 94k from the end of Q119, due to decline in prepaid segment, which was partly offset by growth in postpaid segment. Prepaid subscriber base was 14.3 million, declining 204k from Q119, due mainly to continued prepaid-to-postpaid conversion and ongoing competition. During the same period, postpaid subscriber base increased by 109k to 6.3 million.

Average Revenue per User excluding IC (ARPU) for Q219 was THB 249 per month, showing a growth of 4.5% QoQ and 1.3% YoY. At the end of Q219, postpaid subscriber base accounted for approximately 31% of total subscriber base. Postpaid ARPU for Q219 was THB 532 per month, increasing 2.0% QoQ but declining 0.8% YoY, while prepaid ARPU increased 4.8% QoQ but declined 6.8% YoY to THB 137 per month.

Traffics on TOT's 4G-2300MHz network continued to increase, driven by coverage expansion and higher number of users with 2300MHz-compatible device. No. of 4G-2300MHz installed base stations under the partnership with TOT reached approximately 16,000 at end of Q219, increasing by approximately 600 base stations from Q119. The number of 4G users was 10.6 million, representing approximately 51% of total subscriber base, while the number of 4G compatible device increased to 72% of total subs base. Smartphone penetration increased to 82%.

Active subscribers (in thousand)	Q218	Q119	Q219	%QoQ	%YoY
Postpaid (<i>under concession from CAT</i>)	219	0	0	n/a	n/a
Prepaid (<i>under concession from CAT</i>)	155	0	0	n/a	n/a
Postpaid (<i>under licenses</i>)	5,666	6,194	6,304	1.8%	11.3%
Prepaid (<i>under licenses</i>)	15,573	14,532	14,329	-1.4%	-8.0%
Total active subscribers	21,612	20,726	20,632	-0.5%	-4.5%
Net additional subscribers (in thousand)	Q218	Q119	Q219	%QoQ	%YoY
Postpaid	154	123	109	-11.3%	-29.1%
Prepaid	-354	-599	-204	-66%	42.5%
Total net additional subscribers	-200	-476	-94	-80%	52.9%
MoU (minutes/sub/month)	Q218	Q119	Q219	%QoQ	%YoY
Postpaid	243	228	223	-2.2%	-8.1%
Prepaid	106	87	83	-5.2%	-21.8%
Blended MoU	141	126	123	-2.8%	-12.8%
Postpaid excluding Incoming minutes	172	161	157	-2.4%	-8.9%
Prepaid excluding Incoming minutes	81	66	61	-7.1%	-24.7%
Blended MoU excluding Incoming minutes	104	92	88	-4.0%	-15.3%
ARPU (THB/sub/month) - TFRS 15	Q218	Q119	Q219	%QoQ	%YoY
Postpaid	556	540	551	2.1%	-0.9%
Prepaid	152	135	142	4.7%	-7.0%
Blended ARPU	255	247	258	4.5%	1.2%
Postpaid excluding IC	537	522	532	2.0%	-0.8%
Prepaid excluding IC	147	130	137	4.8%	-6.8%
Blended ARPU excluding IC	246	238	249	4.5%	1.3%

ARPU (THB/sub/month) - previous accounting policy IAS 18	Q218	Q119	Q219	%QoQ	%YoY
Postpaid	566	553	564	4.4%	1.4%
Prepaid	152	135	142	4.7%	-7.0%
Blended ARPU	258	251	262	5.9%	2.6%
Postpaid excluding IC	547	535	545	4.5%	1.6%
Prepaid excluding IC	147	130	137	4.8%	-6.8%
Blended ARPU excluding IC	248	242	253	6.0%	2.8%



Financial Summary

Revenues

Total revenues in Q219 amounted to THB 20,255 million, increasing 3.0% QoQ and 8.0% YoY, due to higher other operating revenues from CAT lease agreements and TOT 2300 MHz network rental. Service revenues excluding IC increased 1.6% QoQ, but declined 5.3% YoY to THB 15,691 million partly due to accounting adjustment implemented in Q119.

Core service revenues (defined by bundle of voice and data service revenues) in Q219 amounted to THB 14,366 million, increasing 2.6% QoQ but declined 3.2% YoY, driven by removal of unlimited acquisition package and introduction of fixed data package at slightly higher price point.

