



Management Discussion & Analysis

We Are Maxis

We are pleased with our overall performance in 2021 as we demonstrated agility and adaptability to overcome a very challenging operating environment, not just for us but for the government, businesses, communities and the *Rakyat*, as well. The emotional, mental and economic strain that the COVID-19 pandemic and subsequent lockdowns have resulted in are not to be underestimated.

Throughout 2021, the COVID-19 pandemic continued to impact the Malaysian economy. Initial signs that the pandemic was easing back in the fourth quarter of 2020 were quickly dismissed as multiple waves of new infections created a state of volatility in the demand for goods and services. For Maxis, it was incredibly challenging to navigate the extreme uncertainties and complexities of the different iterations of the Movement Control Order (MCO). However, our financial results have clearly displayed that we were able to create value for our stakeholders despite all the challenges faced.

Across the board, the pandemic accelerated the digital lifestyles of consumers and the importance of digitalisation for businesses, especially SMEs. The daily use of information technology grew drastically with the increased use of videoconferencing, learning tools, e-commerce activity and a host of productivity and communication tools. The surge of online purchases made it clearer than ever that we are heading towards a digitally-pervasive world where cloud computing services and high-speed connectivity play a critical part in our daily lives.

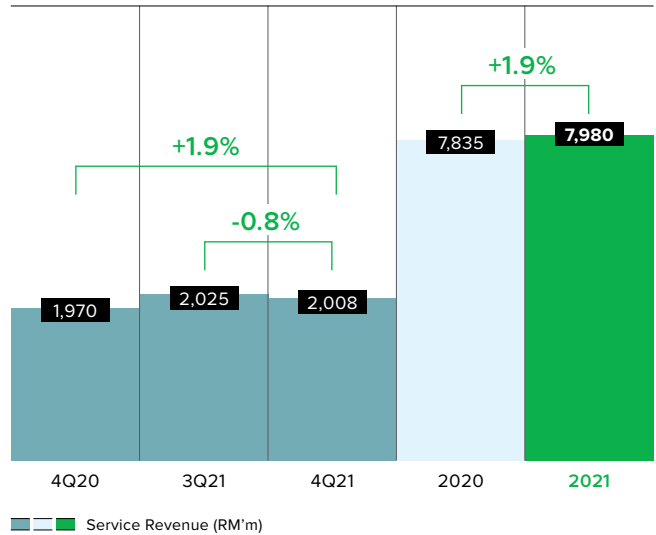
At Maxis, we have taken strides towards being a digital-first company. Millions of our customers use both our Maxis and Hotlink mobile apps on a regular basis, enabling us to offer a level of customer service that takes us directly to their smartphones. All our core products and services are now available on our online store as well as third-party e-commerce sites. For our customers, self-service functions now include online chat assistance that combines AI technology and human interaction to optimise customer engagement, delivering our promise of an unmatched personalised experience.

Our strategy to drive growth in Mobile, Fibre, digital solutions and Enterprise gathered momentum throughout 2021. Where our convergence strategy was once an ambition, our operational and financial performance demonstrates that we are now the leading converged solutions provider in Malaysia. To that end, we remain committed to maintaining our leadership in the network and core Mobile business, growing our Fibre base and continuing to deliver differentiated value propositions to our customers.

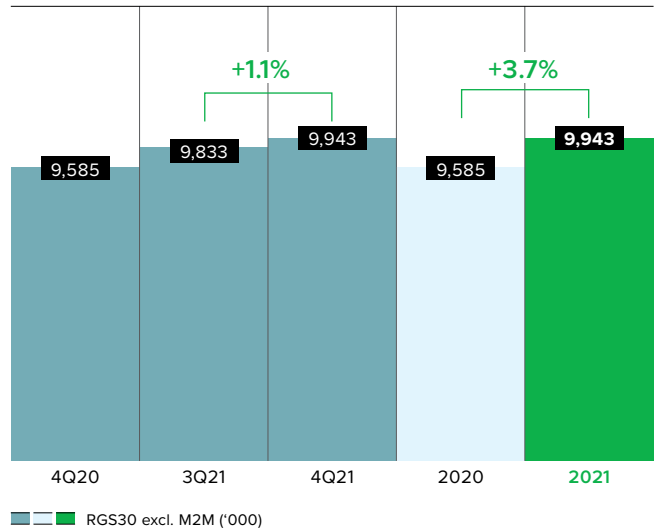
Note: The comparative results were restated to conform with current presentation.

