

4. Management's Discussion and Analysis

Total Access Communication Public Company Limited and True Corporation Public Company Limited have amalgamated into a new company under the name True Corporation Public Company Limited on 1st March 2023. The financial information reflecting prior periods in this document is based on pro-forma financial statements of Total Access Communication Public Company Limited and True Corporation Public Company Limited.

Subscriber definition has been changed to align between the two companies. Mobile prepaid subscribers are re-defined as subscribers who refill to extend validity within 45 days or subscribers who are active with usage in last 90 days. Mobile postpaid subscribers are re-defined as subscribers whose payment status is not overdue more than 60 days from due date. Broadband internet subscribers are re-defined as subscribers whose payment status is not overdue more than 60 days from due date.

In Q323, the reporting of certain content revenues between dtac & True have been aligned which now follows net reporting (i.e. reporting revenues net of related costs) instead of gross reporting. This change has been given effect since March 1, 2023 in Q323. As a result, "mobile service revenue", "service revenue excl. IC", "mobile ARPU" and "other cost of providing service" for prior periods have been reclassified to facilitate comparisons. There is no impact on reported EBITDA.

In Q323, certain commission expenses previously reported in Other cost of providing services have been reclassified to SG&A. This change has been given effect since March 1, 2023 in Q323. There is no impact on reported EBITDA.

2023 Overview

2023 brought several positive aspects to the development of macroeconomics in Thailand, however, the lingering effects of the previous year continued to hamper businesses and consumers alike. The year started with high influx of tourists and migrants, boosting economic recovery, with the trend continuing for the rest of the year. Inflation rates continued to remain high while a revised energy price hike resulted in increased utility costs towards the beginning of the year. However, during the second half of the year, the economic recovery benefitted from lower inflation rates, while the energy price tariffs were reduced twice, benefitting the overall economy.

2023 marked an improvement in the competition landscape in the ICT sector after several years of aggressive competition leading to value destruction in the past. During the first quarter, the industry players started to focus more on providing lucrative and higher value products for customers via partnerships and service bundling as opposed to lower-priced products. Throughout the second quarter, the competition remained stable with the reduction of discounted offers, removal of unlimited packs on lower tariffs and improvement of value propositions for customers by providing lifestyle benefits. Further offer rationalization took place in the third and fourth quarters through revision of data offerings and reduction of discounted offers amidst changing consumer behavior patterns.

The amalgamation between Total Access Communication Public Company Limited and True Corporation Public Company Limited was completed on 1st March 2023. The new company,

under the name True Corporation Public Company Limited, was subsequently listed on the Stock Exchange of Thailand on 3rd March 2023. True Corporation is committed to the highest governance standard and fostering a digital ecosystem to promote technological leadership that is poised to benefit many businesses and industries, promote a digital economy, and fostering a digitally inclusive society for all. The amalgamation will enhance the Company's operational efficiency and the ability to compete and, as a result, deliver higher value for stakeholders. The global expertise and know-how of strategic partners and major shareholders will further help the Company achieve its targets while benefiting from scale.

On the 1st of March 2023, True Corporation PLC (TRUE) was assigned an "A+" rating, reflecting the credit profile as the newly formed entity as the result of the amalgamation between the former TRUE Corporation PLC (TRUEE, "BBB+" Rating) and Total Access Communication PLC (DTAC, "AA" Rating). With the new company's upgraded rating, the interest expenses are expected to gradually reduce as old debts mature and are refinanced under the new rating.

Throughout 2023, True Corporation has remained focused on creating value for customers and shareholders by delivering synergy values through the execution of its well-structured integration plan. In addition, the Company established a single organization structure and way of work, along with the creation of a common culture and performance-driven mindset across its people. At its first Capital Market's Day held in September, the Company defined its synergy values and key areas contributing to the realization of synergies in extensive detail with year-wise target and ambitions.

With the ambition to provide best-in-class experience to customers, True Corporation delivered enhanced network experience with a wide range of products and services with enhanced lifestyle benefits to customers. Upon the amalgamation, both customers of dtac and True benefited from the improved network quality, better indoor coverage, and high speed 5G experience in all 77 provinces of the country. Within the second quarter, the Company extended its 5G footprint to 90% population coverage and 4G footprint to 99% population coverage, resulting in the widest and deepest 5G network in Thailand. At the end of 2023, the largest 5G subscriber base of 10.5 million also makes True's 5G network the most preferred network in Thailand. Continuous efforts to enhance customer experience has led to QoQ improvement in both 4G and 5G data usage, with consistent uplift in 5G ARPU. The appointment of network integration vendors and the subsequent start of network modernization during the third quarter, along with the amalgamation of TUC and DTN, enabled roaming benefits for the total subscriber base, enjoying up to 2.3x higher 5G speeds and deeper indoor coverage. By the end of the year, the Company made significant progress towards network consolidation, overachieving on the targets set for the year, leading to higher realization of synergies along with improved customer satisfaction.

