



dtac
Q1 2020

24 April 2020

Sharad Merothra, CEO
Dilip Pal, CFO

ticker symbol: DTAC

Q120 operational highlights

Pre-COVID performance in line with targets/ambitions

Impact from the outbreak mainly on tourist, acquisition and outbound roaming

Early signs that increased economic distress is leading to spending optimization across customer segments

We are taking actions to mitigate downside, while leveraging opportunity to accelerate digitization



A good quarter despite the impact from an unprecedented crisis

Continue strengthening customer experience on network

5x

Network NPS
Mar-20 vs. Mar-19

-51%

% drop in network complaints
Mar-20 vs. Mar-19



OPENSIGNAL

4G download speed
Nov-19



TUTELA
Best Mobile
Network
Experience
FEBRUARY 2020

- Network NPS trending positively
- Network complaints stable vs. Q419
- OpenSignal and Tutela awards

Momentum on postpaid continues, prepaid competition pick-up

+2.6%

Service revenue excl. IC
growth YoY in Q120

+9.0%

Postpaid revenue growth YoY
in Q120

-6.3%

Prepaid revenue growth YoY
in Q120

- Continued YoY growth in service revenue excl. IC
- Postpaid momentum continues with relatively stable competition
- Heightened competition in prepaid

Accelerate B2B focus to deliver growth story

+15%

Service revenue excl. IC*
growth YoY in Q120

+37%

Active subs growth YoY in
Q120

- Another quarter with sequential growth in service revenue excl. IC* and active subs
- Won Aerothai Connectivity project



However, Q120 results have been affected by the COVID outbreak, mainly tourist, acquisition and outbound roaming

Decline in prepaid revenue primarily from loss of active users in tourist segment

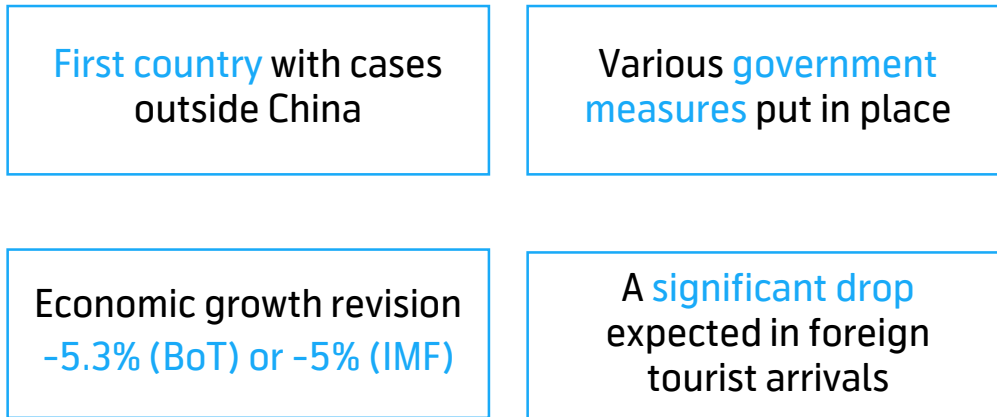
Significant decline in gross adds for both prepaid & postpaid
post-shop closure in March

Postpaid roaming revenue drop from less number of outbound travelers



COVID-19 outbreak is having deep impact on Thai people and economy

What is happening in Thailand



What do we see in terms of customer behavior

- Network volume **increase** and more importantly **shifted** to residential areas
- **Surge** in call center and digital channels
- Early indication of **spending optimization** across customer segments



We implemented a set of initiatives to remain close to customers while ensuring safety of our employees

Connecting customers to what matters most

- Offers for all prepaid and postpaid customers under the “Happy@Home” campaign
- Special price plan to support **online learning** for student and lecturer customers
- **Business Survival Solutions** specifically designed for B2B customers to save their costs
- Majority of **call center agents working remotely from home** to support customers

Partnerships to support society

- Ensuring **sufficient network capacity** in critical places
- **Working with different parts of Governments** to enable connectivity measures, facilitate information dissemination to the public and limit spread of virus
- **Empowering civil society** by facilitating donations and relief efforts

Taking care of employees

- **Business Continuity Plan** to ensure smooth business operations
- **Keeping close communication** with employees with periodic situation updates and occasional advices
- **Various initiatives** to support employees (e.g. alternate workplace, COVID-19 insurance, moratorium on employee loans, measures taken in the frontline)



This crisis is accelerating some long-term trends

Step-up digital sales and services

Flexible way of working

Automation of back-office processes to continue

Rationalized CAPEX and OPEX plans



We also won 26 GHz from the multi-band auction, strengthening our spectrum portfolio and bringing us on a 5G journey