FINANCIAL REVIEW

Service Revenue



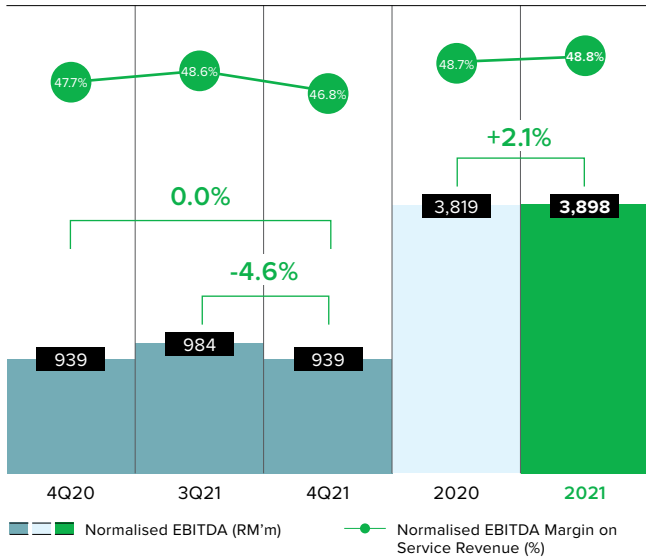
Total Mobile Subscriptions



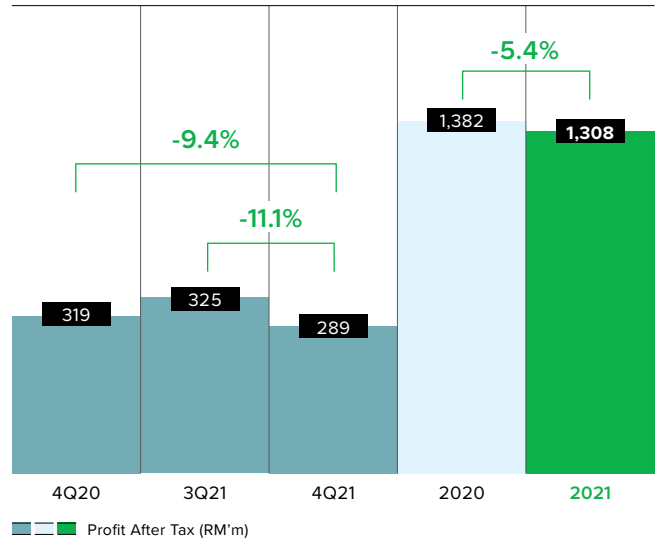
Our service revenue increased by 1.9% in FY2021 over FY2020 driven by core Mobile business as a result of steady growth in Postpaid and accelerated growth in Fibre & Wireless Broadband. We closed 2021 with a strong total mobile revenue generating subscriber (RGS30) base excluding machine-to-machine (M2M) of 9.9 million subscribers, representing a growth of 3.7% year-on-year.



