Management Discussion & Analysis

Financial Performance

We are pleased with our overall performance in 2020 as we demonstrated great agility and overcame many aspects of an enormously challenging year for everyone - for governments, businesses, communities, and for all of us as individuals. The emotional, mental and economic stresses as a result of the COVID-19 pandemic and necessary restrictions have been profound.

Throughout 2020, the unfolding COVID-19 pandemic continued to raise concerns and impacted our business and the Malaysian economy. It has been hard to reliably predict the impact COVID-19 had on: the Malaysian and global economy; the impact on the demand for the services and solutions and the Group's business operations throughout the various categories of Movement Control Order (MCO). Given these uncertainties, the Group withdrew its previously advised 2020 guidance in April 2020. Nevertheless, we are still pleased with our overall performance in 2020. Our results showed that through a challenging period Maxis continued to deliver for our customers, support our people and our community, while generating long-term shareholder value.

Overall, the COVID-19 pandemic accelerated the digital lifestyles of consumers, and the importance of digitalisation for businesses, especially SMEs. The everyday role of information technology has been amplified with increased use of video conferencing, learning tools and e-Commerce, and been a key driver in the surge in internet traffic. With e-Commerce, the cloud computing services and high-speed connectivity being more pervasive than ever before, it's clear that we are heading towards a more digital world.

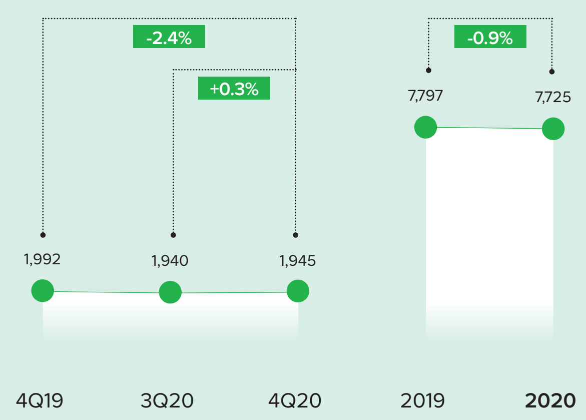
For Maxis, millions of our customers use our Maxis and Hotlink mobile apps on a regular basis which have also enabled us to offer relevant content and provide online customer service direct to our customer via their smartphone. Core products and services are now available on our webstore and third-party e-Commerce sites. Self-serve functions are available on our website including online chat assistance, balancing Artificial Intelligence (AI) technology and human interaction to optimise customer engagement and deliver on our promise of Unmatched Personalised Experience.

We stand firm in our commitment to be Malaysia's Leading Converged Solutions Provider through our converged services and enterprise growth strategy. We believe that 2020 is a crossroad, where due to the acceleration of digitalisation, we move from the ambition to being the Leading Converged Solutions Provider as demonstrated in our operational and financial statistics as reported.

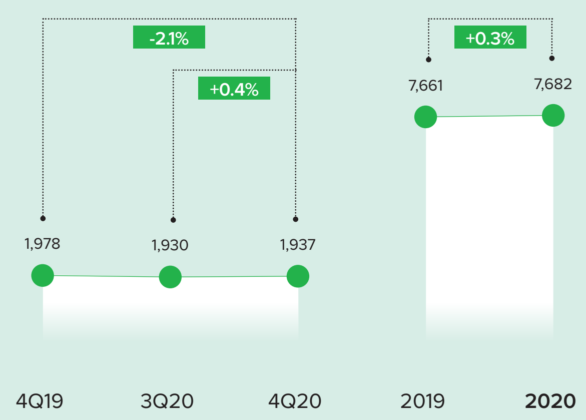
We remain committed to maintaining our leadership in our network and core mobile business as well as growth of our fibre base, as we strive to deliver our brand promise of Unmatched Personalised Experience.

