MAXIS TRANSCRIPT: 1QFY2021 RESULTS BRIEFING

This is the official Maxis transcript of the teleconference presentation that was given on the results presentation briefing call on Friday 23rd April 2021. This script should be used in conjunction with the presentation document and the Bursa Malaysia results announcement both are available on the Maxis IR website.

Good afternoon, this is Gokhan Ogut speaking.

A warm welcome to everyone participating on our first quarter FY2021 results briefing.

First of all, I hope you, your families and your colleagues are all staying safe, despite the difficult times that we are all going through.

Joining me today are: Wayne Treeby our Chief Financial and Strategy Officer; and Paul McManus Chief Enterprise Business Officer; and also Paul Zaman from Investor Relations.

This call will follow our usual format: a short presentation of 25 minutes then we are open for questions, finishing by 4:00pm.

We remain in uncertain times due to the ongoing COVID-19 pandemic, global vaccination programme and uncertainty in the economy in terms of business closures and unemployment.

Our first priority remains the health of our people, that is our staff, our suppliers' staff; our customers and members of the public. Our field staff and sales staff all have the appropriate PPE for the job and Maxis implements social distancing at all of our premises and offices.

The second priority is the health of our network and customer service. Our goal is to continue to deliver the best network experience and an unmatched personalised experience to our customers and our community.

In 2020 and due to the acceleration of digitalization, Maxis clearly became Malaysia's Leading Converged Solutions Provider.

We maintain our market leadership in network and core mobile business as well as growing our fibre base, as we deliver on our brand promise of Unmatched Personalised Experience.

In this first quarter of 2021, we built on the success of 2020, and we continued our drive in five key areas:

- Accelerate fibre penetration and supporting JENDELA, by applying our marketing and sales muscle
- Positioning Maxis Business as the preferred ICT digitalisation partner for Malaysian businesses
- Expand digital channels for sales, distribution and service
- Maintaining our leadership in network and technology
- A programme called XLR8 by building critical capabilities, tools and processes to continually drive cost improvement and to ensure results are sustainable.

We are pleased that already in 1Q2021 we can be cautiously optimistic in managing the turbulent new norm and have delivered strong performance despite challenging conditions.

We have maintained our leadership in the core mobiles business and leveraging that scale and success into strengthening our leadership in the converged services business.

We have already achieved critical size and scale in converged services, and we will demonstrate that later in the results for fixed broadband services and Maxis Business.

We have continued to deliver strong YonY growth in Postpaid 3.5%, Prepaid 3.4% and Fibre 18.6% during a period where other operators around the world are experiencing declines.

We are very supportive of the MyDigital and JENDELA projects and expect to significantly expand and invest into new Fibre To The Premises (FTTP) roll-out and expanding the population and homes covered by our premium 4G/LTE network.

Our financial results are equally strong. EBITDA growth to RM964million for 1Q2021 grew QonQ by 2.7%. Profit after Tax is also grew strongly to RM334 million by 4.7%.

And finally, as a result of our focus on cash management and our cautious optimism for 2021, we are very pleased to declare a 4 sen interim dividend for the quarter.

Continuing with our operational highlights. We ended the year with a record level of 3.54 million Postpaid subscribers, a growth of 0.9% QonQ and 3.5% YonY respectively.

The prepaid market remains competitive and declining in market size throughout 2020 with foreign workers leaving Malaysia.

Nevertheless, we grew our Prepaid subscriber base grew strongly up by 2.2% QonQ and 3.4% YonY and ending with 6.08 million subscribers. This is a strong testament to our premium network, omnichannel distribution, powerful Hotlink brand and our highly successful and innovative Hotlink Prepaid Unlimited plan that was launched in 2Q20.

In Fibre, we are pleased with the strong growth: up 4.7% QonQ and up significantly 18.6% YonY and ended 1Q2021 with 465K subscribers. Maxis' innovative fixed 4G/LTE home router is now a permanent product line and also doing well, which we will talk about more, later.

We delivered a high customer satisfaction level, with an steady Touch Point-Net Promoter Score of +58 points, another great achievement as we successfully navigate a Covid-19 environment.

