



Please note that all financial figures and analyses are based on the previous accounting policy (IAS 17 & 18) for both 2018 and 2019, unless otherwise stated.

Executive Summary

In FY19, dtac focused on continuation of network improvement and customer experience enhancement, with the rollout and optimization of 2300 MHz network in order to provide a consistent customer experience. Network NPS improved and network complaints reduced significantly in this year.

At the end of FY19, a total of approximately 17,400 nodes of 4G-2300 MHz network were installed, an additional of approximately 4,700 during the year.

In FY19, dtac also participated in the 700 MHz allocation and got allocated 2x10 MHz of 700 MHz with validity of 15 years in which the license is scheduled to commence potentially in Q420. 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 FY19.

The swapping of 850 MHz equipment with 900 MHz equipment is planned to be concluded in 2020 as some delays expected, pending filter installation by CAT and finalizing funding for cost of filter installation. Regulatory process is still ongoing, however, more clarity is expected in Q120.

Market was relatively rational both in prepaid segment and postpaid segment when compared with last year and growing overall driven by strong demand for data and shift towards postpaid. While competition in postpaid was relative stable in FY19, unlimited prepaid acquisition data packages were removed in Q219 and got replaced by aggressive fixed data volume packages with unlimited anynet voice in Q319 by all operators. Heightened activities were observed in Q419 with unlimited prepaid acquisition data package reintroduced nationwide by all operators.

At the end of FY2019, total subscriber base stood at 20.6 million, with positive net additional subscribers in Q419 (both prepaid and postpaid). Approximately 31 percent of total subscriber base were postpaid subscribers.

Service revenues excluding IC in Q419 increased by 3.1% YoY, bringing a reduction of service revenues excluding IC in FY19 to 1.6% YoY. Core service revenues (defined by bundle of voice and data service revenues) in FY19 increased by 0.1% YoY. Blended ARPU improved YoY in FY19, mainly driven by upsell and higher toppings. EBITDA (before other items) dropped 9.3% YoY in FY19 primarily due to cost base reset from end of concession with higher network OPEX from expanded network, as well as CAT lease costs, partially offset by a reduction in regulatory costs. EBITDA margin for FY19 was 31.3%. However, excluding revenues from CAT lease agreements and TOT network rental, EBITDA margin stood at 35.6%. Net profit for FY19 amounted to THB 5,899 million.

In FY19, dtac made all payments under the Disputes Settlement Agreement with CAT, subsequent to relevant court orders for cases withdrawal.

Our guidance for FY20 includes a low single-digit growth in service revenue (excluding IC), a mid single-digit growth in EBITDA and THB 13 – 15 billion CAPEX.



Significant change in accounting policy

Adoption of the Thai Financial Reporting Standard No. 15 & 16 (TFRS 15 & 16)

The Company and its subsidiaries adopted TFRS 15 using the modified retrospective method of adoption of which the cumulative effect is recognized as an adjustment to the retained earnings as at 1 January 2019, and the comparative information was not restated. The Company and its subsidiaries elect to apply the practical expedients by not restating completed contracts as at 1 January 2019 for which the entity has transferred all of the goods or services identified in accordance with the previous accounting policy.

During the period, the Company and its subsidiaries have early adopted the TFRS 16 Leases which is effective for fiscal periods beginning on or after 1 January 2020 using the modified retrospective method of adoption.

The Company and its subsidiaries have recognized the effect of initial applying TFRS 16 and the comparative information was not restated. The Company and its subsidiaries elect to apply TFRS 16 to leases previously classified as operating leases by recognizing lease liabilities as of 1 January 2019 at the present value of lease payment to be made over the remaining lease term which is discounted by the Incremental Borrowing Rate of the Company and subsidiaries as of the initial application date and recognizing right-of-use assets at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position before the date of initial application.

There is no effect of the changes in accounting policies due to the early adoption of TFRS 16 Leases on the beginning balance of retained earnings for 2019.

The amounts of adjustments affecting the statements of financial position as at 31 December 2019 and the income statements for the year ended 31 December 2019 due to the adoption of TFRS 15 and TFRS 16 are summarized below (only affected items).