Financial Review

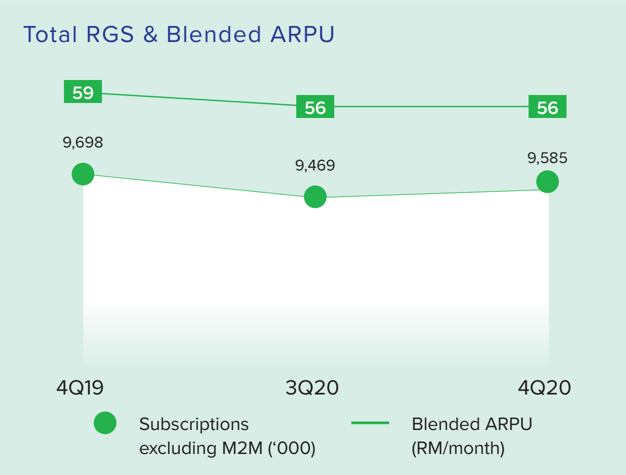
Service Revenue
(RM'm)



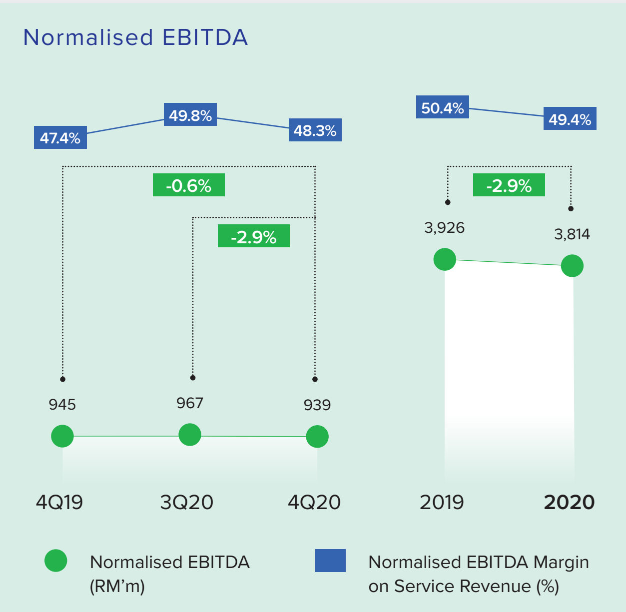
Service Revenue (excluding wholesale)
(RM'm)



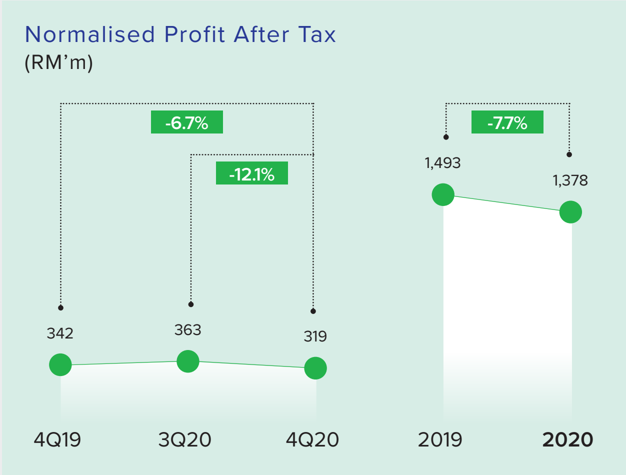
Management Discussion & Analysis



Our service revenue increased slightly by 0.3% quarter-on-quarter yet there was an overall decrease of 0.9% year-on-year, mainly due to the termination of a network sharing agreement, decline in mobile termination rate and lack of international roaming income. However, service revenue excluding wholesale grew in 2020 compared to 2019 by 0.3% due to growth in fibre and enterprise segments, in line with our convergence ambitions. We closed 2020 with a relatively stable total revenue generating subscriber (RGS30) base excluding machine-to-machine (M2M) of 9.59 million subscribers. Our total blended ARPU stood at RM56 per month, down 5.1% year-on-year from RM59.

