

# **Mobile Telecom and AIS Background 2Q16**

**Advanced Info Service Plc.**

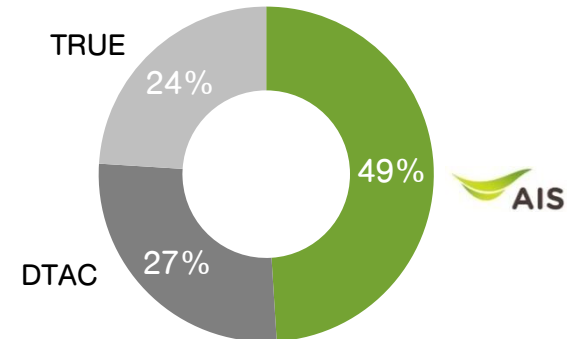
# Thai mobile industry



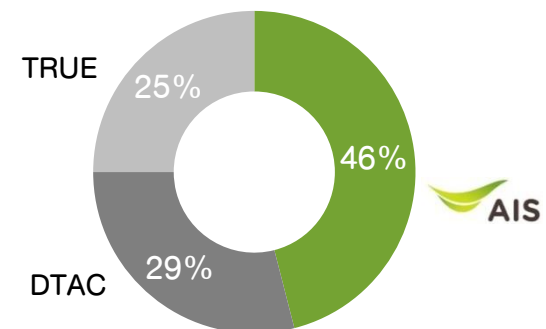
## Characteristics

- Over 126% mobile penetration from total population of 68 million
- Prepaid represents 85% of industry subscribers.
- There are three key mobile operators in Thailand and six MVNOs with networks provided by TOT and CAT.
- 3G is a main technology for mobile phone while 4G, launched around three years ago, is still new and mainly used in urban areas. 2G service still exists.
- Handset subsidy in Thailand is unique in a way that it mainly aims for 2G customers to change to 3G phones, unlike contracted price plan in other countries.
- Unlimited or non-stop data price plan with Fair Usage Policy is still popular in the market. AIS tries to gear the market toward limited data plan.