(THB million)	Previous accounting policy	Adjustments from TFRS 15	Adjustments from TFRS 16	Current accounting policy
Statement of financial position				
Assets				
Trade and other receivables	9,615	176	-	9,791
Lease receivable - current portion	-	-	382	382
Other current assets	3,916	189	(1,298)	2,807
Property, plant and equipment	55,400	-	(1,506)	53,894
Prepaid expenses and deferred expenses	2,455	-	(2,331)	124
Cost of spectrum license	50,235	-	(50,235)	-
Right-of-use assets - cost of spectrum licenses	-	-	50,235	50,235
Right-of-use assets	-	-	23,664	23,664
Other intangible assets	1,699	-	(35)	1,664
Deferred tax assets	5,607	(109)	98	5,596
Lease receivable - net of current portion	-	-	6,102	6,102
Other non-current assets	3,966	178	(1,219)	2,925
Liabilities				
Trade and other payables	26,708	-	(18)	26,690
Unearned revenue from telephone service	1,861	(5)	-	1,856
Lease liabilities - current portion	-	-	4,454	4,454
Lease liabilities - net of current portion	-	-	20,103	20,103
Other non-current liabilities	295	-	(290)	5
Shareholders' equity				
Equity attributable to owners of the Company	24,920	439	(393)	24,966



(THB million)	Previous accounting policy	Adjustments from TFRS 15	Adjustments from TFRS 16	Current accounting policy
Income statement				
Revenue from telephone services	64,213	(880)	-	63,333
Revenue from sales of telephone sets and starter kits	7,799	830	-	8,629
Other operating income	10,137	-	(931)	9,206
Other income	36	-	-	36
Cost of sales and services	(57,294)	-	1,180	(56,114)
Selling, distribution and services expenses	(4,689)	(59)	31	(4,717)
Administrative and other expenses	(10,627)	-	(86)	(10,713)
Finance cost	(2,584)	-	(685)	(3,269)
Income tax expenses	(1,089)	22	98	(969)
Profit for the period	5,902	(87)	(393)	5,422

The nature of these adjustments are described below:

TFRS 15

- Revenue allocation of sales of goods and services - The Company and its subsidiaries consider the income component of the sale of products and services, by allocating revenues in proportion to the delivered products and the obligations to be performed in providing services that are included in the contract using the basis of standalone selling prices of different products or services as obligated in the contract.
- Commission paid to obtain a contract - The Company and its subsidiaries have determined that commission paid to obtain a customer contract should be recorded as an asset and amortized to expenses at the same time as the revenue under the contract is recognized.

TFRS 16

- Leases previously accounted for as operating leases - The Company and its subsidiaries recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases (those leases that have a lease term of 12 months or less from the commencement date and not contain a purchase option) and leases of low-value assets. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. The right-of-use assets include the assets retirement obligation which were reclassified from the property, plant and equipment to this right-of-use assets.
- Cost of spectrum licenses - The Company and its subsidiaries have determined to apply TFRS 16 on cost of spectrum licenses under the specified frequency bands, which have been allocated for the Company and its subsidiaries' operation and have been considered as identified asset, by reclassifying the cost of spectrum licenses to right-of-use assets - cost of spectrum licenses.



Operational Summary

At the end of FY2019, total subscriber base stood at 20.6 million, declining 560k from the end of last year, due to the decline in prepaid segment from end of concession and remedy period as well as seasonal and rotational churn, which was partly offset by growth in postpaid segment. Prepaid subscriber base was 14.2 million, declining 917k from FY2018 but increasing 181k QoQ in Q419. Postpaid subscriber base increased by 357k to 6.4 million.

Average Revenue per User excluding IC (ARPU) for FY2019 was THB 254 per month, showing a growth of 5.0% YoY. At the end of FY2019, postpaid subscriber base accounted for approximately 31% of total subscriber base. Postpaid ARPU for FY2019 was THB 549 per month, increasing 3.1% YoY, while prepaid ARPU was THB 137 per month, dropped 4.1% YoY, driven by lower prepaid revenue.

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 17,400 at end of FY2019, increasing by approximately 4,700 base stations from FY2018. The number of 4G users was 11.7 million, representing approximately 57% of total subscriber base, while the number of 4G compatible device increased to 78% of total subs base. Smartphone penetration increased to 85%.