Normalised EBITDA

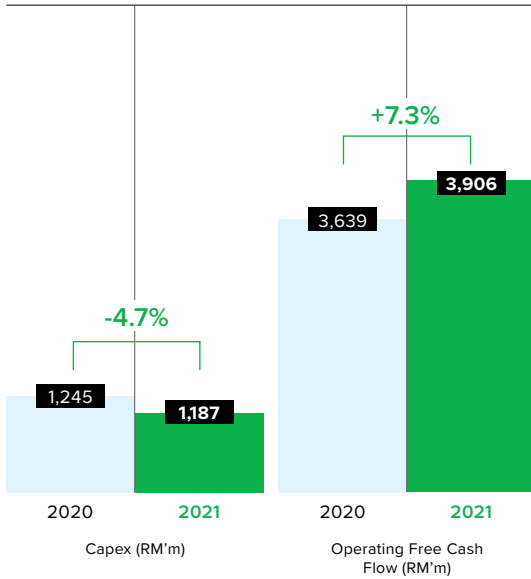


Profit After Tax

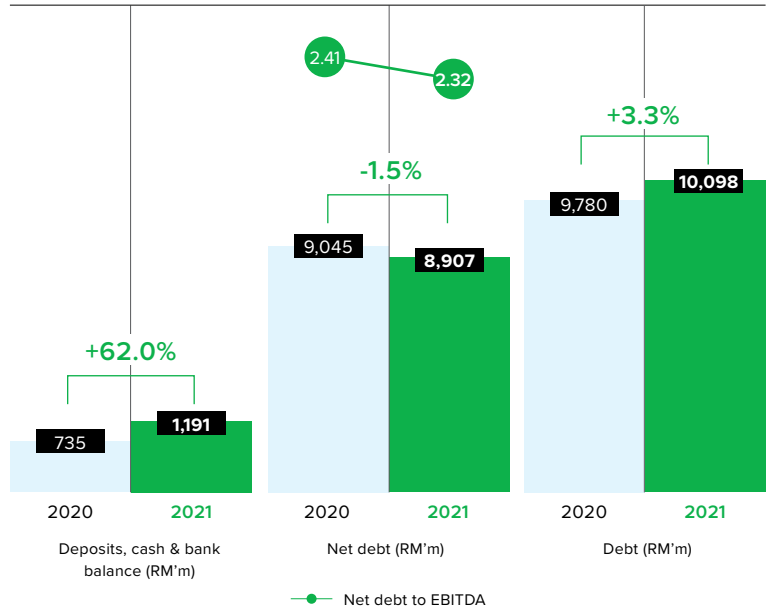


Normalised EBITDA and normalised EBITDA margin on service revenue increased to RM3,898 million and 48.8%, respectively, for FY2021. We recorded Profit After Tax (PAT) of RM1,308 million in 2021 compared to RM1,382 million in 2020. Year-on-year EBITDA growth was in line with the increase in service revenue while PAT was impacted by the increase in depreciation and spectrum amortisation.

Capex & Operating Free Cash Flow



Net Debt to EBITDA



Capital expenditure (Capex) in 2021 was RM1,187 million, a decrease of 4.7% from 2020 since the major IT transformation was completed in 2020. Operating Free Cash Flow (OFCF) grew by 7.3% to RM3,906 million mainly due to our focus on working capital initiatives and lower Universal Service Provision payments during the year.

As a result of this performance and our prudent cash management measures, the amount of deposits, cash and bank balance increased to RM1,191 million by the end of FY2021. Consequently, net debt to EBITDA ratio reduced from 2.41 to 2.32 as at 31 December 2021.

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PRODUCT PERFORMANCE REVIEW

The COVID-19 pandemic spanned the entire 2021, which resulted in travel restrictions, a decline in foreign workers, reduced disposable income due to increasing unemployment and decreased retail traffic due to the MCO. These factors accumulatively impacted our Postpaid, Prepaid and international roaming revenue.

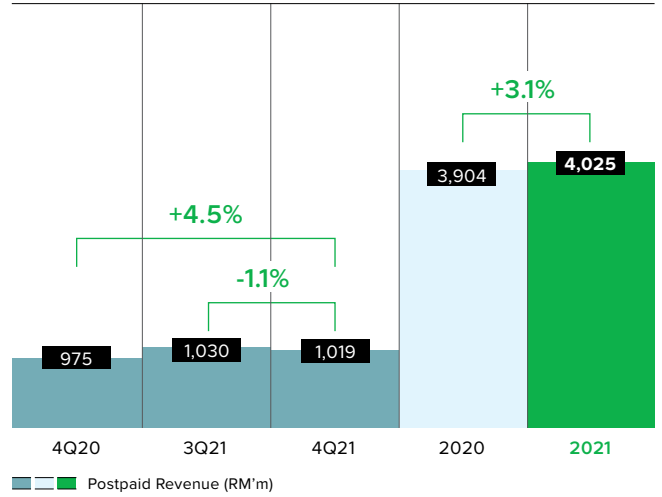
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Postpaid

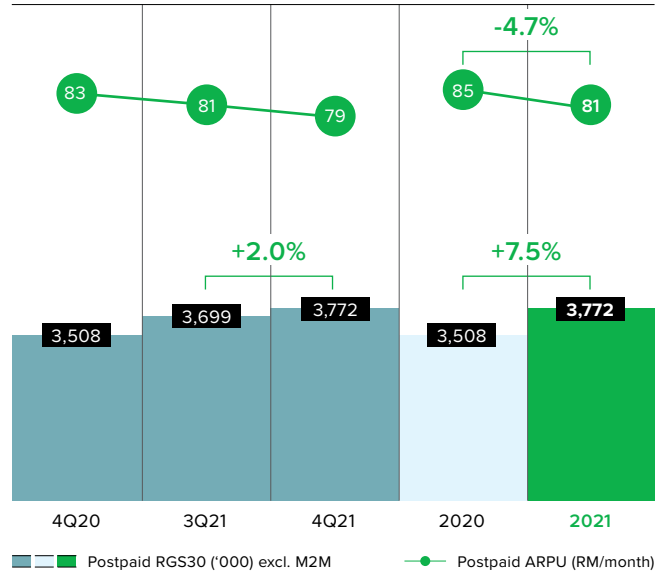
Postpaid service revenue for FY2021 increased by RM121 million, a 3.1% year-on-year growth, to RM4,025 million (FY2020: RM3,904 million). Postpaid RGS base grew by 264,000, which represented a 7.5% increase year-on-year. The Postpaid ARPU decreased by 4.7% year-on-year from RM85 to RM81 per month, largely due to the dilution effect of the increased number of value-accretive Hotlink Postpaid subscribers and increased number of Postpaid shared lines.