## Revenue market share

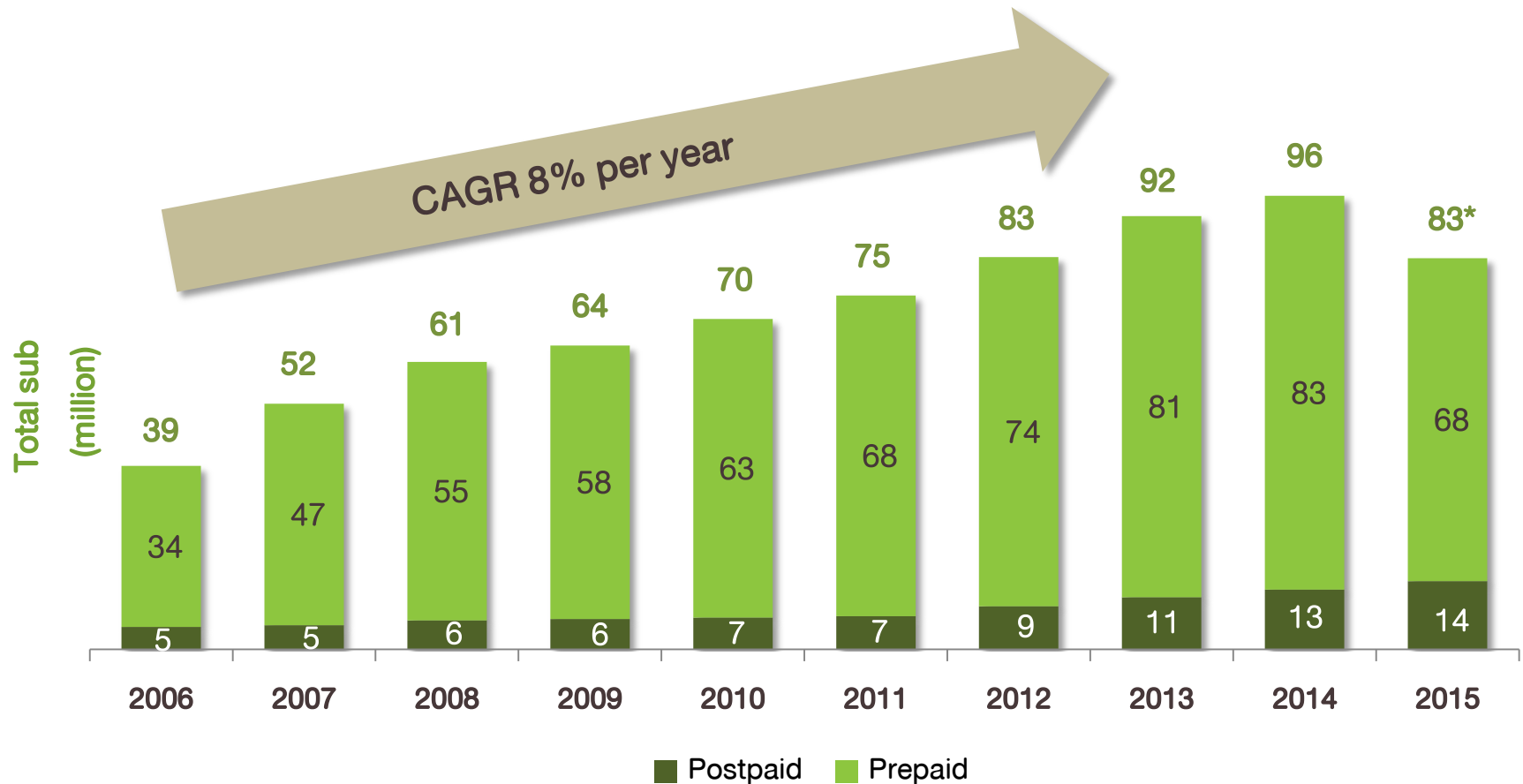


## Subscriber market share



as of 2Q16

# Industry's subscriber base

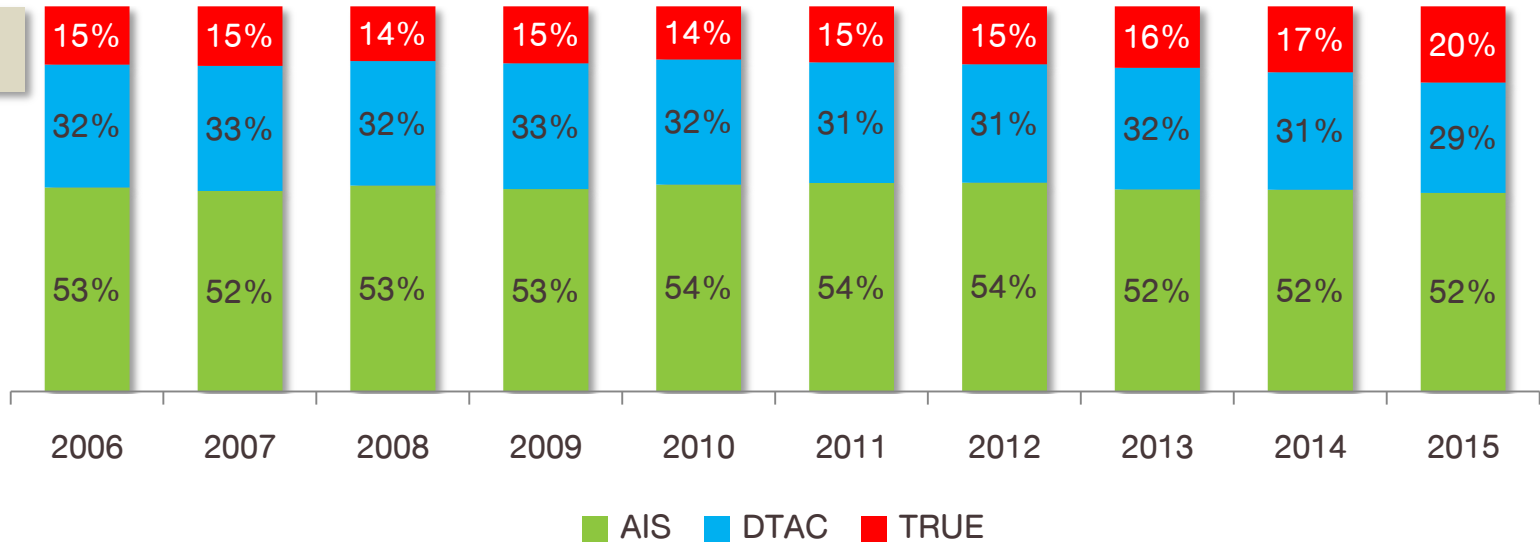


\* Subscriber base of the whole industry was affected by the adjustment of prepaid subscriber reporting to reflect only active ones. The negative net additions in 2015 was also caused by NBTC's announcement on prepaid identification requiring prepaid subscribers to register their SIMs. The SIMs that failed to register by the deadline were terminated.