Active subscribers (in thousand)	Q418	Q319	Q419	%QoQ	%YoY	FY2018	FY2019	%YoY
Postpaid (under concession from CAT)	-	-	-	n/a	n/a	-	-	n/a
Prepaid (under concession from CAT)	-	-	-	n/a	n/a	-	-	n/a
Postpaid (under licenses)	6,071	6,382	6,427	0.7%	5.9%	6,071	6,427	5.9%
Prepaid (under licenses)	15,131	14,033	14,214	1.3%	-6.1%	15,131	14,214	-6.1%
Total active subscribers	21,202	20,416	20,642	1.1%	-2.6%	21,202	20,642	-2.6%
Net additional subscribers (in thousand)	Q418	Q319	Q419	%QoQ	%YoY	FY2018	FY2019	%YoY
Postpaid	94	79	45	-42.8%	-52.2%	434	357	-17.7%
Prepaid	(191)	(295)	181	-161.3%	194.7%	(1,884)	(917)	-51.3%
Total net additional subscribers	(97)	(217)	226	-204.4%	333.0%	(1,450)	(560)	-61.4%
MoU (minutes/sub/month)	Q418	Q319	Q419	%QoQ	%YoY	FY2018	FY2019	%YoY
Postpaid	238	225	216	-3.7%	-9.2%	243	223	-8.3%
Prepaid	97	85	85	0.2%	-12.7%	104	85	-18.4%
Blended MoU	135	125	123	-1.5%	-8.4%	140	124	-11.0%
Postpaid excluding Incoming minutes	168	158	150	-4.6%	-10.5%	172	156	-9.2%
Prepaid excluding Incoming minutes	73	62	61	-0.9%	-16.4%	80	62	-21.6%
Blended MoU excluding Incoming minutes	99	90	87	-2.4%	-11.3%	103	89	-13.6%
ARPU (THB/sub/month)	Q418	Q319	Q419	%QoQ	%YoY	FY2018	FY2019	%YoY
Postpaid	550	574	578	0.7%	5.2%	552	567	2.9%
Prepaid	142	147	143	-2.4%	0.8%	148	142	-4.3%
Blended ARPU	251	271	271	0.1%	8.0%	251	263	4.8%
Postpaid excluding IC	530	555	559	0.8%	5.5%	532	549	3.1%
Prepaid excluding IC	137	142	138	-2.5%	1.0%	142	137	-4.1%
Blended ARPU excluding IC	242	261	262	0.1%	8.3%	242	254	5.0%

ARPU (THB/sub/month) - (Post-TFRS 15)	Q418	Q319	Q419	%QoQ	%YoY	FY2018	FY2019	%YoY
Postpaid	550	562	565	0.5%	2.8%	552	555	0.6%
Prepaid	142	147	144	-2.2%	0.9%	148	142	-4.2%
Blended ARPU	251	267	267	0.0%	6.5%	251	260	3.4%
Postpaid excluding IC	530	543	546	0.6%	3.0%	532	536	0.7%
Prepaid excluding IC	137	142	138	-2.4%	1.2%	142	137	-4.1%
Blended ARPU excluding IC	242	258	258	0.0%	6.7%	242	251	3.5%



Financial Summary

Revenues

Total revenues in FY19 amounted to THB 82,146 million, increasing 9.1% YoY, due to higher core service revenues and TOT 2300 MHz network rental. Service revenues excluding IC decreased 1.6% YoY to THB 62,109 million.

Core service revenues (defined by bundle of voice and data service revenues) in FY19 amounted to THB 58,853 million, increasing 0.1% YoY, driven by improved prepaid subscriber development and continuous growth in postpaid.

International Roaming (IR) revenues in FY19 amounted to THB 831 million, decreasing 26.3% YoY mainly from the general trend, intense competition and lower traffic.

Other service revenues in FY19 amounted to THB 2,425 million, a reduction of 24.1% YoY, mainly due to continued declining trend in IDD revenues.

Handset and starter kit sales in FY19 amounted to THB 7,798 million, slightly increasing 0.4% YoY.

Cost of Services

Cost of services excluding IC in FY19 amounted to THB 44,550 million, decreasing 1.4% YoY mainly driven by lower regulatory and amortization expenses of assets under concession, which were partly offset by higher amortization expenses of 1800 MHz and 900 MHz spectrum licenses, lease expenses of assets under concession to CAT, and costs related to partnership with TOT on 2300 MHz wireless business.

Regulatory costs in FY19 amounted to THB 2,634 million, declining 57.9% YoY, after end of the concession and remedy period. As a result, regulatory costs in FY19 accounted for 4.2% of service revenue (excluding IC), which decreased significantly from 9.9% in FY18.

Network OPEX in FY19 amounted to THB 12,094 million, increasing 42.7% YoY due to network expansion and lease expenses to CAT. Furthermore, net CAT payment in FY19 amounted to THB 2,721 million, increasing 209.9% YoY.

Other operating costs of services in FY19 amounted to THB 15,279 million, increasing 144.6% YoY, due to the 2300 MHz roaming cost paid to TOT. Net YoY increase from TOT's 2300 MHz roaming cost, net of corresponding revenues, was approximately THB 1,729 million in FY19.

Depreciation and Amortization (D&A) of costs of services in FY19 amounted to THB 14,544 million, declining 39.9% YoY, 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 FY19 amounted to 15,317 million, increasing 3.1% YoY due to higher general administrative expenses and depreciation and amortization.