Currently focus on overall network performance

(to support stay@home consumption)



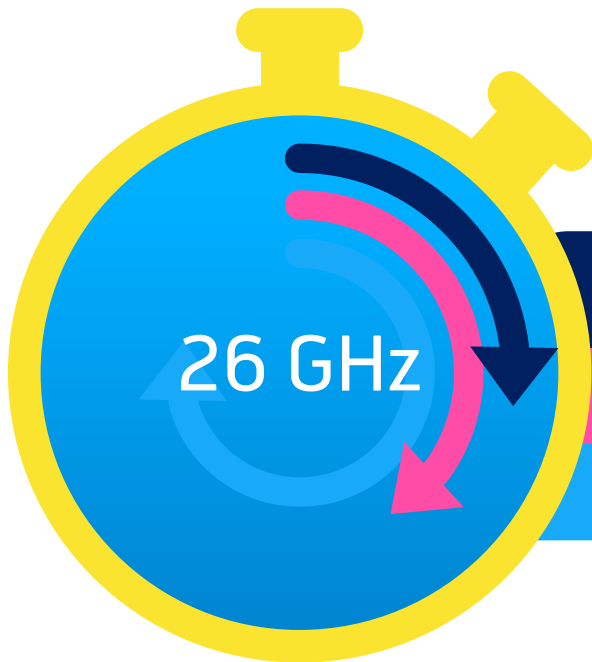
WIP for 5G on 26 GHz in limited locations early Q320

(subject to further development of COVID-19 situation)



Planned 5G launch in Q420

(subject to acquisition of 700 MHz license)



Higher speed and lower latencies than mid-band

Enables new use cases requiring fiber-like speeds

Standard 5G band in Germany, UK, Spain, France and many more





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Q120 financial highlights

Continued YoY growth in service revenue
excl. IC (+2.6% YoY in Q120)

Significant increase in data usage close to
now 16 GB per sub per month

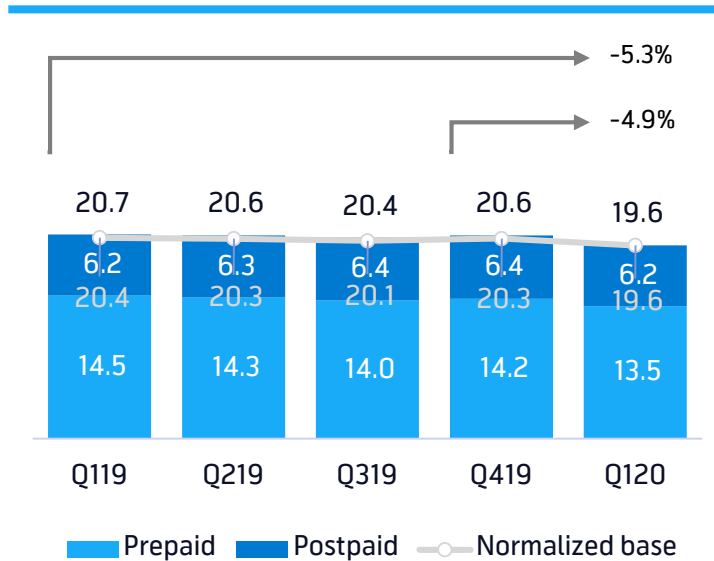
Healthy EBITDA & net profit development

Adoption of TFRS 9

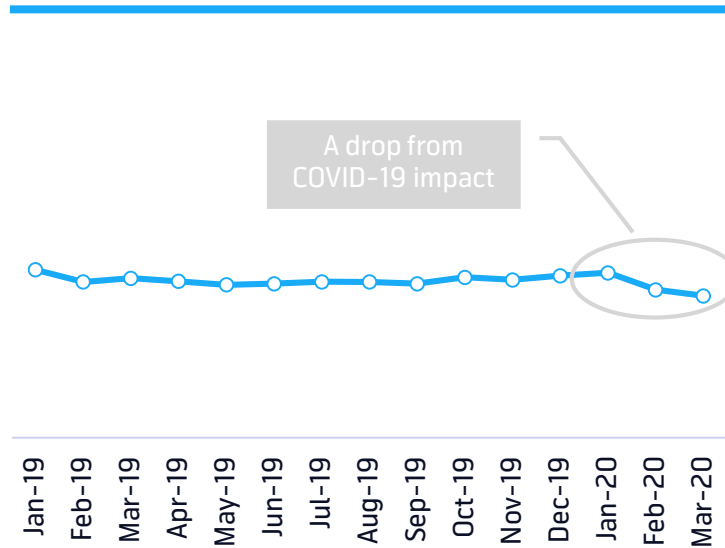


Normalized sub base reduced from aggressive competition in prepaid while monthly active users dropped from COVID-19 impact