Data usage rose to an average of 25.9GB per month, compared to 19.7GB in 2020. The increase was largely driven by the MCOs with their Stay at Home and Work from Home requirements. This also led to the increase in Maxis App penetration, with 62.1% of our Postpaid primary account holders using it in 2021.

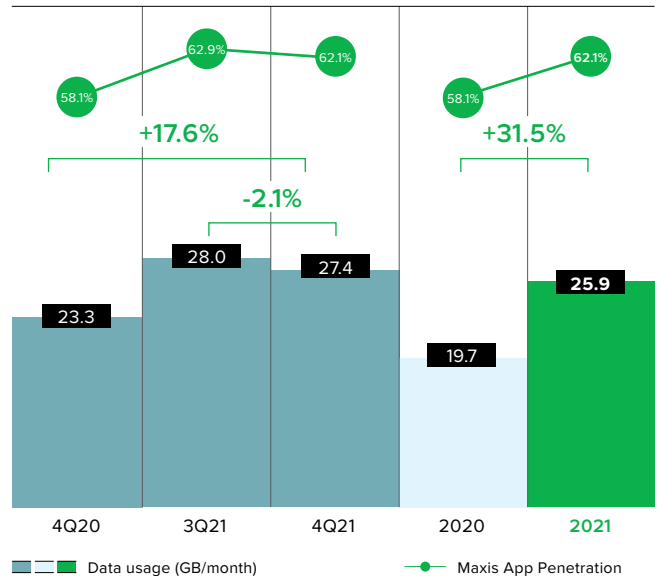
Postpaid Revenue



Postpaid Subscription & ARPU



Data Usage & Maxis App Penetration



Note: The comparative results were restated to conform with current presentation.

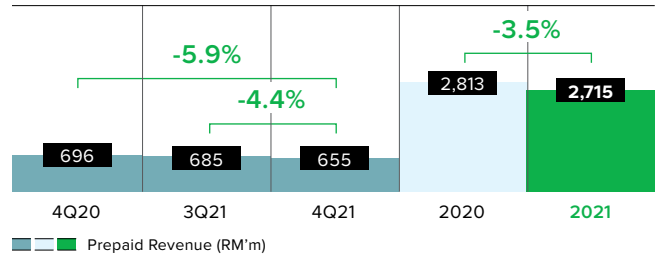


Prepaid

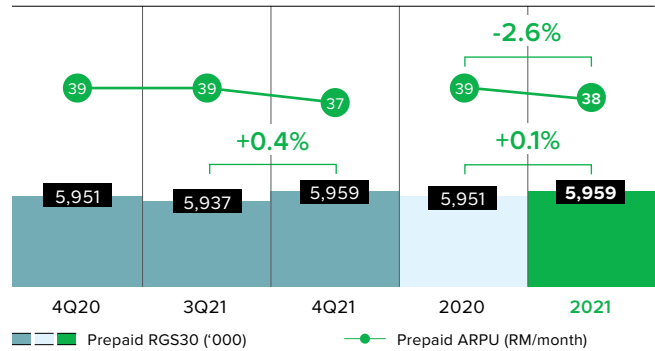
Prepaid service revenue for 2021 declined by 3.5% or RM98 million to RM2,715 million. The Group's Prepaid subscription base was relatively stable at 5.96 million. The strong growth in Hotlink Prepaid Unlimited subscribers offset the successful migration of subscribers to the Hotlink Postpaid service. Prepaid ARPU declined marginally by 2.6% from RM39 to RM38 per month.

Prepaid data usage per month remained relatively high in the second half of 2021 as the country continued to adapt to the new normal arising from the MCO with Stay at Home and Work from Home requirements. Although the Prepaid market remained competitive, we were once again innovative in our products and distribution. It is worth noting that, despite the Prepaid market's ongoing trends and our successful migration of Prepaid subscribers to Postpaid, Hotlink Prepaid remains resilient, aided by personalised promotions offered through our Hotlink App, which leverages data analytics.