Selling and Marketing (S&M) expenses in FY19 amounted to THB 4,690 million, decreasing 1.9 YoY due to well-control spending.

General administrative expenses in FY19 amounted to THB 8,296 million, increasing 5.8% YoY primarily from one-off expenses network operating model transition cost and loss from sales of assets.

Provision for bad debt in FY19 amounted to THB 1,341 million, decreasing 2.2% YoY.

Depreciation and Amortization (D&A) of SG&A in FY19 amounted to THB 921 million, increasing 6.5% YoY.

EBITDA and Net Profit

EBITDA (before other items) in FY19 amounted to THB 25,741 million, declining 9.3% YoY mainly driven by higher network OPEX from expanded network, as well as CAT lease costs, partially offset by a reduction in regulatory costs. As a result, EBITDA margin (excluding revenues from CAT lease agreements and TOT network rental) was 35.6% in FY19, declining from 38.4% in FY18.



Net profit for FY19 amounted to THB 5,899 million, increasing 69.4% YoY excluding CAT settlement in Q418.

Balance Sheet and Key Financial Information

At the end of FY19, total assets amounted to THB 143,049 million, decreasing from THB 150,958 million at the end of FY18. Cash and cash equivalent amounted to THB 8,528 million, decreasing from THB 14,090 million at the end of FY18 due mainly to one-off CAT settlement. Interest-bearing debt increased from THB 47,000 million at the end of FY18 to THB 49,000 million. Net debt to EBITDA was 1.6x, increasing from 1.2x at the end of FY18.

CAPEX in FY19 amounted to THB 13,006 million which reflected continue network rollout. Operating cash flow (defined by EBITDA-CAPEX) amounted to THB 12,735 million.

Statement of financial position (THB million) (Pre-TFRS 15 & 16)	End of FY2018	End of FY2019
Cash and cash equivalent	14,090	8,528
Other current assets	14,427	14,619
Non-current assets	122,441	119,901
Total assets	150,958	143,049
Current liabilities	53,208	55,751
Non-current liabilities	75,820	62,379
Total liabilities	129,028	118,129
Total shareholders' equity	21,930	24,919
Total liabilities and equity	150,958	143,049

Outlook 2020

In FY2020, we aim to create YoY growth and setting the enablers for a 5G future. Our focuses will be “Never stop improving” the customer experience, getting the enablers ready for 2021 and beyond, and creating the new buckets of growth.

2020 guidance:

- Service revenue excluding IC: Low single-digit growth
- EBITDA: Mid single-digit growth
- 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 Company for 2019, the Board has approved an annual dividend of THB 1.61 per share, subject to shareholders’ approval at the Annual General Meeting 2020. The Record Date will be 12 February 2020 and the payment is scheduled to be made on 24 April 2020.

Cash flows statement (THB million) (Pre-TFRS 15 & 16)	FY2018	FY2019
Cash flows from operating activities	21,084	16,373
Cash paid for interest expenses and tax	(2,828)	(3,157)
Net cash flows from operating activities	18,256	13,216
Net cash flows from investing activities	(25,238)	(17,794)
Net cash receipt/(Repayment)	(2,015)	2,000
Dividend paid	(2,960)	(2,983)
Net cash flows from financing activities	(4,975)	(983)
Net change in cash	(11,957)	(5,562)