Subscribers (mm)



Monthly active users

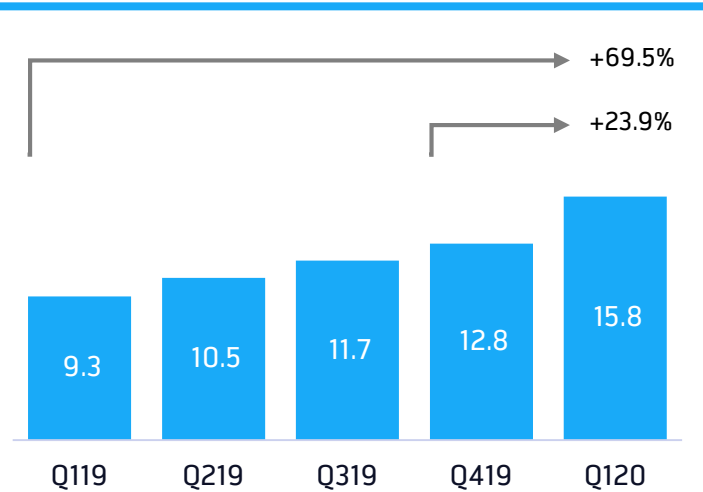


- One-time clean-up of postpaid subscription reporting in Q120
- Normalized sub loss 697K QoQ in Q120 (prepaid -744K, postpaid +47K)
- Postpaid subs accounted for 31.4% of total sub base as of Q120
- Regardless of the fluctuation of sub base during the past quarters, we have seen stabilized trend on monthly active users
- With impact from COVID-19, there was a drop in monthly active users primarily from tourists and migrants



Data usage hiked from people working from home, driven by video conferencing and delivery apps

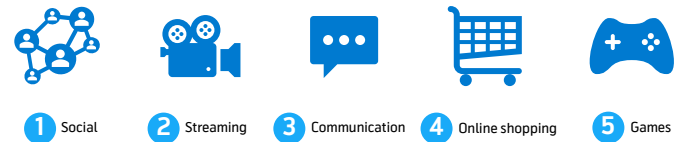
Data usage (GB/sub/month)



Top apps based on usage growth*



Top apps based on usage volume*

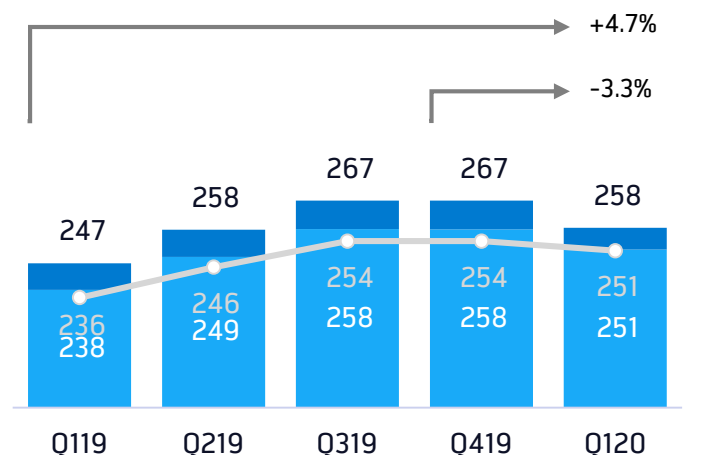


- Increasing network and digital traffic with growing web and app traffic
- Video conferencing and delivery apps having the fastest growth, driven by people working from home
- This resulted in a strong growth in data usage
- Smartphone penetration 86.9%
- Approx. 10 mm subs on 2300 MHz network



Normalized postpaid ARPU continued its uptrend while prepaid ARPU got affected by COVID-19 and competition

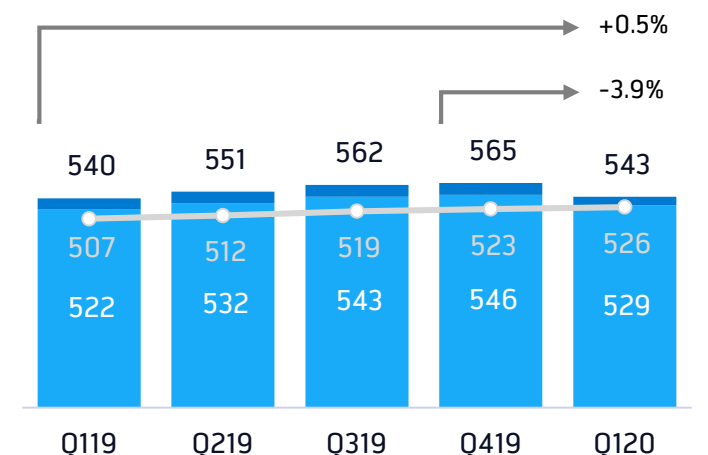
Blended ARPU (THB/sub/mth)*



■ IC ■ ARPU excl. IC —○— Normalized ARPU excl. IC

- MTR reduction in Q120 partly contributed to a drop in ARPU incl. IC
- Q120 normalized blended ARPU excl. IC was -1.2% QoQ and +6.5% YoY