Maxis, continues to be a role model in digitalization and is pleased that our customers also are continuing to embrace our MobileApps. MyMaxis app adoption by our Postpaid customers, was up 2% more to 60%. The usage of the Hotlink Red app stayed at a high level of 73%.

A reminder, our Mobile app adoption is very important for us as we see these apps as an integral part of our differentiated omni-channel sales and service strategy and capability, plus they enable us also to directly market to our customers and offer uniquely customised offerings based upon big data analytics, that we call "Segment of One". It means our customers can do more online service activities and transactions.

Now let me hand over to Wayne to drill down into the financials.

Thank you, Gokhan. Good afternoon Ladies and Gentlemen.

We are pleased with our performance, as Gokhan says, as we start FY2021 which continues to unfold as a 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 continuing global COVID-19 pandemic and necessary restrictions remain profound and unsettling.

First, let me set a context, that the MCO started 18th March 2020, so when we look at YonY comparisons, the 1Q2020 was still largely unaffected by Covid-19. Therefore, in our results YoY tends to be slightly lower than QonQ, yet our underlying performance is strong.

For 1Q2021, the Group recorded a total revenue of RM2,228 million, that is down -4.8% YonY. Yet when we look QonQ only down by just 1.5% due to lower device sales after the height of yearend sales in Q4 2020.

Service Revenue for 1Q2021 was a solid RM1,959 million and both YoY and QonQ just slightly down by under 0.6%.

Our Postpaid segment, QonQ is stable-with just minus 0.1% to RM974million for 1Q21. With subscribers up yet offset by the lack of international roaming driving a lower ARPU.

Our Prepaid segment, QonQ is down 0.9% to RM690 million for 1Q21 due to the decline in the foreign workers market segment as many left Malaysia due to Covid 19 in 2020.

We will share more detail about Postpaid, Prepaid and Fixed broadband segments later.

Normalised EBITDA increased QonQ by 2.7% to RM964 million largely due to the provision for doubtful debts (PFDD) being brought firmly under control and lower handset costs. Even YonY, EBITDA is up 0.5% due to lasting tighter cost control from our XLR8 productivity programme.

Operating free cash flow decreased to RM667 million, QonQ a 41.4% drop because 4Q2020 had windfall cash collections and YonY down 10.9% due to phasing of payments and so offsetting the gains, we made in our successful working capital initiatives mainly through collection analytics. More details on the cash flow profile later.

Capex was in-line with our usual phasing, of the first quarter being lower than the subsequent quarters in the rest of the year.

The Group is very pleased to declare a 4 sen interim dividend.

Now let us drill down into the business operating results.

The service revenue continues to be resilient, even under weakening economic conditions, because of our management's agility, strong brands and differentiated business, execution of our unique go to market strategies and increasingly diverse portfolio of converged consumer and business services.

Service revenue was down just 0.6% QonQ at RM1,959 million while YonY it was down just 0.5%.

YoY the temporary lack of international roaming affected us offsetting growth in Postpaid and fibre subscribers.

QonQ we saw slight declines in APRU in both Postpaid and Prepaid, which drove the slight decline in service revenue of 0.6%

Let's now drill down further for more insights.

Even in the ongoing difficult environment we continue to secure Postpaid subscriber growth. We continue to migrate some of our customers from Prepaid to Postpaid and at the same time we have been winning new customers. The

Hotlink brand is very strong. Our innovative Hotlink Postpaid plan is value accretive, and adoption continues to be very successful.

Postpaid revenue, YonY is down by 1.4% and QoQ is down just 0.1% to RM974 million. YonY decline is largely due to the decrease in APRU due to the temporary loss of roaming revenue partially offsetting both the growth in Postpaid subscribers and also growth in Fixed Wireless Broadband services.

Postpaid ARPU, excluding the international roaming shows that the underlying ARPU is resilient declining from RM82 at 1Q2020 to RM80 at 1Q2021 due to the dilution by entry level priced Hotlink Postpaid plans as mentioned previously.

Hotlink Postpaid continues to attract new entry level Postpaid subscribers, as well as those migrating from Prepaid to Postpaid and many new customers choosing the Maxis Postpaid plan.

YonY, we ended the quarter, with 3,538 thousand subscribers that is 118k additional subscribers, that is an increase of 3.5%. Also, on a QonQ basis we increased our Postpaid subscriber base by 0.9%.