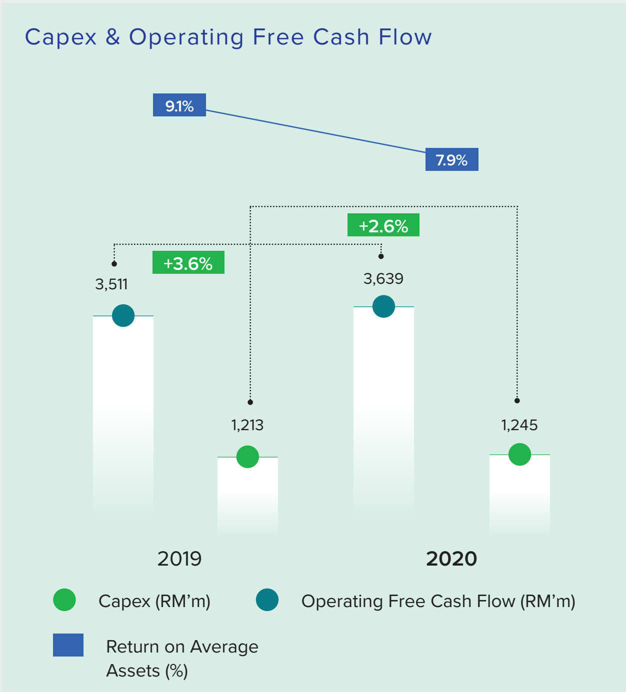


Note:
The comparative results for 2019 were restated due to the adoption of IFRIC AD - Lease



Note:
The comparative results for 2019 were restated due to the adoption of IFRIC AD - Lease

Normalised EBITDA and EBITDA margin on service revenue declined to RM3,814 million and 49.4% respectively. We recorded normalised Profit after Tax (PAT) of RM1,378 million in 2020 compared to RM1,493 million in 2019. EBITDA and PAT were impacted mainly by the temporary loss of international roaming income, termination of a network sharing agreement and higher impairment made to receivables.

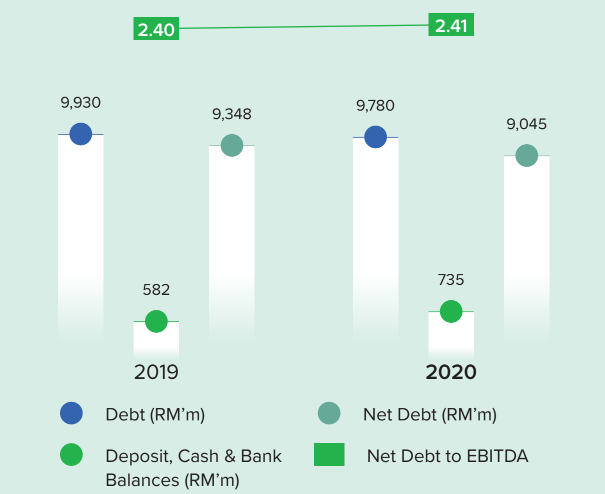


Capital expenditure (Capex) in 2020 was RM1,245 million, an increase of 2.6% from 2019. As part of our growth strategy, the capex growth is in line with the market guidance of RM1,000 million for core business and about RM1,000 million over 3 years to fuel the growth strategy.

Operating Free Cash Flow (OFCF) grew by 3.6% to RM3,639 million mainly due to our focus on working capital initiatives mainly through collection analytics and higher collections from Universal Service Provision (USP) projects and other regulated projects boosting the OFCF.

Return on Average Assets (ROAA) decreased to 7.9% due to the temporary lack of international roaming income, termination of network sharing agreement and an increased impairment made to receivables caused by COVID-19 pandemic.

Net Debt to EBITDA



Note:
The comparative results for 2019 were restated due to the adoption of IFRIC AD - Lease.

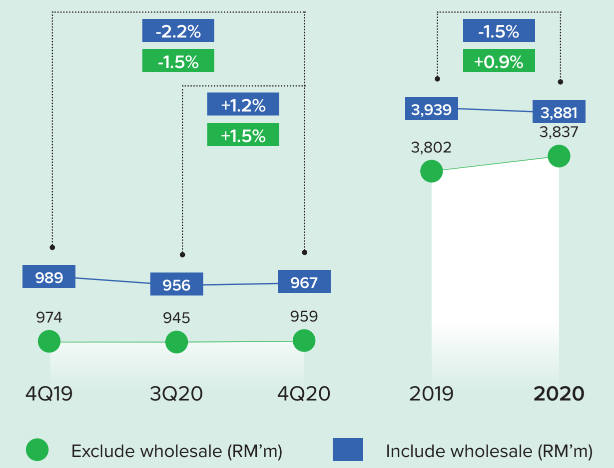
Net debt to EBITDA remained stable at 2.4x.