Income statement (THB million) - (Pre-TFRS 15 & 16)	Q418	Q319	Q419	%QoQ	%YoY	FY2018	FY2019	%YoY
Core service revenues (Voice & Data)*	14,346	15,000	15,032	0.2%	4.8%	58,796	58,853	0.1%
IR revenues	256	161	210	30.0%	-18.0%	1,127	831	-26.3%
Other service revenues	710	599	549	-8.3%	-22.6%	3,197	2,425	-24.1%
Service revenues ex. IC	15,311	15,760	15,791	0.2%	3.1%	63,120	62,109	-1.6%
IC revenue	550	530	546	3.2%	-0.7%	2,204	2,102	-4.6%
Service revenues	15,861	16,290	16,338	0.3%	3.0%	65,325	64,211	-1.7%
Handsets and starter kits sales	2,166	1,535	2,544	65.8%	17.4%	7,769	7,798	0.4%
Other operating income	1,208	2,710	2,812	3.7%	132.8%	2,196	10,136	361.6%
Total revenues from sales and services	19,235	20,535	21,693	5.6%	12.8%	75,290	82,146	9.1%
Cost of services	(10,033)	(11,893)	(12,209)	2.7%	21.7%	(47,455)	(46,745)	-1.5%
Regulatory	(1,271)	(681)	(641)	-5.8%	-49.5%	(6,262)	(2,634)	-57.9%
Network	(3,014)	(3,041)	(3,045)	0.1%	1.0%	(8,475)	(12,094)	42.7%
IC	(555)	(541)	(538)	-0.6%	-3.1%	(2,275)	(2,195)	-3.5%
Others	(2,420)	(3,931)	(4,260)	8.4%	76.1%	(6,246)	(15,279)	144.6%
Depreciation and Amortization	(2,772)	(3,698)	(3,724)	0.7%	34.4%	(24,197)	(14,544)	-39.9%
Cost of handsets and starter kits	(2,961)	(2,130)	(3,369)	58.1%	13.8%	(9,825)	(10,549)	7.4%
Total costs	(12,993)	(14,023)	(15,578)	11.1%	19.9%	(57,280)	(57,294)	0.0%
Gross profit	6,242	6,511	6,115	-6.1%	-2.0%	18,010	24,852	38.0%
SG&A	(3,976)	(3,655)	(4,425)	21.1%	11.3%	(14,851)	(15,317)	3.1%
Selling & Marketing expenses	(1,491)	(1,173)	(1,274)	8.6%	-14.6%	(4,778)	(4,690)	-1.9%
General administrative expenses	(1,935)	(1,912)	(2,551)	33.4%	31.8%	(7,844)	(8,296)	5.8%
Provision for bad debt	(333)	(340)	(363)	6.5%	8.8%	(1,371)	(1,341)	-2.2%
Depreciation and Amortization	(217)	(229)	(238)	3.9%	9.9%	(864)	(921)	6.5%
Loss from Asset Impairment	-	-	-	-100.0%	-100.0%	6	(69)	-100.0%
Gain/Loss on foreign exchange	34	(6)	30	-637.9%	-9.3%	7	(15)	-321.9%
Interest income	49	9	13	49.0%	-72.3%	241	58	-76.0%
Other income & share of profit from investment in associated company	2	(0)	(2)	3234.7%	-174.9%	(4)	(6)	52.3%
EBIT	2,350	2,860	1,732	-39.4%	-26.3%	3,403	9,572	181.3%
Financial cost	(766)	(670)	(641)	-4.4%	-16.3%	(1,351)	(2,585)	91.3%
Corporate income tax	1,326	(355)	(161)	-54.7%	-112.2%	1,431	(1,088)	-176.1%
Non-controlling interest	(0)	(0)	0	n.m.	n.m.	(0)	0	n.m.
Net profit attributable to equity holders	2,910	1,834	930	-49.3%	-68.0%	3,482	5,899	69.4%

* Reclassification between core service revenues (voice & data) and other operating income. No impact to total revenues.

EBITDA (THB million)** - (Pre-TFRS 15 & 16)	Q418	Q319	Q419	%QoQ	%YoY	FY2018	FY2019	%YoY
Net profit for the period	2,910	1,834	930	-49.3%	-68.0%	3,482	5,899	69.4%
Finance costs	766	670	641	-4.4%	-16.3%	1,351	2,585	91.3%
Income tax expenses	(1,326)	355	161	-54.7%	-112.2%	(1,431)	1,088	-176.1%
Depreciation & Amortization	2,988	3,927	3,962	0.9%	32.6%	25,061	15,465	-38.3%
Other items	(70)	14	510	3601.3%	-829.0%	(73)	704	-1066.7%
EBITDA	5,269	6,800	6,204	-8.8%	17.7%	28,391	25,741	-9.3%
EBITDA margin	27.4%	33.1%	28.6%			37.7%	31.3%	
EBITDA margin (based on total revenues excluding revenues from CAT lease agreement and TOT network rental in the denominator)	29.0%	37.9%	32.7%			38.4%	35.6%	

** 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), end of FY2019	Loan	Debenture	Key Financial Ratio (Pre-TFRS 15 & 16)	Q418	Q319	Q419	FY2018	FY2019
In 2020	12,000	4,000	Return on Equity (%)**	13.6%	31.0%	25.2%	13.6%	25.2%
In 2021	-	2,500	Return on Asset (%)***	2.6%	8.1%	6.5%	2.6%	6.5%
In 2022	1,333	3,000	Net debt to EBITDA (times)	1.2 x	1.8 x	1.6 x	1.2 x	1.6 x
From 2023	2,667	23,500	CAPEX to Total Revenue (%)	41.5%	11.9%	17.9%	25.9%	15.8%
Total	16,000	33,000						

** Net profit attributable to equity holder (LTM) divided by average equity

*** EBIT (LTM) divided by average assets

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.