

MAXIS TRANSCRIPT: 1Q 2024 RESULTS BRIEFING

This is the official Maxis transcript of the teleconference presentation that was given on the results presentation briefing call on Friday 17 May 2024. 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, Ladies and Gentlemen. This is Eng speaking. Welcome and thank you for participating in our results briefing today.

Joining me here are Jennifer, our Chief Financial Officer; Loh, Chief Consumer Business Officer; Prateek, Chief Enterprise Business Officer; Patrick, Chief People and Transformation Officer; and our Investor Relations team.

As usual, we will bring you through a short presentation, followed by a Q&A at the end of the session.

Ever since I took over as CEO in December 2022, Maxis has continued to deal with operational challenges and regulatory changes, such as the ongoing transition to a dual 5G network and the consolidation of two key players.

In order for Maxis to continue to deliver sustainable and predictable growth for our stakeholders, we have focused our efforts on our core businesses – Mobile, Home and Enterprise.

As I mentioned at my AGM address yesterday, mobile has been our core strength and will remain a key priority. The mobile market generates an estimated 23 billion ringgit in revenue annually. A 1% market share gain will translate into an additional 230 million ringgit in revenues.

We will also focus on expanding our home business. Our Maxis Home Fibre plans offer fibre connectivity with speeds of up to 2Gbps, delivered by our

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team of Maxperts nationwide. With over 750,000 homes connected, Maxis is currently the second largest fibre provider in Malaysia.

In addition, we want to drive further growth in our Enterprise business. Maxis views itself as a reliable partner for all Malaysian businesses, providing connectivity and enterprise solutions to help businesses transform and scale in the digital age.

I will elaborate on these 3 business lines in the following slides.

Let us turn to slide 5, beginning with mobile.

At Maxis, we offer a wide range of products to meet the needs of all customer segments. This allows us to grow with our customers as their priorities and purchasing power progresses over time.

Let me take you through an example of how we have tailored our products to grow with our customers. We start with our Hotlink Prepaid products that offer data for streaming and gaming for youths, as well as attractive cashbacks for them to stay with us.

After they graduate and start their first job, we offer attractive Hotlink Postpaid packages that give them access to affordable 5G devices and basic roaming packages.

Eventually, we expect these customers to take up our Maxis Postpaid plans that offer access to premium devices and family bundling options.

Moving to the next slide.

Maxis has grown our home fibre business significantly in the past 5 years. While standalone fibre services deliver lower margins than mobile, bundling both mobile and fibre creates significant defensive value for Maxis.

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To illustrate, please refer to the bottom left charts on this slide. We have observed that fixed mobile convergence has resulted in up to 10 times lower churn rate of our customer base and also a 3 times uplift in revenue.

We aim to expand Maxis' own fibre-to-the-home network, which today covers more than 400,000 premises nationwide. Expanding this network will allow us to deliver fast and reliable fibre connectivity to more customers at a lower cost.

Let us turn to the next slide.

We now have a clear segmentation strategy to tailor our solutions to meet the needs of all Enterprise customers. As you know, the needs of a corporate customer are very different to those of a small-medium business.

The core carriage and connectivity services will remain the base solution for all Enterprise customers, and we also have the capability to provide managed services, IoT solutions and cloud services to more sophisticated customers.

On to the next slide.

I would like to share with you Maxis' 4-pillar strategy that I have set out for us to remain the leading integrated telco in Malaysia.

Starting with Pillar 1, we will continue to focus on sustainable and predictable growth across our 3 core businesses. Specifically, we want to be the largest telco by postpaid and bundled customers.

Pillar 2 is our commitment to deliver consistently good customer experience. I am proud of our latest Net Promoter Score of +68 and we will do our best to maintain this high score.

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For Pillar 3, we will be focused on operating excellence. We will instill a culture to keep things simple and maintain strict cost discipline for Maxis to operate efficiently.

Last but not least, Maxis is committed to remain as a high performing organisation. We want our workforce to be outcome and results-driven in everything, and to speak proudly of Maxis as their employer of choice.

I am confident that we will be able to execute on this strategy.

Let us now present our first quarter results, beginning with slide 10.

Following our solid operational performance in 2023, we started well in 2024.