Product Performance Review

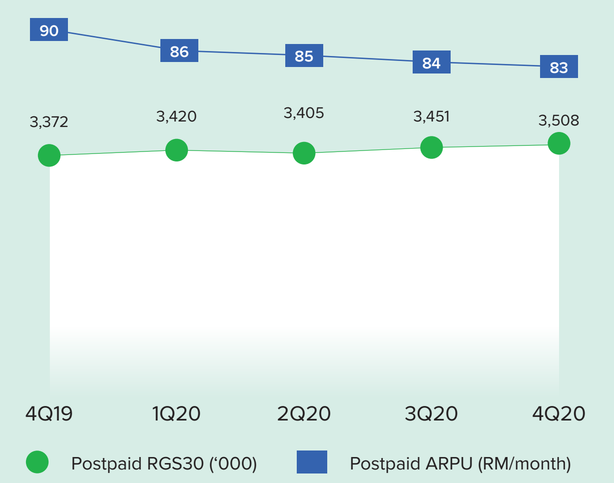
The COVID-19 pandemic has impacted the Group's full year 2020 performance where travel restrictions impacting international roaming revenue, decline in foreign workers and reducing disposable income from increasing unemployment impacting Prepaid segment, decreased retail traffic due to MCO impacting Postpaid, fibre and device sales and increased data consumption impacting network capacity investment.

Postpaid

Postpaid Revenue
(RM'm)

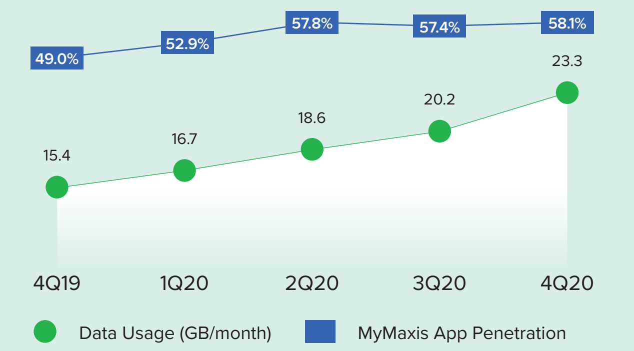


Postpaid Subscription & ARPU



Management Discussion & Analysis

Data Usage & MyMaxis App Penetration



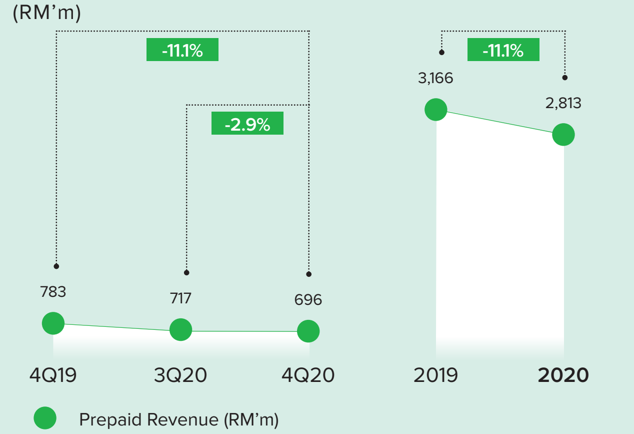
Overall Postpaid revenue declined by 1.5% largely due to the temporary lack of international roaming income, mobile termination rate (MTR) reduction and termination of a network sharing agreement. Our Postpaid subscriber base continued to grow, from 3.37 million at the end of 2019 to 3.51 million at the end of 2020. This was driven mainly by our MaxisOne Plan and Hotlink Postpaid attributing to the successful pre-to-post migration. MaxisOne Share and Hotlink Postpaid continue to attract entry level Postpaid subscribers and increase pre-to-post migration. Postpaid ARPU saw a drop to RM83 at the end of 2020, on the back of temporary loss of roaming income starting March 2020 due to MCO and dilution effect from Hotlink Postpaid.

Data usage has risen to an average 23.3GB per month, compared to 15.4GB in 2019. The increase was largely driven by the MCO and the stay-at-home and work-from-home requirements. This also led to the increase in MyMaxis app penetration, adopted by 58.1% of our Postpaid primary account holders in 2020.