International Roaming (IR) revenues in Q219 amounted to THB 182 million, decreasing 34.4% QoQ and 45.7% YoY. The reduction QoQ was mainly due to seasonality and market competition while the reduction YoY was mainly from gain from settlement from China Mobile in Q218 for fiscal year 2016 and lower traffic.

Other service revenues in Q219 amounted to THB 629 million, a decrease of 3.0% QoQ and 25.9% YoY, mainly due to continued declining trend in IDD revenues.

Handset and starter kit sales in Q219 amounted to THB 2,021 million, declining 5.7% QoQ but increasing 2.5% YoY partly due to the increase from TFRS 15 accounting adjustment. Loss from handset and starter kit sales reduced from 485 million in Q119 to THB 399 million in Q219.

Cost of Services

Cost of services excluding IC in Q219 amounted to THB 11,004 million, increasing 4.6% QoQ but declining 5.9% YoY. The movement of cost of services was largely driven by the change in cost structure after end of the concession. The QoQ increase was mainly driven by higher costs related to partnership with TOT on 2300 MHz wireless business, which were partly offset by lower regulatory costs. The YoY decline was mainly driven by lower regulatory and amortization expenses of assets under concession, which were partly offset by higher amortization expenses of 1800MHz and 900MHz spectrum licenses, lease expenses of assets under concession

Statement of financial position (THB million)	Q418	Q219
Cash and cash equivalent	14,090	4,731
Other current assets	14,427	15,591
Non-current assets	122,441	121,505
Total assets	150,958	141,826
Current liabilities	53,208	46,361
Non-current liabilities	75,820	69,907
Total liabilities	129,028	116,268
Total shareholders' equity	21,930	25,558
Total liabilities and equity	150,958	141,826

to CAT, and costs related to partnership with TOT on 2300MHz wireless business.

Regulatory costs in Q219 amounted to THB 646 million, declining 3.0% QoQ and 58.9% YoY, after end of the concession and remedy period. As a result, regulatory costs currently account for 4.3% of service revenue (excluding IC), which decreased significantly from 9.8% in Q218.

Network OPEX in Q219 amounted to THB 2,973 million, decreasing 2.0% QoQ but increasing 63.3% YoY. The YoY increase was due to network expansion and lease expenses to CAT. Furthermore, net CAT payment in Q219 amounted to THB 673 million, declining 5.9% QoQ.

Other operating costs of services in Q219 amounted to THB 3,776 million, increasing 14.1% QoQ and 162% YoY, due to the 2300 MHz roaming cost paid to TOT. The sequential increase was mainly driven by higher number of 2300 MHz base stations being installed and was partly offset by higher 2300 MHz network rental revenue received from TOT. Net QoQ increase from TOT's 2300 MHz roaming cost, net of corresponding revenues, was approximately THB 19 million in Q219.

Depreciation and Amortization (D&A) of costs of services in Q219 amounted to THB 3,609 million, increasing 2.7% QoQ but declining 47.4% YoY. The QoQ increase was mainly from continuing network expansion, while the YoY decline was mainly a result of concessionary asset being fully amortized after expiry of the concession in September 2018, partly offset by amortization expenses of the 1800 MHz and 900 MHz spectrum licenses and continuing network expansion.

Selling, General and Administrative Expenses (SG&A)

SG&A expenses in Q219 amounted to 3,537 million, declining 5.4% QoQ and 1.5% YoY. The sequential decline was due to lower selling and marketing expenses and general administrative expenses while provision for bad debt was maintained.

Cash flows statement (THB million)	H118	H119
Cash flows from operating activities	13,328	1,465
Cash paid for interest expenses and tax	-2,042	-1,797
Net cash flows from operating activities	11,286	-332
Net cash flows from investing activities	-5,407	-12,028
Net cash receipt/(Repayment)	-15	3,000
Dividend paid	-568	0
Net cash flows from financing activities	-583	3,000
Net change in cash	5,295	-9,360



Selling and Marketing (S&M) expenses in Q219 amounted to THB 1,105 million, declining 6.0% QoQ but increasing 4.0% YoY. The continued decline QoQ was due to higher spending level in Q119, while the YoY increase was partly due to TFRS 15 accounting adjustment implemented in Q119 and higher sales activities.