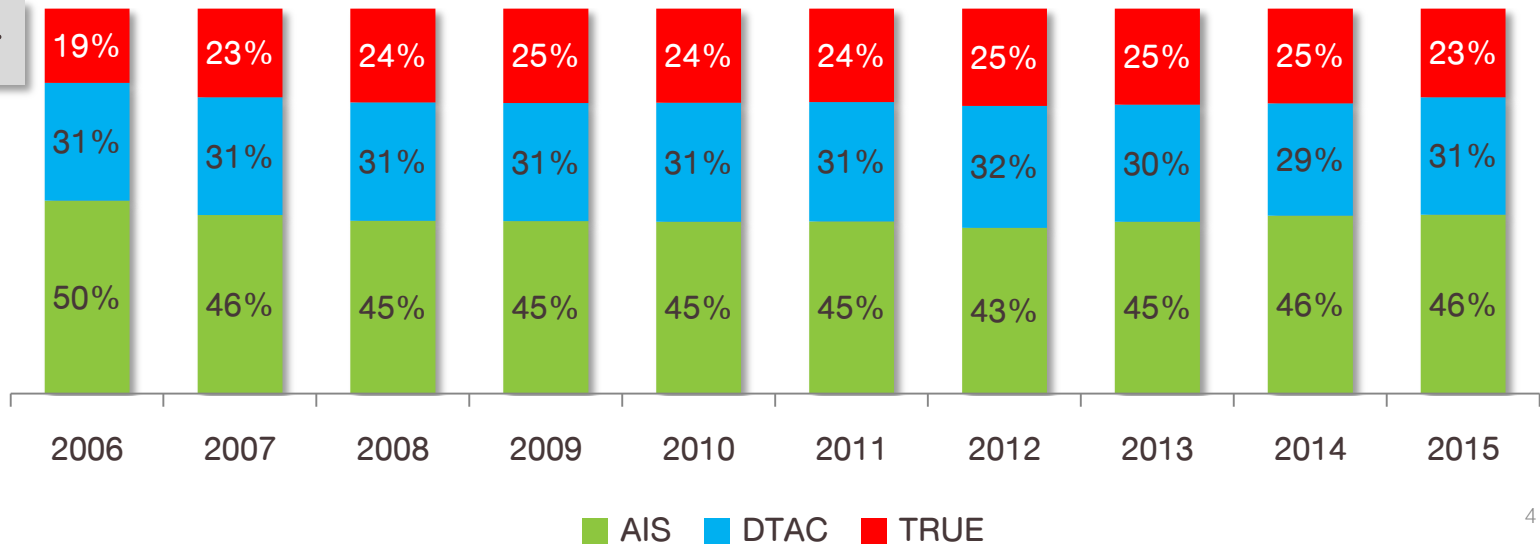
# Market share



## By revenue



## By subscriber



# Spectrum allocation



	Spectrum	Bandwidth	Deployment	Scheme	Expiry
	2.1GHz	15MHz	3G/4G	License from NBTC	2027
	1800MHz	15MHz	4G	License from NBTC	2033
	900MHz	10MHz	2G/3G/4G	License from NBTC	2031
	2.1GHz	15MHz	3G/4G	License from NBTC	2027
	1800MHz	45MHz	25MHz 2G/4G 20MHz unused	Concession with	2018
	850MHz	10MHz	3G	Concession with	2018
	2.1GHz	15MHz	3G/4G	License from NBTC	2027
	1800MHz	15MHz	2G/4G	License from NBTC	2033
	850MHz	15MHz	3G	Contract with	2026
	900MHz	10MHz	TBC	License from NBTC	2031
	2.1GHz	15MHz	Pending for partnership deal	License from NBTC	2025
	2.3GHz	64MHz	Rural communications	License from NBTC	2025

# Key milestones of Thai telecom



1990

## BTO contract

- Telecommunications services in Thailand were provided exclusively through two state enterprises, i.e. TOT and CAT. The TOT's primary responsibility was to provide domestic telephone service while the CAT focused on international services.
- The private operator could only operate business with the state enterprises in form of **Build-Transfer-Operate (BTO) Contract**. BTO contract started during early 1990s with the terms of 25-27 years.