This demonstrates that our Postpaid service continue to be differentiated and accepted as a premium product underlying our resilient performance.

Prepaid service revenue decreased by 0.9% QonQ and 3.4% YonY to RM690 million.

Although there was a fall in subscribers in 1Q20, then QonQ we regained many throughout 2020. We continue with that trend in 1Q2021 and increased our Prepaid customer base still further, largely attributable to our attractive Hotlink Prepaid Unlimited price plan with this strong Hotlink Brand being leveraged as part of our successful go to market strategy of targeting under-served markets.

We also are seeing an improving subscriber mix with more Malaysians and less dependency on foreign workers which also means less churn.

Prepaid is a great success despite it generally being a shrinking market segment in Malaysia with the decline in foreign workers and continued pre-to-post migration.

Prepaid ARPU reduced slightly to RM38 from RM39.

Prepaid data usage per month is now at 20.9GB per month up 8.3% QonQ and up 23.7% YonY. This is in-line with normalisation of data usage levels after the burst in data usage at 22.5GB per month during 2Q2020 with the start of the various MCO phases and the stay-at-home and work-from-home requirements.

Turning to home broadband connectivity.

During the initial MCO we were agile and fulfilled fibre connectivity orders with a temporary fixed 4G/LTE router. This is now a successful product and so we combine our fixed fibre and fixed wireless in the following results.

Our home connectivity has strong growth with fibre and fixed wireless connections up by 5.8% QonQ and 24.1% YonY.

Wireless Broadband (WBB), the fixed wireless 4G/LTE router-based service, fits with our strategy and digitalisation thrusts. WBB is a complimentary product and has proven to be very successful in non-fibre coverage areas.

The good traction in both Fibre and WBB products shows that people are more aware of the benefits of having a good quality broadband service at the home – another example of digitalisation and execution of our converged solution strategy.

Maxis now offers effectively a nationwide service offering fixed fibre and fixed wireless broadband services, targeting these areas currently without fibre services. With our own fibre and fibre wholesale access agreements covering now over 4.2 million homes nationwide plus our ubiquitous 4G/LTE network covering over 92% of the population we can leverage our 1st mover advantage nationwide.

Leveraging on our Maxis Prime product and our unique talent pool of Maxperts, we continue to build momentum as the leader in converged solutions to the home.

We have strong growth for 1Q21 of plus 21k net fibre additions and ending the period with 465k fibre customers an increase of 4.7% QonQ and very strong 18.6% YonY.

Fibre revenue was strongly up by plus 6.9% QonQ and by plus 17.6% YonY to RM154 million.

Home Fibre ARPU increased 0.9% QonQ to RM108 per month.

Our Wireless Broadband continues to deliver strong QonQ growth. WBB revenue was up by 20.0% QonQ and by 55.6% YonY. For 1Q2021, WBB revenue stood at RM42 million behind the subscriber growth of 8k in the quarter to 138k customers up by 9.5% QoQ, and 46.8% YoY.

WBB ARPU also recorded a significant improvement to RM111 per month, up from RM104 per month in 4Q20.

Now. Let me handover to Paul McManus.

Thank You Wayne. Good afternoon Ladies and Gentlemen.

In Q1, Maxis Business saw a continuation of our momentum from 2020 in driving innovation and expanding on our portfolio of solutions – whilst continuing to invest in ensuring we offer a world class service experience for our customers. We saw new capabilities successfully coming on stream as a result of our ongoing investment in our new IT infrastructure delivering innovative new enterprise services and customer self-service state-of-the-art tools and capabilities. Despite still being in an MCO state, Q1 we have seen continued positive achievements and strong contract wins across all segments.

I am also pleased to say that we continue to make good progress in our vision of leading the market with best-in-class next generation enterprise-grade network services with the launch of our state-of-the-art Maxis Programmable Network (MPN) which has a 5G-ready, core network infrastructure, and a Software Define architecture that grants customers complete flexibility to control the provisioning and bandwidth usage needs, designed to give enterprises total control and visibility in addition to a significantly improve TCO. On the SD-WAN front, we have activated over 900 SDWAN new sites at the end of Q1 across multi-vertical industries – from automotive, oil & gas to media, etc.