Customers of dtac and True have been benefitting from the rich portfolio of products and services, leading to sequential month on month growth of cross selling and improved customer loyalty, realizing revenue opportunities. Fixed to Mobile Convergence (FMC) offerings, which are cross-selling and up-selling products and services between the subscriber bases of dtac and True, resulted in continuous monthly uptake ending the year with 16% higher FMC subscribers with approximately 30% ARPU uplift.

2023 Operational Summary

Mobile service revenue was Baht 125,894 million in 2023, improved mainly due to higher tourist influx and growth in migrant segment, aided by focused subscriber base management. Throughout the year, competition in the mobile space rationalized through the removal of unlimited data packs on lower tariffs, removal of free voice minutes and reduction of fair usage policy on data, leading to stabilizing ARPU. Mobile service revenue was benefitted by ongoing return of tourists, resulting in higher daily average tourist revenue. **Prepaid subscriber** acquisition remained strong driven by ongoing return of tourists and migrants, reaching 36.3 million, while **postpaid subscribers** marginally declined to 15.6 million due to focus on quality subscriber acquisition. Overall mobile subscribers reached 51.9 million at the end of the fourth quarter. **Prepaid ARPU** was Baht 109 per month while postpaid ARPU was Baht 420 per month. **Blended ARPU** was Baht 204 per month. 5G subscribers reached 10.5 million with improved usage and visible ARPU uplift driven by higher 5G adaptation.

Online service revenue was Baht 23,655 million in 2023, driven by improvement in subscriptions revenue driven by removal of discounts and revision of existing offers. The Company focused on quality subscriber acquisition through removal of discounts and imposing entry fee, leading to three consecutive quarters of ARPU uplift. Online service revenue also benefited from the cross-selling opportunities arising from the amalgamation. Online subscribers were reported at 3.8 million while **online ARPU** was reported at Baht 494 per month as of Q423.

Pay TV service revenue was Baht 6,311 million in 2023, challenged by rising consumption of content via digital and OTT platforms. Subscription revenue declined over the year, mainly affected by seasonal sporting and concert events impacting music and entertainment revenue. The Company continued to aggregate popular content through multiple platforms. PayTV subscribers was reported at 1.4 million, along with **ARPU** of Baht 279 per month.

Operating statistics

Mobile

Customers ('000 subs)	4Q22	1Q23	2Q23	3Q23	4Q23
Total	49,784	50,461	51,120	51,374	51,886
Pre-paid	34,019	34,717	35,385	35,706	36,315
Post-paid	15,765	15,744	15,735	15,668	15,571
ARPU (Baht/sub/month)	4Q22	1Q23	2Q23	3Q23	4Q23
Blended	206	201	201	198	204
Pre-paid	108	103	104	103	109
Post-paid	416	415	416	416	420
Reclassified* ARPU	4Q22	1Q23	2Q23	3Q23	4Q23
Blended	205	200	200	200	204
Pre-paid	107	102	102	104	109
Post-paid	414	414	416	417	420

Online	4Q22	1Q23	2Q23	3Q23	4Q23
Customers ('000 subs)	3,822	3,835	3,827	3,788	3,778
ARPU (Baht/sub/month)	470	463	475	477	494

Pay TV	4Q22	1Q23	2Q23	3Q23	4Q23
Customers ('000 subs)	1,486	1,447	1,415	1,401	1,371
ARPU (Baht/sub/month)	271	279	280	278	279

Integration & Synergy Realization

At its Capital Markets Day held on 26 September 2023, the management revealed synergies of Baht 250 billion in Net Present Value (NPV). The management also outlined details of key areas contributing to the synergies, with 35% delivered by the network modernization project. Over 100 initiatives contribute to the Baht 250 billion synergies, with the top 15 driving 85% of all synergy values. The bulk of the integration related spending will be taking place by 2024, as a result of which the company will achieve net positive synergies in 2025, becoming profitable. True will realize steady state cashflow savings of approximately Baht 22 billion from 2026 onwards.