Under BTO contract, mobile operator is entitled to

- ***Build*** and raise capital for investment in the cellular network
- ***Transfer*** the network ownership to the grantor (TOT/CAT)
- ***Operate*** the network and service commercially
- ***Share revenue*** with the grantor of 20-30%

2000

## Liberalized telecom industry

**Frequency Allocation Act B.E.2543 (A.D.2000)** was enacted and stipulated the National Telecommunications Commission (NTC), an independent regulator, to be formed.

# Key milestones of Thai telecom



2004

NTC

- The first independent regulator, the **National Telecommunication Committee (NTC)**, was formed and consisted of 7 members.

2007

Interconnection  
charge  
(IC)

- NTC established interconnection regulation. The three operators i.e. AIS, DTAC and TRUE signed IC contracts at Bt1/minute\*\*.

*(\*\*IC rate was changed to Bt0.45/min, started 1 July 2013)*

2010

Mobile Number  
Portability  
(MNP)

- Operators provide **Mobile Number Portability** Service (MNP) to enable customers to retain their mobile numbers when changing subscription from one operator to another.

# Key milestones of Thai telecom



2010

**NBTC**  
**(license base)**

- The new law of “Frequency Allocation Act B.E.2553 (A.D.2010) ” was enacted in December 2010. The law stipulated the new regulators called **the national broadcasting and telecommunication commission (NBTC)** to regulate the telecom and broadcasting industries.

## The NBTC commissioners

- 11 members with expertise in telecommunications, radio, TV broadcasting, education, culture, economics, public laws, security and consumer protection
- selected by the senate
- 6 years term and shall not be re-appointed

2012

**3G 2.1GHz**  
**auction**

- NBTC officially granted 3 licenses of 2x15MHz each on 2.1GHz spectrum to operators on December 7, 2012
- The license scheme includes upfront bidding fee and annual license fee paid to NBTC.

2015

**1800MHz auction**

- On November 25 and December 4, 1800MHz licenses were granted to AIS and TRUE respectively.

2016

**900MHz auction**

- A 900MHz licenses were granted to TRUE in March and AIS in June.



# Key milestones of Thai telecom



**2016**

**Draft of new  
Frequency  
Allocation Act**

- The cabinet proposed a draft of new Frequency Allocation Act in April for the National Legislative Assembly to consider.
- The amendment is to support national policy and plan on Digital Economy.

## Expected key changes

- Number, qualification and selection process of NBTC commissioners
- Open for more options in frequency allocation, not restricted to auction only
- Only one NBTC to govern both telecom and broadcast

**2017**

**Completion of  
NBTC term**

- The NBTC commissioners will complete their term in 2017.
- During the interim period for setting up a new board, this existing board will continue to cover the duty.

**2018**

**1800MHz and  
850MHz  
concession**

- Concession of 1800MHz (45MHz bandwidth) and 850MHz (10MHz bandwidth) spectra under DTAC will be expired.

# Regulatory fee structure



## Type 3 License fee\*

Annual license fee	1.5%	of revenue
USO Fee	3.75%	of revenue after deductible items
<b>Total license fee</b>	<b>5.25%</b>	

\*Type 3 license is categorized by NBTC as facility-base (require investment in network infrastructure e.g. fixed-line, mobile, IDD). The other two types of licenses (e.g. ISP) are subject to different fee structure.

## Numbering fee

2 baht / number / month	To NBTC
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## Interconnection Charge (IC)

or **termination charge** is a bi-lateral agreement charge levied by network operators on other service providers to recover the costs of the interconnection facilities provided by the network operators.