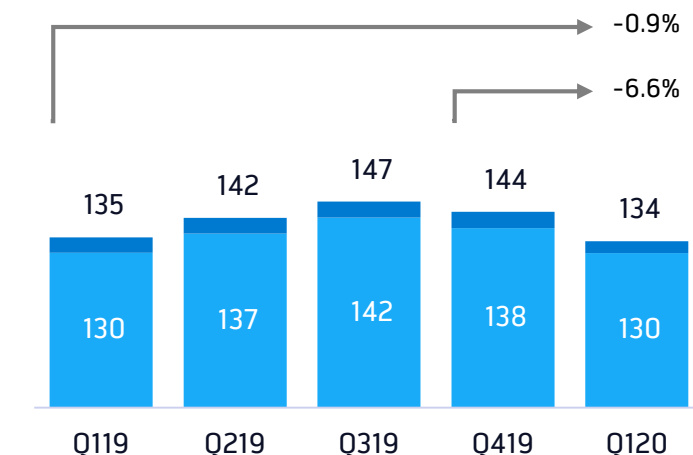
Postpaid ARPU (THB/sub/mth)*



■ IC ■ ARPU excl. IC —○— Normalized ARPU excl. IC

- Q120 normalized postpaid ARPU excl. IC was +0.6% QoQ and +3.7% YoY, continuing its uptrend

Prepaid ARPU (THB/sub/mth)



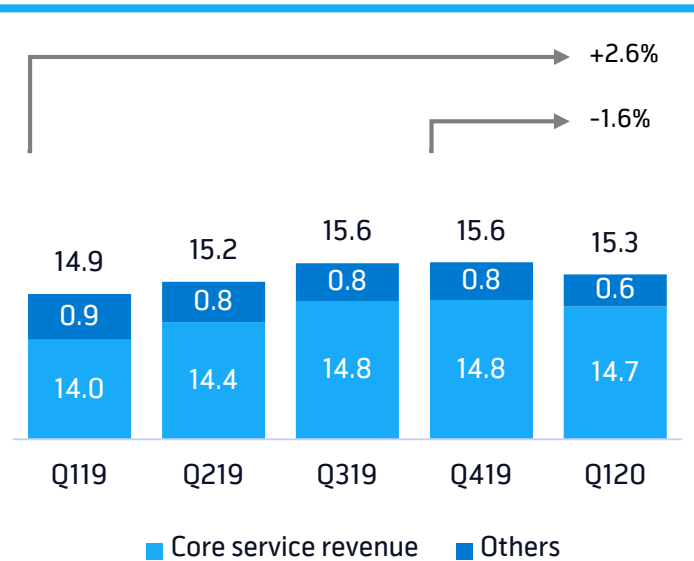
■ ARPU excl. IC ■ IC

- Q120 prepaid ARPU excl. IC was -5.9% QoQ and -0.1% YoY, affected by COVID-19 outbreak and aggressive competition

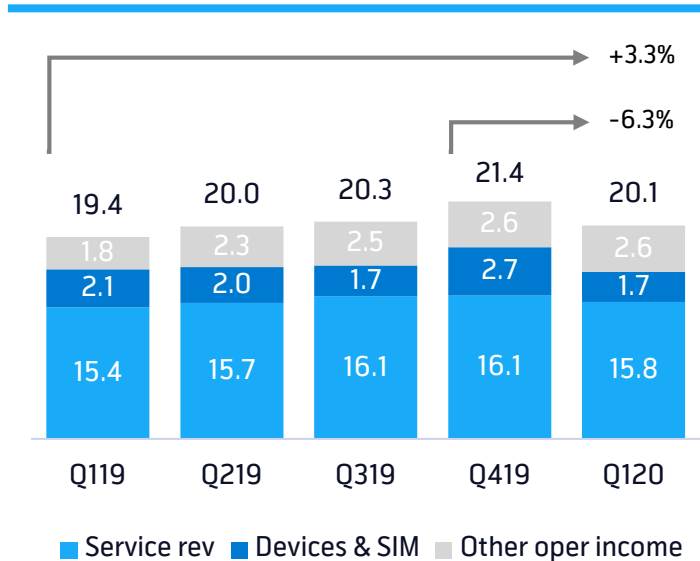


Continued YoY growth in service revenue excl. IC but slightly dropped QoQ due to COVID-19 impact