General administrative expenses in Q219 amounted to THB 1,883 million, decreasing 3.5% QoQ and 6.0% YoY. The general administrative expenses were quite stable both QoQ and YoY thanks to ongoing implementation of operational efficiency measures.

Provision for bad debt in Q219 amounted to THB 319 million, decreasing 0.3% QoQ but increasing 2.0% YoY, driven by higher revenue.

Depreciation and Amortization (D&A) of SG&A in Q219 amounted to THB 230 million, increasing 2.5% QoQ and 8.4% YoY.

EBITDA and Net Profit

EBITDA (before other items) in Q219 amounted to THB 6,569 million, increasing 7.2% QoQ but declining 13.3% YoY. The sequential increase was mainly due to higher core service revenue with higher ARPU, slightly lower regulatory costs, and well-controlled general administrative expenses, which were partly offset by higher roaming cost on TOT's 2300MHz network. The YoY decline was mainly driven by lower service revenues, increase in network OPEX, and roaming cost on TOT's 2300 MHz network, which were partly offset by lower regulatory costs. As a result, EBITDA margin (based on total revenues excluding revenues from CAT lease agreements and TOT network rental in the denominator) was 36.9% in Q219, increasing from 34.7% in Q119 but declining from 40.4% in Q218.

Net profit for Q219 amounted to THB 1,695 million, increasing 20.3% QoQ and 845.2% YoY. The QoQ increase was mainly from higher EBITDA, partly offset by higher D&A

charges and financial costs, while the YoY increase was from sharply lower D&A charges.

Balance Sheet and Key Financial Information

At the end of Q219, total assets amounted to THB 141,826 million and decreased from THB 150,958 million at the end of Q218. Cash and cash equivalent amounted to THB 4,731 million, decreasing from THB 14,090 million at the end of Q418 due mainly to one-off CAT settlement and network CAPEX. Interest-bearing debt increased from THB 47,000 million at the end of Q418 to THB 50,000 million. Net debt to EBITDA was 1.8x, increasing from 1.2x at the end of Q418.

CAPEX in Q219 amounted to THB 2,321 million which reflected continue network rollout. Operating cash flow (defined by EBITDA-CAPEX) amounted to THB 4,248 million.

Outlook 2019

In 2019, our immediate focuses are continuation of network improvement and customer experience enhancement, while our offers and services will reflect our position as simple, honest, and human. With continued focus on our brand values, we will also address the mobile B2B market and innovation that are relevant to connectivity.

2019 guidance (as communicated in the last Capital Markets Day):

- Service revenue excluding IC: Low single-digit decline
- EBITDA: THB 24 – 25 billion
- CAPEX: THB 13 – 15 billion

We maintain our dividend policy which is to pay out dividend not less than 50% of the Company's net profits, depending on financial position and future business plans, and aim to pay dividend semi-annually. Based on net profits of the first six months of the Company, the Board has approved an interim dividend of THB 1.26 per share. The Record Date will be 30 July 2019 and the payment is scheduled to be made on 9 August 2019.

Disclaimer

Some statements made in this material are forward-looking statements with the relevant assumptions, which are subject to various risks and uncertainties. These include statements with respect to our corporate plans, strategies and beliefs and other statements that are not historical facts. These statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "anticipate", "intend", "estimate", "continue" "plan" or other similar words.

The statements are based on our management's assumptions and beliefs in light of the information currently available to us. These assumptions involve risks and uncertainties which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Please note that the company and executives/staff do not control and cannot guarantee the relevance, timeliness, or accuracy of these statements.