2007	1 baht / minute
1 July 2013	0.45 baht / minute
1 July 2015	0.34 baht / minute

# AIS

## Background

# AIS's key milestones



- 1986** • Advanced Info Service Plc. was established to operate computer services
- 1990** • Received a 20-year concession from the Telephone Organization of Thailand to undertake the installation and operation of a mobile telephone service using the 900MHz for analog system
- 1991** • Listed in the Stock Exchange of Thailand
- 1994** • Started operations of Digital GSM mobile service
- 1999** • Mobile subscribers exceeded 1 million since March 1999
- 1999** • Prepaid Digital GSM mobile phone system was launched under the brand One-2-Call!
- 1999** • Singapore Telecom Investment Private Ltd. acquired 18.63% of the issued shares capital of AIS
- 2001** • Launched GPRS service for high speed data transmission
- 2003** • Launched EDGE covering key provinces throughout Thailand
- 2012** • Advanced Wireless Network (AWN) , AIS's subsidiary, was officially awarded 2.1GHz license from NBTC
- 2013** • 3G 2.1GHz network covered 77 provinces within only eight months
- 2015** • AWN was officially awarded 1800MHz license from NBTC
- 2016** • AWN was officially awarded 900MHz license from NBTC
- 2016** • 4G service launched in January

# AIS as a Digital Life Service Provider



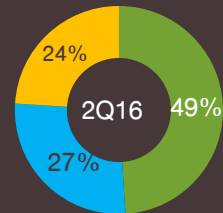