Service revenue excl. IC (THB bn)



Total revenue (THB bn)

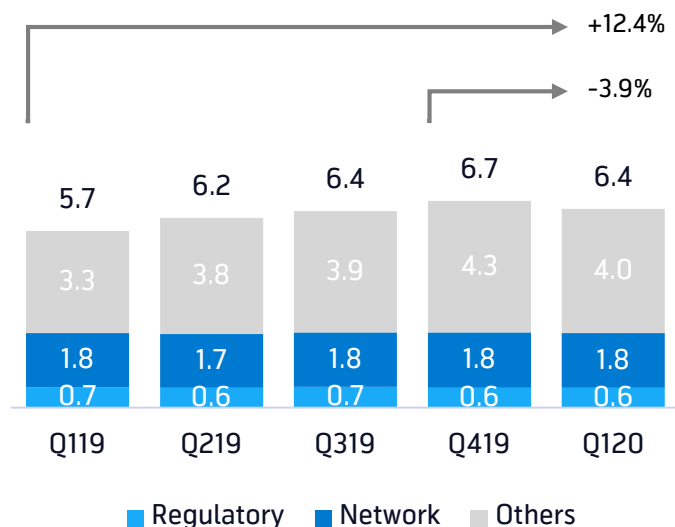


- Core service revenue -0.9% QoQ and +4.8% YoY in Q120, affected by competition and COVID-19
- Other service revenue excl. IC, mainly IR, affected by COVID-19
- Other operating income stay flattish, mainly driven by revenue from TOT 2300 MHz
- Lower handset sales mainly from TFRS 15 adjustments and lower units sold

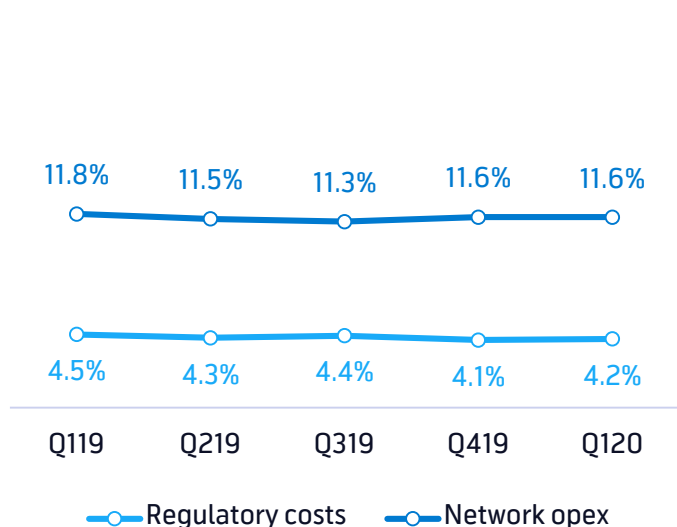


Cost of service slightly dropped QoQ mainly from lower roaming & IDD costs

Cost of services (THB bn)*



CoS as % of Service rev excl. IC



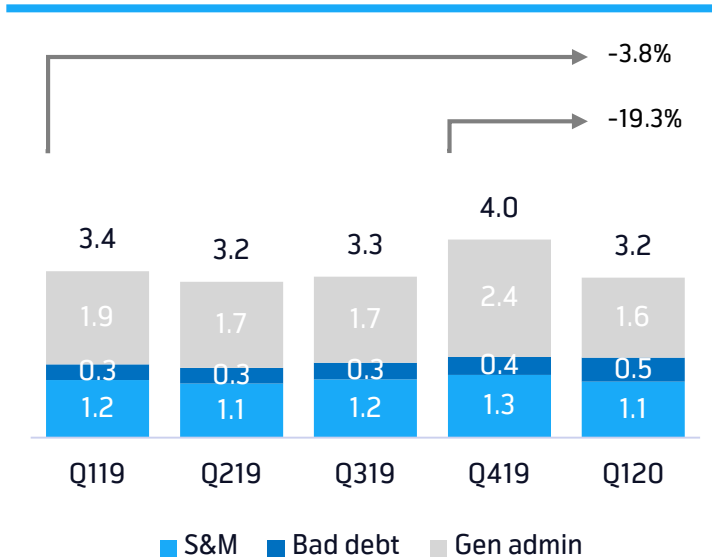
- Network OPEX maintained at approx. the same level for 5 consecutive quarters
- Lower other cost of services mainly from lower international roaming and IDD costs, offset partly by the increase in TOT 2300 MHz network roaming cost