Our previously announced launch of the Maxis Digital Readiness Index, an interactive self-assessment tool that allows businesses to measure their digital preparedness, has received wide recognition, not only in industry sectors but also within the Malaysian Government. Culminating in Maxis being appointed as a Technology Partner to Institute Koperasi Malaysia (IKKM), a special training institution designed to help organisations across Malaysia to access new skills relating to business management. An MoU was exchanged with The Ministry of

Entrepreneur Development and Cooperatives (MEDAC) in April. This further solidifies our commitment to support Malaysian Businesses and the Malaysian Government in helping all businesses on their digital journey.

Further elevating our customers' digital experiences, we have also launched new capabilities within our Maxis Business App – a single app now available for Business customers to enjoy access to digital self-serve, and better personalize and managed their engagement and interactions with Maxis for their business needs.

We see more businesses seek to leverage the benefits of digital adoption, to help them recover from the challenges brought about by the pandemic, this is further evidenced by the well-received recent launch of our Digital Workspace as a service suite of solutions, making us the first in the market to offer an all-inclusive fully managed and secure laptop solution with built-in data connectivity allowing a work from anywhere experience, all for a low monthly fee on an as a service model. This comprehensive suite of workspace solutions are bundled with Microsoft Office 365 and a Microsoft Surface, making Maxis the first Malaysian Operator to become a Microsoft's Surface Authorized Device Reseller.

With the pandemic still ongoing, we understand how difficult it is for smaller businesses to keep up with the changing digital landscape. Maxis Business is maintaining our progress with the SME MDEC Government Grant and our SME-in-a-Box solution with AmBank which helps businesses reach their digital potential. To date, we have helped over 7.5k SMEs and microSMEs access this grant and leverage the potential that is being unlocked with a large number of very positive customer testimonials, many remarking on the simplicity and acknowledging the benefits they have derived from accessing this important Government budget initiative with the help of Maxis.

As part of our commitment and belief that we are better together and to bring world class innovation and best in class industry experts and global insights to all Malaysian businesses, we launched our 3rd and final very successful virtual SPARK series events in Q1. We received over 1.6k registrations for both the Spark Engage and Exchange sessions where we discussed the urgent need for organisations to innovate and accelerate their businesses efficiently and effectively as well as ways to unlock business growth in the new normal.

As you may re-call, in 2019, we embarked on our own IT & Business Transformation journey. These benefits and new capabilities are now starting to come on stream at pace. We have seen an increase in Enterprise customer related project CAPEX spend (growing 50% y-o-y, 2020 vs. 2019) driven mainly by the accelerating take up of our broad suite of solutions across UC, Cloud, Managed network services and E-commerce. All underpinned by our expanding and market leading enterprise grade MEF 3.0 certified Software Defined Fibre network infrastructure.

These continued Malaysian firsts and progress against our milestones give us confidence that our strategy is the right one, and that it is bearing fruit as we accelerate our capabilities and offerings up the ICT stack. We look forward our investment in groundbreaking new solutions and network infrastructure for the benefit of all Malaysian Businesses, when combined with our investment in new talent/capabilities continues in resulting in the creation of high skill new jobs growth within the Country.

We believe we are well positioned to support the Malaysian Governments MyDigital Blueprint and 5G announcements. Upholding our ambition to be Malaysia's Leading ICT solutions provider for all businesses and in doing so Helping our customers to "Always be Ahead".

Now let me hand back to Wayne.

Thank you, Paul.

Now, moving on to Capex, we continued to invest to maintain our superior network, offering the best in coverage, now over 93% population coverage.

We continue to strengthen our lead as the best network in Malaysia, as recognised by industry experts such as OpenSignal, Ookla and MCMC.

Capex for 1Q21 was RM136 million, down 16.6 % YonY but in-line with our normal phasing of capex.

Growth capex continues in our fiberisation plans and also capex linked to the MaxisBusiness order book.

Turning to the Maxis converged services strategy which is aligned to Malaysia's MyDigital Blueprint and JENDELA. Maxis is expanding its access connectivity through much wider deployment of fibre, fixed wireless broadband and mobile broadband services.

Maxis via its own fibre and via fibre access agreements has access to now over 4.2 million homes and premises.