## Fixed broadband

Lead market with fibre optic technology and attractive price plans

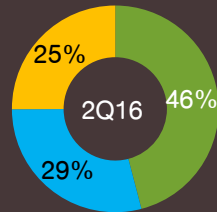


Aim to be a major player within 3-5 years

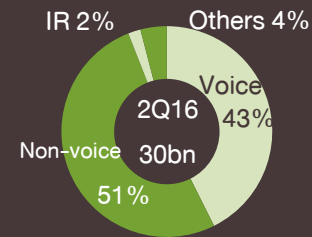
## Mobile business



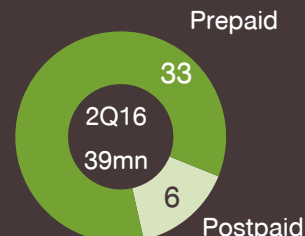
Service revenue market share



Subscriber market share



Service revenue breakdown



Subscriber breakdown

## Digital content

Focus in video, game, mobile banking, cloud and M2M



Deal with partners on revenue sharing basis

# Current spectrum portfolio



## 2100MHz

15MHz bandwidth

License until 2027

**Fully deployed for 3G**

Over 98% population coverage

30,000 3G base stations



## 1800MHz

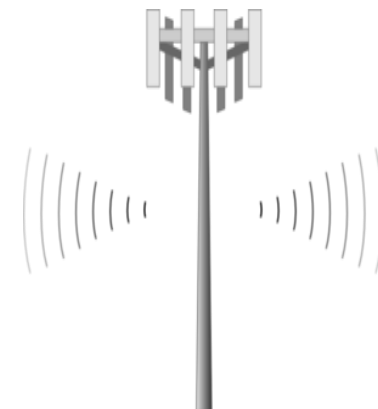
15MHz bandwidth

License until 2033

**Fully deployed for 4G**

Available in 77 provinces in Thailand

10,000+ 4G base stations



## 900MHz

10MHz bandwidth

License until 2031

**5MHz for 2G:** serving 2G customers while continuing migration

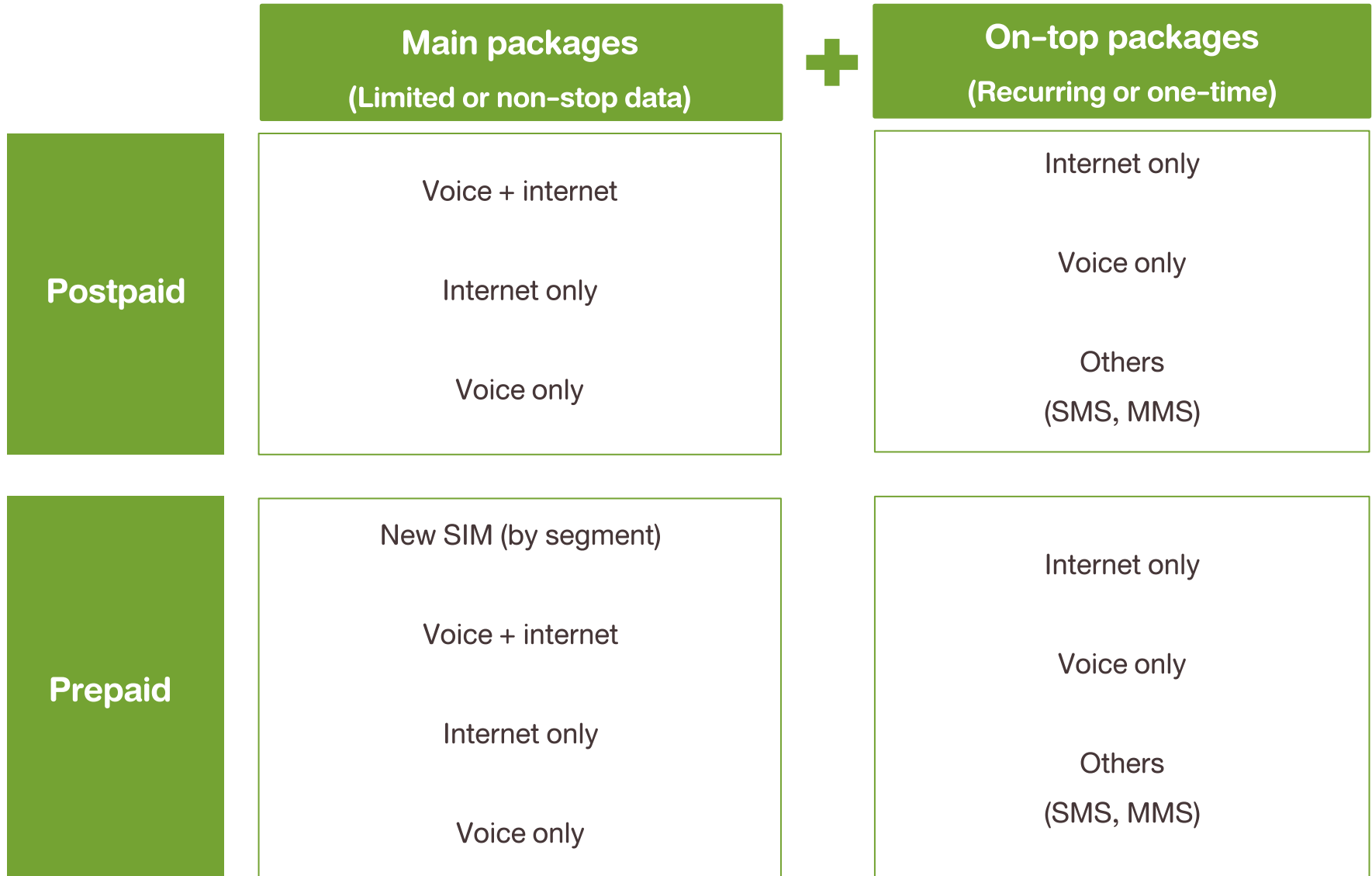
**5MHz for 3G/4G:** depending on demand in different locations



# Mobile:



variety of plans to cater customer needs

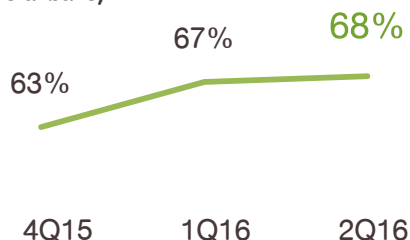


# Mobile: increasing data usage to drive revenue growth



Smartphones and 4G phones are more popular due to affordable prices

Smartphone Penetration  
(on total base)