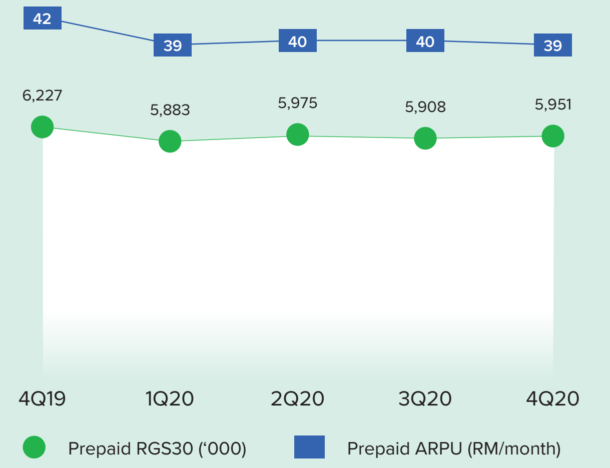
Prepaid

Prepaid Revenue

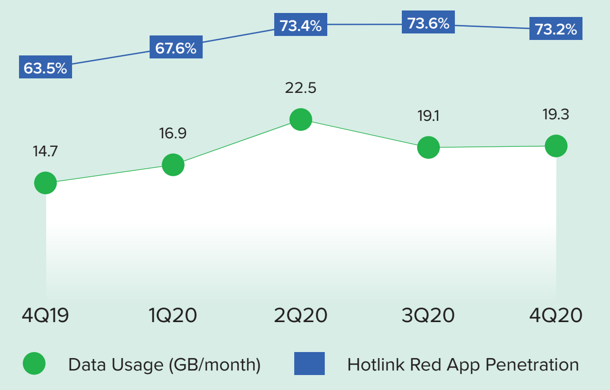
(RM'm)



Prepaid Subscription & ARPU



Data Usage & Hotlink Red App Penetration



Prepaid service revenue for 2020 declined by RM353 million, that is 11.1% to RM2,813 million. The Group's Prepaid subscription base was lower by 276 thousand, that is a 4.4% reduction in 2020 to 5.95 million as compared to 6.23 million in 2019. This was due to continued SIM consolidation, successful migration to the Hotlink entry point Postpaid service and lower foreign worker base. Prepaid ARPU saw a drop to RM39 per month as a result of the reduction in MTR.

Prepaid data usage per month saw a spike in 2020 as the country continues to adapt to the new normal arising from the MCO and the stay-at-home and work-from-home requirements.

Although the Prepaid market continues to be competitive and declining in market size, yet we were again innovative in our products and distribution.