(THB mm)	Q119	Q419	Q120	Δ QoQ
CAT gross lease expenses**	402	361	358	-3
CAT lease expenses**, net of revenue from lease agreements	334	292	289	-3
TOT 2300MHz gross costs	2,875	3,663	3,688	+25
TOT costs, net of revenue from 2300MHz network rental	1,197	1,229	1,230	+1

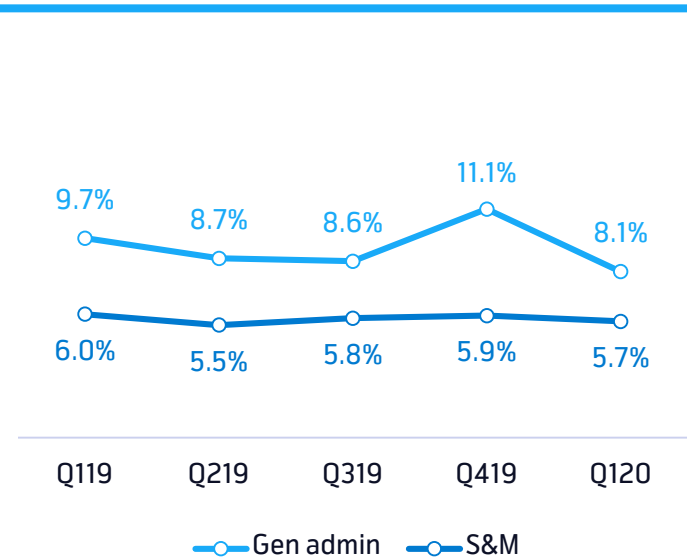


SG&A dropped back to normal level

SG&A (THB bn)*



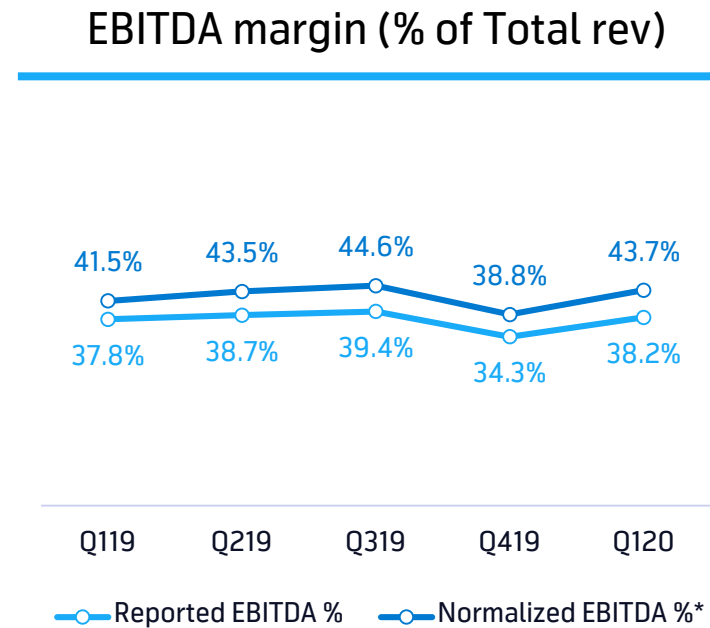
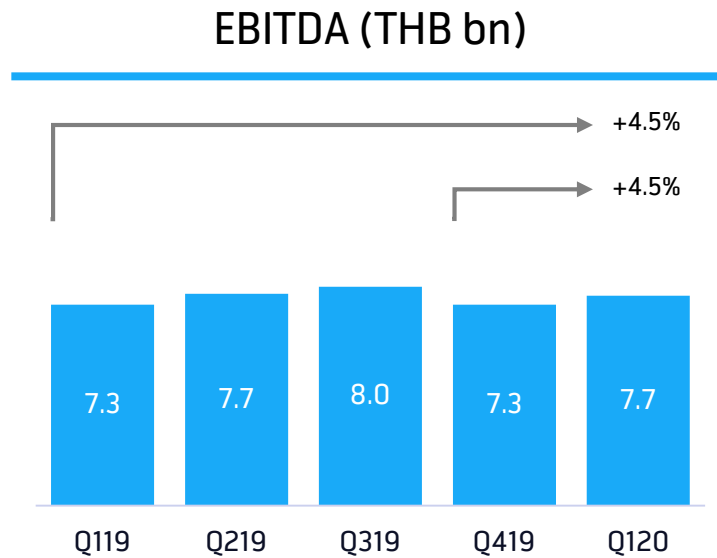
SG&A as % of Total revenue