With our 4G/LTE premium network covering over 93% of the population, and hence homes and premises we can fill fixed fibre gaps with fixed wireless broadband.

This means Maxis has the largest fixed and mobile access footprint in Malaysia to deliver digital and converged services.

Maxis is working with the JENDELA programme to increase our fibre access to nearly 300K Fibre to the premises within two years, this is under the USP related funding programme and is not Maxis' commercial capex spend.

Maxis now has 62% of mobile base stations with direct fibre and these are largely in market centers, creating a significant competitive advantage.

Maxis has over 92% of mobile base stations directly connected by fibre or a single hop microwave system to fibre.

The aggregation network and backbone network is largely fibre.

This means that our 4G/LTE customers enjoy better upload and download speeds and better latency and due to increased fibre links, increased reliability.

Maxis has the largest fibrised tower and base station footprint.

Voice over LTE, VoLTE has been launched in October 2020.

Finally, Maxis has a MEF3.0 certified software defined network, which is Malaysia first programmable and intelligent network, which supports both our 4G/LTE network services and MaxisBusiness converged service offerings.

In terms of profitability, let's start with EBITDA, then we will look at NPAT and OFCF.

FY2020 was characterised by Covid-19 and one key business facet was our prudent provisions for doubtful debts (PFDD). The level of PFDD peaked in 1Q20 and progressively came under careful control decreased to a low level in 4Q20. PFDD for 1Q2021 was RM13 million versus RM99 million for 1Q2020, PFDD level is now under FY2019 levels and expect that trend to continue for the rest of this year. Underlying EBITDA, that is adjusting for PFDD, shows QonQ growth of 2.7% and YonY growth of 0.5%.

We delivered normalised EBITDA of RM977 million for 1Q21 higher by 3.7% compared to RM967 million for 4Q20. This is largely due to revenue growth in Fixed broadband both fibre and WBB and lower device and operation and maintenance costs.

In terms of profit, Our PAT, QonQ was higher by 4.1% and YonY down by 6.4%. The trend in PAT is in line with EBITDA as already discussed. Also increased depreciation reflecting our capex investments in both network and IT system capability, to secure and capture future cash flow growth.

The decline in normalised profit YonY was due to the factors already discussed: that is a temporary loss of international roaming income, prudent PFDD and depreciation on or past core and growth capex.

We maintain a strong focus on cash management. We delivered a solid normalised OFCF of RM667 million for 1Q2021.

We also maintain a strong focus on growth and productivity via our new XLR8 programme as Gokhan mentioned earlier. The XLR8 programme is reshaping our costs, embracing new capabilities, new tools and processes to continuously drive cost improvements and accelerate our digital initiatives across the company.

Both YonY and QonQ operating FCF was down because of phasing of collections and phasing of payments, which we expect to normalize throughout the year.

The Board of Directors has declared a first interim single-tier tax-exempt dividend of 4.0 sen per ordinary share in 1Q21 in respect of the financial year ended 31 December 2021, to be paid on 30th June 2021. The entitlement date for the dividend payment is 31st May 2021.

The Board of Directors fully recognises the importance of dividends to the Group's equity shareholders. The Board of Directors are of the view that a prudent dividend preserves an optimal capital structure and protects our core business during this time of uncertainty. However, our successful agile response to the challenging economic environment means that we are cautiously optimistic for the year ahead.

Please refer to the Bursa disclosure for our 1QFY2021 Results – in summary due to ongoing unprecedented uncertainty, we feel it is prudent not to give guidance.

I will now hand back to Gokhan.

Thank you, Wayne.

Our leadership is steadfast in capturing the converged services opportunity of a digitalised world and Digital Malaysia. We are accelerating our convergence growth strategy execution and as such our priorities remain the same for the year ahead:

- Putting the health and safety of our people and our customers first
- Maintaining the health of our network and systems
- Maintaining our leadership in core mobile business
- Strengthening our leadership in converged solutions to individuals and homes
- Helping Malaysian Enterprises to digitalize with our new Maxis Business solutions and converged broadband offering
- Achieving differentiated and digital unmatched personalised experience

- Accelerating our digital transformation to be a world-class digital organisation; and
- Focusing on cash flow management, liquidity and productivity.

Thank you attention and we are ready to take your questions.

END