4G handsets on AIS customer base  
= 7.5mn subs

Attractive pricing helps boost data usage



Growing active data users

Postpaid



Postpaid

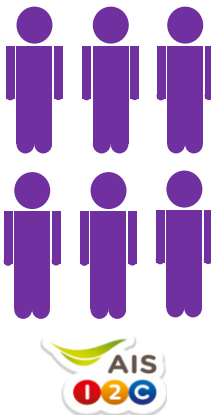
data users

76%

Total postpaid

5.8mn subs

Prepaid



Prepaid

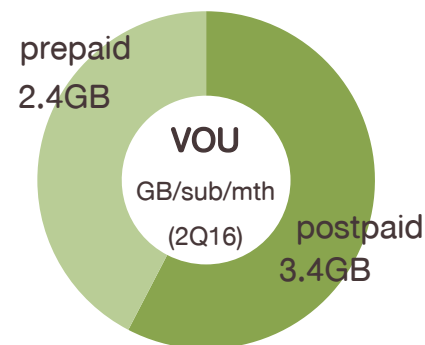
data users

53%

Total prepaid

33.5mn subs

Accelerating VoU



Mobile data revenue

Bt14bn

+25% YoY

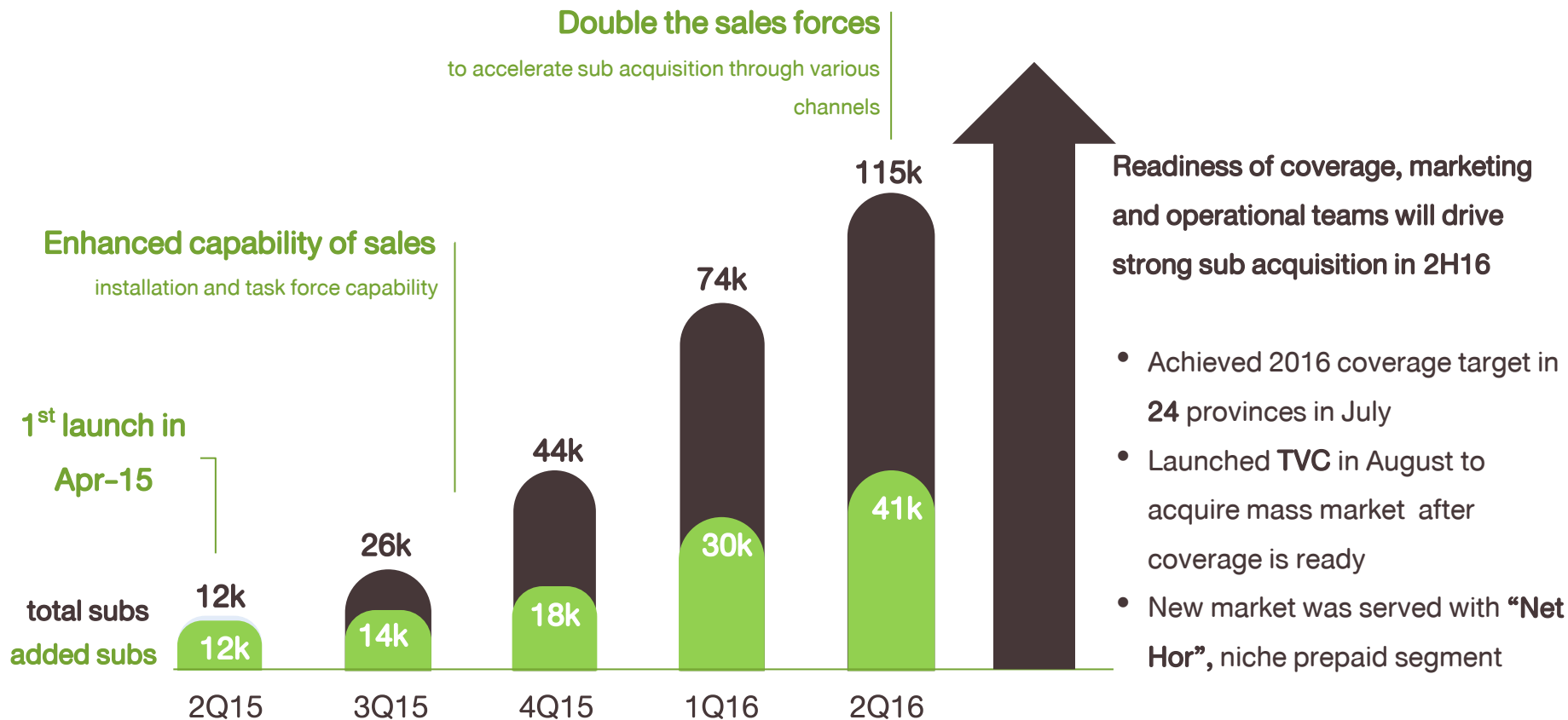
(contributing 45% of service revenue ex. IC in 2Q16)



# Fixed broadband:



Ramp up after building service foundation in 2015



Leverage existing channels  
and build new ones



AIS shop+  
Telewiz



Web+  
Call center



Authorized  
dealers



Direct  
sales

# Digital service: Newly launched AIS Business Cloud



VIDEO

GAME

MOBILE  
MONEY

CLOUD

M2M



**AIS Business Cloud** with a vision to be **Thailand's Leading Cloud Service Provider**

- Target : business customers of all sizes with
  - (1) Nationwide 4G and fibre network,
  - (2) AIS's best in country, state-of-the-art data center facilities,
  - (3) Best-in-class cloud software including the microsoft 365, VMware NSX, NetAPP, Check Point and many more,
  - (4) Professional manage service teams to enable AIS to be end-to-end single service provider.
- Opportunity : to expand AIS to the new revenue stream under digital business for B2B and B2B2C in every industry.