Income statement (THB million)	Q218	Q119	Q219	%QoQ	%YoY
Voice & Data **	14,848	14,007	14,366	2.6%	-3.2%
IR	335	278	182	-34.4%	-45.7%
Others	849	648	629	-3.0%	-25.9%
Service revenues ex. IC	16,033	14,932	15,177	1.6%	-5.3%
IC revenue	546	513	514	0.2%	-5.9%
Service revenues	16,579	15,445	15,691	1.6%	-5.4%
Handsets and starter kits sales	1,972	2,144	2,021	-5.7%	2.5%
Other operating income	209	2,071	2,543	22.8%	1114%
Total revenues from sales and services	18,760	19,660	20,255	3.0%	8.0%
Cost of services	(12,274)	(11,050)	(11,593)	4.9%	-5.6%
<i>Regulatory</i>	<i>(1,571)</i>	<i>(666)</i>	<i>(646)</i>	<i>-3.0%</i>	<i>-58.9%</i>
<i>Network</i>	<i>(1,821)</i>	<i>(3,034)</i>	<i>(2,973)</i>	<i>-2.0%</i>	<i>63.3%</i>
<i>IC</i>	<i>(578)</i>	<i>(526)</i>	<i>(589)</i>	<i>11.9%</i>	<i>1.9%</i>
<i>Others</i>	<i>(1,439)</i>	<i>(3,311)</i>	<i>(3,776)</i>	<i>14.1%</i>	<i>162%</i>
<i>Depreciation and Amortization</i>	<i>(6,866)</i>	<i>(3,514)</i>	<i>(3,609)</i>	<i>2.7%</i>	<i>-47.4%</i>
Cost of handsets and starter kits	(2,490)	(2,629)	(2,420)	-8.0%	-2.8%
Total costs	(14,764)	(13,679)	(14,013)	2.4%	-5.1%
Gross profit	3,997	5,981	6,242	4.4%	56.2%
SG&A	(3,590)	(3,738)	(3,537)	-5.4%	-1.5%
<i>Selling & Marketing expenses</i>	<i>(1,062)</i>	<i>(1,175)</i>	<i>(1,105)</i>	<i>-6.0%</i>	<i>4.0%</i>
<i>General administrative expenses</i>	<i>(2,003)</i>	<i>(1,950)</i>	<i>(1,883)</i>	<i>-3.5%</i>	<i>-6.0%</i>
<i>Provision for bad debt</i>	<i>(312)</i>	<i>(320)</i>	<i>(319)</i>	<i>-0.3%</i>	<i>2.0%</i>
<i>Depreciation and Amortization</i>	<i>(212)</i>	<i>(224)</i>	<i>(230)</i>	<i>2.5%</i>	<i>8.4%</i>
<i>Loss from Asset Impairment</i>	<i>-</i>	<i>(69)</i>	<i>-</i>	<i>-100%</i>	<i>-100%</i>
Gain/Loss on foreign exchange	55	(20)	(20)	-3%	-135.9%
Interest income	82	18	17	-3.5%	-78.7%
Other income & share of profit from investment in associated	24	()	(4)	1877%	-116.0%
EBIT	567	2,241	2,700	20%	376.5%
Financial cost	(378)	(611)	(663)	8.4%	75%
Corporate income tax	(9)	(221)	(343)	55%	3507.8%
Non-controlling interest	()	0	()	-669%	0.4%
Net profit attributable to equity holder	179	1,408	1,695	20.3%	845.2%

(**) Reclassification between voice& data and other revenue. No impact to total revenues.

EBITDA (THB million)	Q218	Q119	Q219	%QoQ	%YoY
Net profit for the period	179	1,408	1,695	20%	845.2%
Finance costs	378	611	663	8.4%	75%
Income tax expenses	9	221	343	55%	3507.8%
Depreciation & Amortization	7,078	3,738	3,838	2.7%	-45.8%
Other items	(68)	150	30	-79.8%	-144.6%
EBITDA	7,577	6,129	6,569	7.2%	-13.3%
EBITDA margin	40.4%	31.2%	32.4%		
EBITDA margin (based on total revenues excluding revenues from CAT lease agreement and TOT network rental in the denominator)	40.4%	34.7%	36.9%		

EBITDA herein is EBITDA before other incomes and other expenses. Please see more details in the note of the financial statement.

Debt repayment schedule (THB million), as of Q219	Loan	Debenture	Key Financial Ratio	Q418	Q119	Q219
In 2019	7,875	1,500	Return on Equity (%)	n/a	n/a	n/a
In 2020	7,875	4,000	Return on Asset (%)	-31%	-34%	n/a
In 2021	875	2,500	Net debt to EBITDA (times)	1.2 x	1.3 x	1.8 x
From 2022	875	21,500	CAPEX to Total Revenue (%)	42%	22%	11%

Note: Figures from Q119 are based on TFRS 15.