- S&M expenses dropped QoQ in Q120 as a result of lower activities from COVID-19 impact
- Higher bad debt in Q120 mainly from adoption of TFRS 9 and other challenges
- Gen admin dropped back to normal level after having one-off items in Q419



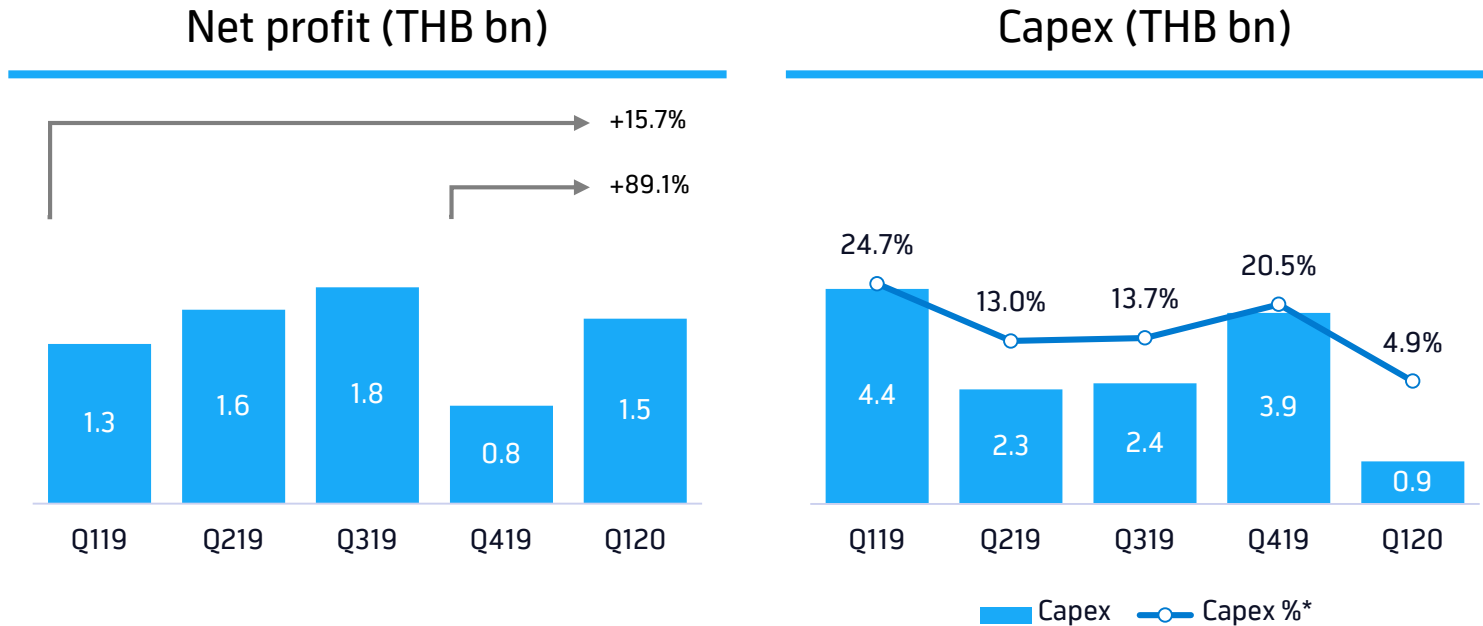
Healthy EBITDA development in Q120



- EBITDA increased QoQ in Q120 mainly from previous one-off expenses in Q419
- EBITDA margin also bounced back to around prior level



Net profit development in line with EBITDA

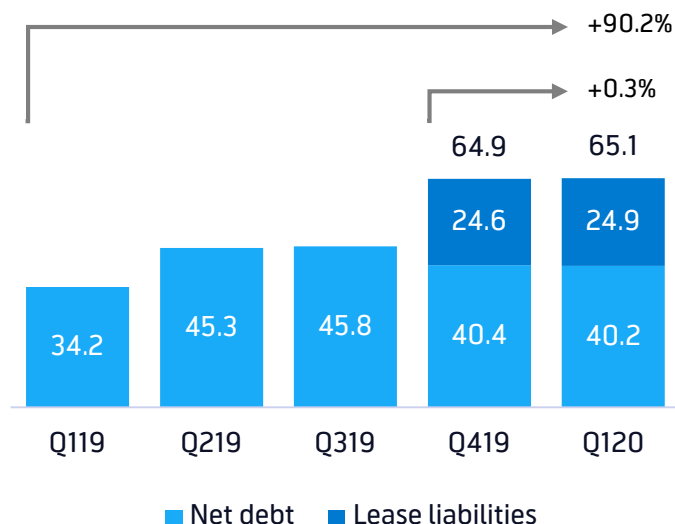


- Net profit developed in line with EBITDA
- THB 1.61 per share interim dividend from FY19 instead of annual dividend
- No major CAPEX spending plan in Q120