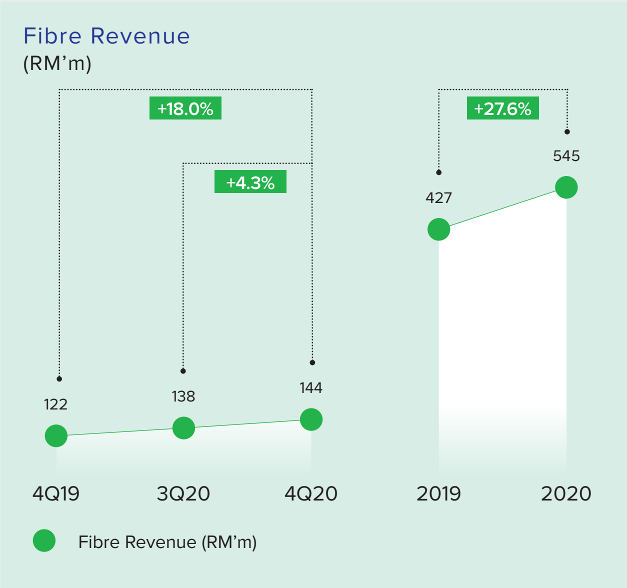
Management Discussion & Analysis

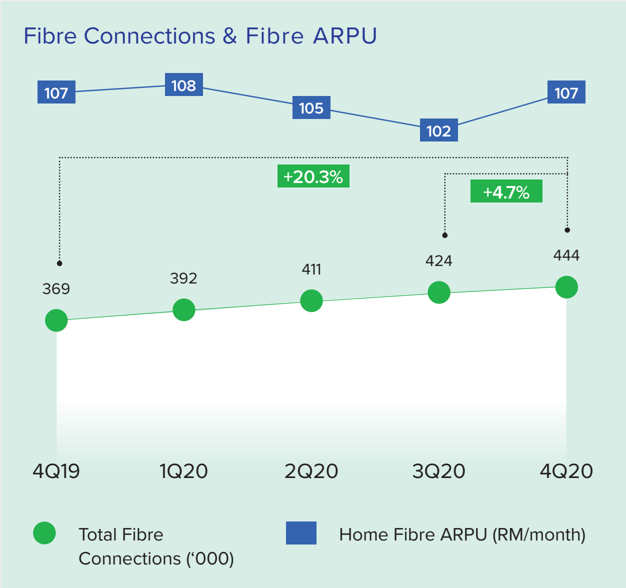
The Company views Prepaid as a great success due to the execution of our new sales and retail strategy to target underserved markets, and the new focus on the Prepaid Youth market and the new unlimited Prepaid plan launched in June 2020.

It is worth to note that even with the ongoing trends of Prepaid market contraction and SIM consolidation and our successful migration of Prepaid to Postpaid, Hotlink Prepaid is still resilient.

ARPU remains healthy at RM39. Through our Hotlink Red App and use of data analytics, we are able to value add through our personalised promotions.

Fibre Connectivity





Our total fibre revenue grew from RM427 million in 2019 to RM545 million in 2020, approximately 27.6% increase year-on-year.

We are proud of our fibre connections growth, for both Home and Business Fibre, from 369,000 in 2019 to 444,000 connections in 2020.

We are also pleased to arrest the decline in Home Fibre ARPU as it improved in 4Q20 on the back of healthy adoption of MaxisONE Prime converged packages and on-going upselling campaign to our existing customers to upgrade to higher speed packages.

	2020 RM'm	2019[(1)] RM'm	2020 %	2019[(1)] %
Value distributed				
To Employees	**670**	651	**13%**	12%
To Government	**905**	1,127	**18%**	22%
To Providers of Capital	**1,819**	2,086	**36%**	40%
Retained for Future Reinvestment and Growth	**1,710**	1,365	**33%**	26%
Total Distributed	**5,104**	5,229	**100%**	100%
Value generated				
Revenue	**8,966**	9,313	**-**	-
Less: Operating Expenses	**(4,220)**	(4,346)	**-**	-
Operating Profit	**4,746**	4,967	**93%**	95%
Government Grants and Other Income	**274**	191	**5%**	4%
Finance Income	**84**	70	**2%**	1%
Total Value Added for Distribution	**5,104**	5,228	**100%**	100%

Note:

[(1)] *The comparative results were restated due to the adoption of IFRIC AD - Lease.*

Investor Relations

Creating Long-Term Shareholder Value

Maxis is committed to creating long-term value for its shareholders and has been providing consistent cash returns through the declaration of dividends. For the financial year 2020, Maxis rewarded its shareholders with RM1.33 billion cash dividends comprising four interim dividend each of 4.0 sen per share with an additional special interim dividend of 1.0 sen per share in the fourth quarter. The total dividend payout of 17.0 sen per share represents a dividend yield of 3.4% based on the closing share price of RM5.05 as at the end of December 2020. The proposed dividend payout is aligned with our dividend policy and policy of active capital management.

Dividend Policy

Our full dividend policy, as stated in our IPO Prospectus dated 28 October 2009, is reproduced here for reference: “The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of the Board and any final dividend for the year is subject to shareholders’ approval. It is the Company’s intention to pay dividends to shareholders in the future. However, such payments will depend upon a number of factors, including Maxis’ earnings, capital requirements, general financial condition, the Company’s distributable reserves and other factors considered relevant by the Board.