With continued focus on structural optimization of costs, sweating of assets and profitable growth, EBITDA will grow faster than Service Revenue, with EBITDA to Service Revenue Margin expected to improve 11 pp by 2027. Benefiting from procurement synergies and network modernization including spectrum pooling, disciplined capex management which has been engrained in our way of work, the CAPEX intensity of True is expected to be half of pre-amalgamation levels after the completion of network consolidation. As a leading technology provider with competitive edge from the strengths of our shareholders, True Corporation is well positioned in Thailand to grab untapped opportunities and deliver value for all stakeholders.

Since the completion of the amalgamation, **gross synergies** amounted to Baht 12.9 billion for the year of 2023, with net synergies of Baht 1.0 billion, driven by multiple initiatives benefiting EBITDA and CAPEX. **Net synergies** higher than expectation of THB 700 million was due to accelerated execution of organization modernization, which was partly offset by higher integration costs related to the execution of network modernization. **Integration costs** for 2023 amounted to THB 11.9 billion driven by higher integration CAPEX related to the accelerated roll out of network modernization. Integration costs are one-off in nature while gross synergies realization will be recurring benefit with the exclusion of cost savings on network procurement which are directly related to the integration costs. Non-cash items are not considered in integration costs.

2023 Financial Summary

The Company reported a consolidated net loss to shareholders of the parent company of Baht 15,689 million in 2023, which is summarized as below:

The Company reported total revenue of Baht 202,765 million for the year of 2023, decreasing 5.3% YoY mainly due to 30.2% lower product sales, while service revenue remained flat YoY mainly due to higher contribution from mobile and online segments. EBITDA was reported at Baht 85,735 million, benefitted by topline growth, realization of synergies, and structural efficiency initiatives. Net loss to shareholders of the parent company was Baht 15,689 million, negatively impacted by one-time effects and impairment of assets amounting to Baht 10,899 million. Normalized for one-time effects, net loss for the year amounted to Baht 4,790 million.

Normalized & Consolidated Statements of Income (Loss) on Pro Forma Basis

(Baht in millions unless otherwise indicated)	2022	2023	% Change
			Y-o-Y
Mobile (affected by reclassification)	127,356	125,894	(1.1)
Online	23,580	23,655	0.3
Pay TV	6,647	6,311	(5.1)
Others	1,990	2,839	42.7
Service revenue excl. IC (affected by reclassification)	159,574	158,700	(0.5)
Interconnection revenue	1,831	2,616	42.9
Spectrum arrangement (Network equipment rental)	23,585	20,542	(12.9)
Revenues from product sales	30,080	20,998	(30.2)
Total revenues (affected by reclassification)	215,070	202,856	(5.7)
Regulatory costs	3,351	4,388	30.9
Interconnection costs	1,986	93	(95.3)
Network costs	14,242	16,824	18.1
Others cost of providing services (affected by reclassification)	49,760	45,993	(7.6)
Cost of sales	31,742	22,265	(29.9)
Selling and administrative expenses	31,867	27,721	(13.0)
Total operating expenses excl. depreciation and amortization	132,948	117,283	(11.8)
Depreciation and amortization	(63,718)	(69,866)	(9.6)
Operating profit	18,404	15,707	(14.7)
Share of results in subsidiaries and associates	2,426	1,848	(23.8)
Financial cost	(22,216)	(23,300)	(4.9)
Income tax (expense) revenue	(1,399)	(1,818)	(29.9)
Gain (Loss) on foreign exchange	(1,192)	1,960	NM
Other income (expense)	(2,045)	(10,149)	(396.4)
Non-controlling interests	109	64	(41.3)
Net profit (loss) to equity holders of the Company	(5,914)	(15,689)	(165.3)

(Baht in millions unless otherwise indicated)	2022	2023	% Change
			Y-o-Y
EBITDA (Baht in millions unless otherwise indicated)			
Net profit (loss) to equity holders of the Company	(5,914)	(15,689)	(165.3)
Share of results in subsidiaries and associates	(2,426)	(1,848)	23.8
Financial cost	22,216	23,300	4.9
Income tax (expense) revenue	1,399	1,818	29.9
Depreciation and amortization	63,718	69,866	9.6
Other items	3,796	8,288	118.3
EBITDA	82,790	85,735	3.6
EBITDA on service revenue excl. IC	51.9%	54.0%	
EBITDA on total revenue	38.5%	42.3%	