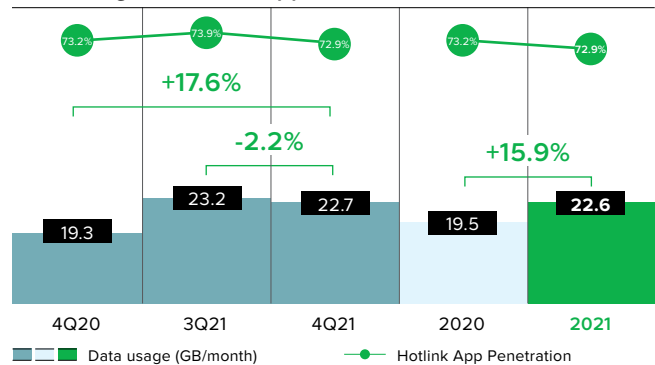
Prepaid Revenue



Prepaid Subscription & ARPU



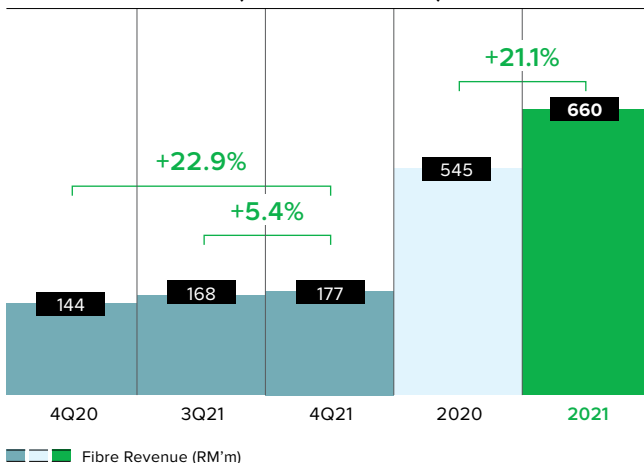
Data Usage & Hotlink App Penetration



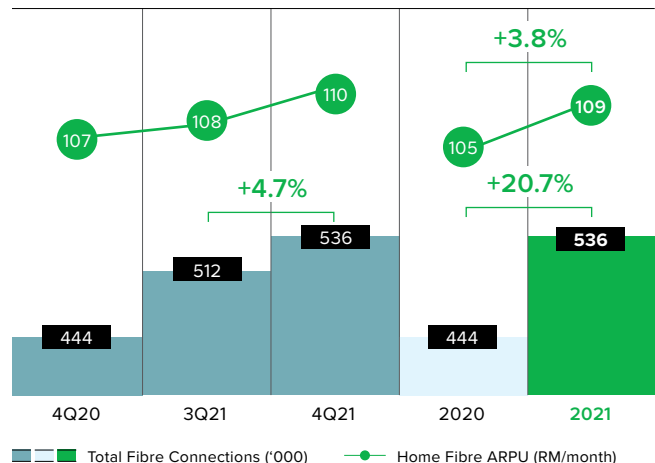
Home and Enterprise Fibre

Our total Fibre revenue grew from RM545 million in 2020 to RM660 million in 2021, an increase of 21.1%, FY2021 on FY2020. Our Fibre connections for both Home and Biz Fibre also grew by 20.7% from 444,000 connections in 2020 to 536,000 connections in 2021. The healthy uptake of higher speed packages and upgrades to existing customers are bearing results, as shown in the increasing ARPU trend from RM105 per month to RM109 per month, up by 3.8%.

Total Fibre Revenue (Home + Biz Fibre)



Total Fibre Connections & ARPU





Management Discussion & Analysis

	2021 RM'm	2020 RM'm	2021 %	2020 %
Value distributed				
To Employees	735	670	14%	13%
To Government	910	905	17%	18%
To Providers of Capital	1,803	1,819	34%	36%
Retained for Future Reinvestment and Growth	1,818	1,710	35%	33%
Total Distributed	5,266	5,104	100%	100%
Value generated				
Revenue	9,203	8,966	-	-
Less: Operating Expenses	(4,268)	(4,220)	-	-
Operating Profit	4,935	4,746	94%	93%
Government Grant and Other Income	271	274	5%	5%
Finance Income	60	84	1%	2%
Total Value Added for Distribution	5,266	5,104	100%	100%

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 FY2021, Maxis rewarded its shareholders with RM1.33 billion cash dividends comprising four interim dividends 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 sen per share represents a dividend yield of 3.51%, based on the closing share price of RM4.85 as at the end of December 2021. 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, licence 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 reported profit after tax payout ratios in the financial years 2018, 2019, 2020 and 2021 were 87.7%, 103.6%, 96.0% and 101.8%, respectively.



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COMMUNICATING WITH OUR SHAREHOLDERS

Maxis remains committed to maintaining the highest 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 that includes corporate days and investment conferences, which, in FY2021, 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 via 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 (AGMs). 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 Environmental, Social and Governance (ESG) 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 with 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, as well as the other information we have provided herewith. 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 continuously and effectively engaging with our shareholders.