Maxis intends to adopt a dividend policy of active capital management. The Company proposes to pay dividends out of cash generated by its operations after setting aside necessary funding for network expansion and improvement and working capital needs. As part of this policy, the Company targets a payout ratio of not less than 75% of its consolidated PAT under Malaysian Generally Accepted Accounting Standards (GAAP) in each calendar year, beginning financial year ending 31 December 2010, subject to confirmation of the Board and to any applicable law, license and contractual obligations and provided that such distribution would not be detrimental to its cash needs or to any plans approved by its Board. Investors should note that this dividend policy merely describes the Company’s present intention and shall not constitute legally binding statements in respect of the Company’s future dividends which are subject to modification (including reduction or non-declaration thereof) at the Board’s discretion.

As the Company is a holding company, its income, and therefore its ability to pay dividends, is dependent upon the dividends and other distributions that it receives from its subsidiaries. The payment of dividends or other distributions by the Company’s subsidiaries will depend upon their operating results, financial condition, capital expenditure plans and other factors that their respective board of directors deem relevant. Dividends may only be paid out of distributable reserves. In addition, covenants in the loan agreements, if any, for the Company’s subsidiaries may limit their ability to declare or pay cash dividends.”

The payout ratios in the financial year 2018, 2019 and 2020 were 87.7%, 103.6% and 96.0% respectively.

Management Discussion & Analysis

Communicating with our Shareholders

Maxis is committed to maintaining high standards of corporate disclosures and transparency. Our disclosure policy is based on these three key principles:

i) Maintain open and regular communications with all shareholders;
ii) Disseminate financial and strategic updates in a timely and transparent manner; and
iii) Ensure equal treatment and protection of shareholders' interests.

We actively communicate with our shareholders

We maintain active dialogues with our shareholders throughout the year, through a planned investor relations programme which includes corporate days and investment conferences which were held virtually. In addition, we respond to ad-hoc meeting requests and queries from shareholders as well as the investment community. Our investor-focused programmes are further supplemented by a dedicated Investor Relations website, a key resource for corporate information, financial data, stock exchange announcements, quarterly results, annual reports, upcoming investor events, shares and dividend information, and investor presentation slides. Our Investor Relations website is available at

http://maxis.listedcompany.com/home.html

We meet regularly with major institutional investors in virtual investor meetings as we adapt to the new normal. We also hold regular sessions with financial analysts to discuss business performance and strategies. These meetings are typically hosted by the Head of Investor Relations and attended by the appropriate mix of senior management including our Chief Executive Officer and Chief Financial & Strategy Officer.

We believe in the constructive use of our Annual General Meetings (AGM) and other general meetings. These meetings are attended by our Board of Directors and the Management Team. A comprehensive review of the Company's performance is shared and any shareholder present can query the Board and Management Team at these meetings. Our external auditors are also present to answer any questions on the auditing, preparation and content of the independent auditors' report.

Our stakeholders, especially institutional investors, place great emphasis on how we manage our Economic, Environmental and Social (EES) matters and create value from our operations. Being cognisant of this, we have embarked on a value creation journey to fully integrate our annual report in accordance to the IIRC Framework to form a holistic view of our strategy and growth plans as well as manage key risks and opportunities in order to build and reassure confidence and improve our future performance. Also, we have been listed on the FTSE4Good Bursa Malaysia Index since 2015. Valued by our shareholders and other stakeholders for benchmarking our corporate responsibility practices, we intend to maintain and further improve our position on this index in the future.

Feedback and enquiries

We welcome feedback on our Investor Relations initiatives and other information we have provided. Queries about and requests for publicly available information, comments and suggestions to the Company can be directed to ir@maxis.com.my. We look forward to continued and effective engagements with our shareholders.

Notes:

1. *The Chairman's and CEO's statement, Our MAX Strategy, Our Top Material Matters and Value Creation Model sections should be read together with the Management Discussion & Analysis section.*
2. *This report by Maxis Berhad (Maxis) contains forward-looking statements. Forward-looking statements can be identified by the use of forward-looking terminology such as the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or similar expressions and include all statements that are historical facts. These statements are based on assumptions and reflect Maxis' current views with respect to future events and are not a guarantee of future performance and does not take into consideration unforeseen circumstances and factors beyond Maxis' control. As such, Maxis provides no representation or assurance in respect of these statements and disclaims all liability whatsoever (whether in negligence or otherwise) for any loss, damage, costs or expenses however arising out of or in connection with these statements and this report.*