(Baht in millions unless otherwise indicated)	2022	2023	% Change
			Y-o-Y
Reclassified for adjustments (no impact on EBITDA)			
1. Adjustment for net reporting of content revenues instead of gross	(901)	(91)	-
Mobile (reported)	127,356	125,894	(1.1)
Mobile (reclassified)	126,455	125,803	(0.5)
Service revenue excl. IC (reported)	159,574	158,700	(0.5)
Service revenue excl. IC (reclassified)	158,673	158,609	(0.04)
Total revenues (reported)	215,070	202,856	(5.7)
Total revenues (reclassified)	214,169	202,765	(5.3)
Other cost of providing services (reported)	49,760	45,993	(7.6)
Other cost of providing services (reclassified for net content revenues)	48,859	45,902	(6.1)
2. Adjustment for commission expenses	(761)	(164)	-
Selling and administrative expenses (reported)	31,867	27,721	(13.0)
Selling and administrative expenses (reclassified)	32,628	27,885	(14.5)
Other cost of providing services (reclassified for reporting of net content revenues)	48,859	45,902	(6.1)
Other cost of providing services (reclassified for net content revenues and commission expenses)	48,098	45,739	(4.9)
Total operating expenses excl. depreciation and amortization (reported)	132,948	117,283	(11.8)
Total operating expenses excl. depreciation and amortization (reclassified for net content revenues)	132,047	117,192	(11.2)

Pro Forma Consolidated Statement of Financial Position

(Baht in millions unless otherwise indicated)	31-Dec-22	31-Dec-23	% Change YoY
Assets			
Current assets			
Cash and cash equivalents	32,662	33,580	2.8
Restricted cash at bank	9	14	46.4
Financial assets at fair value through profit or loss	497	0	(100.0)
Derivative assets	-	380	NM
Trade and other receivables	59,422	51,794	(12.8)
Lease receivable - current portion	1,269	-	(100.0)
Short-term loans to related parties	2	2	-
Other financial assets at amortised cost	-	-	NM
Inventories	2,324	2,281	(1.8)
Income tax deducted at source	8,242	9,841	19.4
Claimable value added tax	4,310	4,923	14.2
Other current assets	10,332	6,149	(40.5)
Total current assets	119,070	108,963	(8.5)
Non-current assets			
Restricted cash at bank	22	16	(29.9)
Financial assets at fair value through profit or loss	4,905	1,845	(62.4)
Financial assets at fair value through other comprehensive income	261	261	0.2
Lease receivable - net of current portion	3,421	-	(100.0)
Derivative assets	-	509	NM
Investment in associates and interests in joint ventures	21,929	21,711	(1.0)
Investment property	1,613	1,188	(26.4)
Property, plant and equipment	223,956	222,628	(0.6)
Right-of-use assets	106,018	99,578	(6.1)
Intangible assets	158,519	142,850	(9.9)
Goodwill	125,064	126,329	1.0
Deferred tax assets	13,921	11,586	(16.8)
Other non-current assets	14,993	7,258	(51.6)
Total non-current assets	674,622	635,759	(5.8)
Total assets	793,692	744,722	(6.2)
Liabilities and equity			
Current liabilities			
Short-term borrowings	20,954	14,589	(30.4)
Derivative liabilities	-	368	NM
Financial liabilities at fair value through profit or loss	880	-	(100.0)
Financial liabilities at fair value through other comprehensive income	340	-	(100.0)
Trade and other payables	116,582	101,387	(13.0)
Current portion of long-term borrowings	17,954	65,132	NM
Current portion of lease liabilities	70,831	18,620	(73.7)
Income tax payable	2,543	394	(84.5)
Other current liabilities	4,335	2,641	(39.1)
Total current liabilities	234,419	203,131	(13.3)
Non-current liabilities			
Long-term borrowings	261,913	285,501	9.0
Financial liabilities at fair value through profit or loss	108	-	(100.0)
Derivative liabilities	-	1,165	NM
Deferred tax liabilities	7,601	4,874	(35.9)
Lease liabilities	106,971	93,681	(12.4)
Liabilities under agreements and licences for operation	64,390	50,670	(21.3)
Employee benefits obligations	3,788	3,186	(15.9)
Provisions	6,387	7,215	13.0
Other non-current liabilities	9,173	9,159	(0.2)
Total non-current liabilities	460,331	455,450	(1.1)
Total liabilities	694,750	658,581	(5.2)
Equity			
Issued and fully paid-up share capital	138,208	138,208	-
Premium on share capital	32,926	145,076	NM
Premium on share capital from amalgamation	112,150	-	(100.0)
Premium on treasury shares	51	51	-
Retained earnings	-	-	NM
Appropriated - legal reserve	1,655	1,855	12.1
Appropriated - treasury shares reserve	-	-	NM
Retained earnings (deficits)	(184,279)	(196,970)	(6.9)
Less Treasury shares	-	-	NM
Other components of equity	(2,194)	(2,441)	(11.3)
Equity attributable to owners of the parent	98,517	85,779	(12.9)
Non-controlling interests	425	361	(14.9)
Total equity	98,942	86,140	(12.9)
Total liabilities and equity	793,692	744,722	(6.2)