## Managed Services

24x7 service & monitoring, IT professional services, IT consultancy



## Software as a Service

Top quality, wide varieties of cloud application services



## Backup as a Service

The world class secured "banking level" backup services



## Infrastructure as a Service

The first in Thailand secured build-in network virtualization infrastructure



## Data Centers

The best Tier-4 data centers in Thailand



## Networks of Businesses

The largest local fibre and wireless networks with global alliances

# Distribution Channels



## + 400,000 electronic top-up channels



ATM



Refill on Mobile



eService



mPay



Auto Topup

Representing approx. 80%  
of all top-up value

## Nationwide physical channels



**100+** AIS Shops

**400+** Telewiz shops

**1,000+** AIS Buddy

**20,000+** retail shops

**10,000+** Chain stores & modern trades

# 2Q16 Financial Highlights



Bt million	2Q15	1Q16	2Q16	% YoY	% QoQ	1H15	1H16	%YoY
Service revenue ex. IC	30,468	30,148	30,169	▼1.0%	▲0.1%	60,778	60,317	▼0.8%
Sales revenue	5,733	5,663	4,882	▼15%	▼14%	14,020	10,545	▼25%
Total revenue ex. construction	38,123	37,252	36,482	▼4.3%	▼2.1%	78,660	73,735	▼6.3%
Cost of service ex. IC	13,217	12,693	11,309	▼14%	▼11%	26,921	24,002	▼11%
Total SG&A	4,876	8,095	6,460	▲33%	▼20%	9,552	14,555	▲52%
NPAT	9,849	8,073	9,596	▼2.6%	▲19%	19,746	17,669	▼11%
EBITDA	18,068	13,415	17,012	▼5.8%	▲27%	36,141	30,427	▼16%
EBITDA margin	47.4%	36.0%	46.6%	▼80bps	▲1,060bps	45.9%	41.3%	▼460bps
Normalized EBITDA (Excluded one-time item in 1Q16)	18,068	15,623	17,012	▼5.8%	▲8.9%	36,141	32,635	▼9.7%
Sales margin	2.0%	-0.3%	2.3%	▲30bps	▲260bps	3.1%	0.9%	▼220bps
Capex	8,883	12,102	11,693	▲32%	▼3.4%	16,048	23,795	▲48%
EPS	3.31	2.72	3.23	▼2.4%	▲19%	6.64	5.94	▼11%

# AIS's operational highlights



	Subscribers (million)			ARPU (baht/sub/month)			MOU (min/sub/month)			VOU (GB/sub/month)		
	Postpaid	Prepaid	Total	Postpaid	Prepaid	Blended	Postpaid	Prepaid	Blended	Postpaid	Prepaid	Blended
2015	5.4	33.1	<b>38.5</b>	612	195	<b>254</b>	330	286	<b>292</b>	2.4	1.9	<b>2.0</b>
2014	4.9	39.4	<b>44.3</b>	639	179	<b>222</b>	373	256	<b>269</b>	1.7	1.5	<b>1.6</b>
2013	4.3	36.6	<b>40.9</b>	666	192	<b>236</b>	429	294	<b>308</b>	1.4	0.4	<b>0.6</b>
2012	3.7	32.0	<b>35.7</b>	683	210	<b>258</b>	483	324	<b>340</b>			
2011	3.3	30.2	<b>33.5</b>	687	206	<b>253</b>	533	316	<b>338</b>			
2010	3.1	28.1	<b>31.2</b>	645	197	<b>241</b>	532	292	<b>316</b>			
2009	2.9	25.9	<b>28.8</b>	641	194	<b>239</b>	534	255	<b>283</b>			
2008	2.6	24.7	<b>27.3</b>	678	195	<b>241</b>	544	242	<b>270</b>			
2007	2.3	21.8	<b>24.1</b>	728	229	<b>279</b>	568	239	<b>271</b>			
2006	2.2	17.3	<b>19.5</b>	831	264	<b>328</b>	544	214	<b>251</b>			



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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.

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