We were the first in Southeast Asia to stage a 5G-Advanced trial showcase. This showcase took place in February this year, and demonstrated the 5G-Advanced capabilities, as shown on the slide.

We also introduced the new 5G Home WiFi plans in March. Customers can now easily plug and play for fibre-like speeds anywhere with no installation required. Customers can opt-in for a best-in-class 5G router, which can support up to 30 devices simultaneously.

Lastly, Maxis formalised 5 important collaborations with multinational partners at the Mobile World Congress 2024. These collaborations allow us to innovate together with our partners to integrate and adopt GenAI and 5G use cases.

Let's go to the next slide, on financial highlights.

We delivered another strong quarter. Service revenue, EBITDA and profit after tax all recorded year-on-year growth. In recognition of our strong performance, the Board approved a quarterly dividend of 4 sen per share.

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Moving to the next slide, on service revenue.

We delivered solid revenue growth in the first quarter, growing 3.7% year-on-year to 2.2 billion ringgit. Quarter-on-quarter growth is softer as the fourth quarter is seasonally driven by higher roaming services.

Our consumer business recorded a growth in the first quarter of 2024, while the enterprise business saw a slight dip due to lower project fulfilment this quarter.

Let us turn to the next slide.

By prioritising services and creating values that meet customer needs we achieved positive results in Consumer Postpaid demonstrating growth in both revenue and number of subscribers. Our wide range of price plans and devices cater to all market segments. We continue to execute our pre-to-post migration strategy to deliver growth.

Moving onto slide 14, Consumer Prepaid.

Prepaid's underlying subscriber base remained strong, showing growth after factoring the effects of pre-to-post migration. By delivering personalised offerings, we will continue to create value for all customer segments.

Let us move to the next slide.

Consumer home connectivity continued to deliver growth, in terms of both revenue and number of home connections. We recognise the rise in competition and are implementing strategies to differentiate and provide value for customers in all market segments.

Let us now turn to the next slide on Enterprise.

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Enterprise service revenue fluctuated depending on project deliveries, in addition to seasonality.

However, businesses are increasingly seeing the importance of a fast, reliable and secure network. Maxis stands to be the right business partner to offer the right experience, and help Malaysian businesses operate effectively in their digital transformation journey.

Let me now pass the briefing to Jennifer to go through the financials.

Thank you, Eng.

Let's turn to slide 17, on earnings.

Our focus on operational efficiency, streamlined processes and maintaining strict cost discipline drove an improvement in our profitability. In the first quarter of 2024, we recorded a strong EBIT of RM595 million. EBIT margin on service revenue was 27.2%, the highest in the last 7 quarters.

For profit after tax, we will continue to report adjusted numbers for quarters 3 and 4 of the financial year 2023. This is to ease comparison for quarterly run-rates, and consistent with how we have disclosed it in our previous quarter. For this first quarter, we recorded a net profit of RM353 million, the highest in the last 11 quarters.

Let us now move to slide 18, on operating free cash flows and Capex.

We recorded a solid operating free cash flow of RM857 million in the first quarter, attributed by our focus in strong working capital management.

To recap, there were several payments made in the previous quarters, causing lumpy cash flow trends. This included:

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- Payment to regulatory compliance costs and prosperity tax in the first quarter of 2023, which explains the low operating cash flow of RM181 million in quarter 1 last year;
- In addition to that, there was a one-off tax settlement payment in the fourth quarter of 2023; and
- Payment pertaining to the share subscription agreement of DNB in the fourth quarter of 2023.

While net debt was slightly elevated in the first quarter, we repaid RM630 million of borrowings in the month of April. The full disclosure is included in Note 10 of our quarterly announcement to Bursa.

We remain prudent with our Capex investments, in view of industry developments. Our Capex investment in the first quarter focused more on maintaining mobile network quality, fibre build, and IT digitisation.

Moving to the last slide, on guidance.

We maintain our guidance for the year 2024, that is:

- Low single digit increase in service revenue
- EBITDA to remain relatively unchanged to the financial year 2023; and
- Capex to be less than RM1 billion

With that, thank you for your attention, and we are ready to answer your questions.

<Q&A session>

We will provide a transcript of our presentation speech excluding the Q&A session on the Maxis IR website by tomorrow. Thank you and see you next quarter.