Normalized net debt maintained at the same level

Net debt (THB bn)*



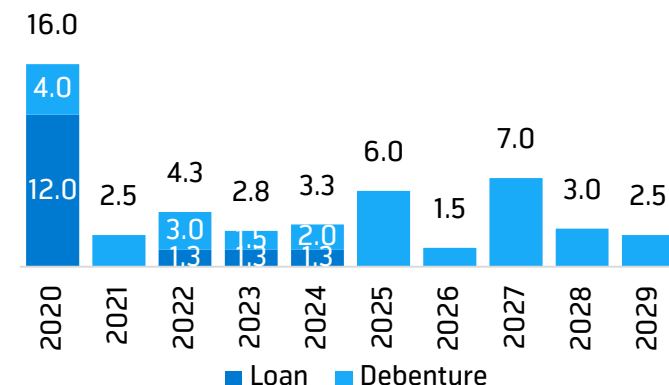
- Normalized net debt level (incl. lease liabilities) maintained QoQ in Q120 with slightly higher debt from fair value adjustment of debenture and higher cash and cash equivalents

Net debt to EBITDA (x)*



- Normalized net debt to EBITDA ratio was 2.1x at the end of Q120, same level as for the previous quarter

Debt maturity profile (THB bn)***



- Total debt THB 49 bn (THB 16 bn bank loan and THB 33 bn bond)
- Only THB 4 bn drawn from THB 15 bn new term loan signed in late Q419
- THB 6 bn out of THB 12 bn bank loan expiring in 2020 can be rolled over

Note: Figures are post-TFRS 15 & 16

* Net debt includes impact from reclassification of deferred underwriting fee. Normalized net debt from Q419 includes lease liabilities

** EBITDA pre-TFRS 15 & 16 for 2019 as reported previously

*** Excluding impact from TFRS 9



Adoption of TFRS 9 in Q120

TFRS 9 adoption

- Effective from 1 Jan 2020. The cumulative effect of initially applying is recognized as an adjustment to the retained earnings as at 1 January 2020
- Classification and measurement of financial instruments

Assets		Liabilities	
• Trade and other receivables → AMC	• Trade and other payables → AMC	• Short-term & Long-term loans → AMC	• Derivatives → AMC
• Other investments → FVTPL or FVOCI	• Derivatives – Interest rate swap** → FVTPL	• Debentures → AMC	• Derivatives – Interest rate swap** → FVTPL

- Impairment – Recognition of expected credit losses based on simplified approach
- Hedge accounting
 - Fair value hedges – the change in the fair value of a hedging instrument and the hedged item attributable to the risk are recognized in profit or loss
 - Cash flow hedges – the effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income, while any ineffective portion is recognized immediately in profit or loss

Effects on beginning balance of retained earnings

(THB million)	31 Dec 2019	The effect of TFRS 9	1 Jan 2020
Consolidated statement of financial position			
Assets			
Other current financial assets	-	12	12
Other non-current financial assets	-	1,258	1,258
Other investments	43	(43)	-
Deferred tax assets	5,596	(32)	5,564
Liabilities and shareholders' equity			
Debentures – current portion	3,997	48	4,046
Debentures – net of current portion	28,981	1,018	29,999
Shareholders' equity			
Deficits	(6,062)	129	(5,933)



2020 guidance

Initial impact from the outbreak was seen mainly on tourist and migrant segment, new acquisition and outbound roaming. **Telecom is still considered an essential service.** In the long run, impact in telecom sector is expected to be minimum. We also see growing data usage with people changing lifestyle and way of work, leading to **more dependency on telecom services.** On top of that, Thailand as a tourist destination could open up faster, some reports suggested tourist arrival could come back fast once the situation improves.

While the **immediate short-term will be challenging,** looking ahead, we can see **there are opportunities** including fast coming back of tourism as well as migrant, reduction in rotational churn and poor quality sales, opportunity to optimize device subsidy, and increased use of self-service and digital channels. We do not know yet how this impact will play out in longer term. As a result, **dtac aims to put more focus on cash flow protection** including optimization of discretionary spending and CAPEX. **New guidance will be given** once we are more certain on the situation. However, our **medium term ambition as communicated in our Capital Markets Day still remains valid.**



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