Pro Forma Statement of Cash Flows

(Baht in millions unless otherwise indicated)	31 Dec 22	31 Dec 23	% change
Cash flows from operating activities before interest and tax	80,699	90,041	11.6
Net interest and tax paid	(17,659)	(19,090)	(8.1)
Cash flows from operating activities (net)	63,040	70,951	12.5
Cash flows (used in) from investing activities	(68,251)	(60,731)	11.0
Cash flows (used in) from financing activities	13,007	(9,292)	NM
Net (decrease) increase in cash and cash equivalents	7,796	928	(88.1)
Beginning cash balance and effects of exchange rate changes	25,605	32,652	27.5
Ending cash balance	33,401	33,580	0.5

Pro Forma Financial Position**Asset**

- **The Company's total assets** decreased 6.2% in 2023 from the end of 2022 to Baht 744,722 million. **Intangible assets (net)** which decreased 9.9% YoY to Baht 142,850 million as mobile spectrum licenses were amortized during the year.
- **Property, plant and equipment (net)** decreased 0.6% in 2023 from the end of 2022 to Baht 222,628 million.
- **Cash and cash equivalents** increased by 2.8% in 2023 from the end of 2022 to Baht 33,580 million due to higher inflow from operations offset by payment of spectrum licenses.
- **Trade and other receivables** decreased 12.8% in 2023 from the end of 2022 to Baht 51,794 million due to improved collection. Inventory decreased 1.8% in 2023 from the end of 2022 to Baht 2,281 million.
- **Investment in associates and interest in joint ventures** decreased 1.0% in 2023 from the end of 2022 to Baht 21,711 million driven by the Company's annual exercise of asset appraisal.
- **Goodwill (net)** increased 1.0% in 2023 from the end of 2022 to Baht 126,329 million.

Liabilities

- **The Company's total liabilities** decreased 5.2% in 2023 from the end of 2022 to Baht 658,581 million. Borrowings consisting of short-term, long-term borrowings and current portion of long-term borrowings amounted to Baht 365,222 million due to higher debentures due for repayment within the next 12 months.
- **Trade and other payables** decreased 13.0% in 2023 from the end of 2022 to Baht 101,387 million due to vendor payments made during the year.
- **Liabilities under agreements and licenses for operation** decreased 21.3% in 2023 from the end of 2022 to Baht 50,670 million in tandem with license payments during the year.

Shareholders' equity

- Shareholders' equity was Baht 86,140 million in 2023, declining 12.9% from the end of 2022.

Key Financial Ratios

The Company is in compliance with and meets all of its debt obligations. Its capital structure remained at a comfortable level with and improved net interest bearing debt to EBITDA ratio of 5.2 times in 2023. The current ratio and quick ratio remained relatively stable at 0.5 and 0.4 times, respectively. Gross profit margin was 27.7% in 2023, declining from 28.4% in year 2022 due to higher depreciation and amortization expenses from network and service expansion in the previous year as well as lower revenue. The Company also incurred a deferred tax asset write-off due to the amalgamation between TUC and DTN and higher expenses related to integration post amalgamation, resulting in negative net profit margin of 7.7% in 2023

Financial Ratios	Unit	2022	2023
Liquidity Ratios			
Current Ratio	Times	0.5	0.5
Quick Ratio-Accrual Basis	Times	0.4	0.4
Receivable Turnover	Times	3.5	3.6
Average Collection Period	Days	104	100
Inventory Turnover	Times	12.7	9.7
Average Inventory Turnover Period	Days	29	38
Payable Turnover	Times	1.3	1.3
Average Payment Period	Days	287	271
Cash Cycle	Days	(154)	(133)
Profitability Ratio			
Gross Profit Margin	%	28.4	27.7
Operating Profit Margin	%	8.6	7.7
Net Profit Margin	%	(2.7)	(7.7)
Return on Equity	%	(5.6)	(17.0)
Operating Efficiency Ratio			
Return on Assets	%	(0.7)	(2.0)
Return on Fixed Assets	%	26.7	24.3
Total Asset Turnover	Times	27.0	26.4
Leverage Ratio			
Net Interest Bearing Debt to Equity	Times	4.5	5.2
Total Liabilities to Total Equity	Times	7.0	7.6
Interest Coverage Ratio	Times	4.2	3.9
Net Interest Bearing Debt to EBITDA	Times	5.4	5.2