

## **MAXIS TRANSCRIPT: 2Q2021 RESULTS BRIEFING**

*This is the official Maxis transcript of the teleconference presentation that was given on the results presentation briefing call on Friday 30 July 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 Ladies and Gentlemen, this is Gokhan Ogut speaking.

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

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

As usual, 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 then we are open for questions, finishing by 4:00pm.

We remain in uncertain times due to the ongoing COVID-19 pandemic and its new variants, global vaccination programmes 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. We also support and promote vaccination for our people.

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.

## **MAXIS TRANSCRIPT: 2Q2021 RESULTS BRIEFING**

Maxis has clearly become Malaysia's Leading Converged Solutions Provider, building a strong first mover advantage, since the start of strategy execution in 1Q2019.

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

Building on the success and learnings of the evolving MCO, we are cautiously optimistic as we focus on five key areas:

- Accelerating fibre and home broadband penetration and supporting JENDELA, by applying our marketing and sales muscle.
- Positioning MaxisBusiness as the preferred ICT digitalisation partner for Malaysian businesses.
- Expanding digital channels for sales, distribution and service.
- Maintaining leadership in network and technology; and providing a wide range of access choices to our customers including: 4G/LTE, wireless broadband, fibre, direct internet access, SD-WAN and in the future 5G.
- Building critical capabilities and operating model, for sustainable productivity and working capital management, we called XLR8 programme extending upon the successful Fuel4Growth programme of last year.

We are pleased that we have been cautiously optimistic in managing the turbulent new norm and we have delivered strong results from solid execution.

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

## **MAXIS TRANSCRIPT: 2Q2021 RESULTS BRIEFING**

We have already achieved critical size and scale in converged services, and we will talk about that later.

We have continued to deliver strong year-on-year growth in postpaid up 7.0%.

The prepaid market remains competitive. Nevertheless, we held our prepaid subscriber base with only a small decrease of 2.3% quarter-on-quarter (due to full MCO in June) and even smaller decrease of 0.6% year-on-year. We ended this period with 5.94 million prepaid subscribers, and we remain the largest prepaid player in Malaysia.

This is a strong testament to our premium network, omnichannel distribution, powerful Hotlink brand which continues to attract and retain new customers especially the underserved throughout 2021.

In fibre and home broadband we have delivered double digit year-on-year growth of 18.5% and ended 2Q2021 with 487K fibre subscribers. Maxis' innovative home 4G/LTE plan is now a permanent product line, it is also doing well.

We are very supportive of the objectives of MyDIGITAL and JENDELA initiatives and are investing in new fibre to the premises (FTTP) roll-out and expanding the population covered by our premium 4G/LTE network especially in rural, meaning Zones 3 & 4.

We delivered a high customer satisfaction level, with a substantially increased Touch Point-Net Promoter Score (TP-NPS) of +64 points, a great achievement as we successfully navigate the evolving Covid-19 environment and increasing demands on our network.

## **MAXIS TRANSCRIPT: 2Q2021 RESULTS BRIEFING**

Maxis, continues to be a role model in digitalisation and is pleased that our customers also are continuing to embrace our Mobile Apps. Maxis app adoption was up again to 61% and Hotlink app adoption was up to 75%.

Maxis' customers using the apps have a higher ARPU and a stronger loyalty level and so lower churn rate. Our customers can do more online service activities and transactions.

The Mobile app adoption is very important and is 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, which we call "Segment of One". Maxis can use big analytics on both prepaid and postpaid to deliver our brand promise of unmatched personalised experience and customize service offerings.

Our Consumer segment value escalator is covered by our two brands, Hotlink and Maxis, ensuring that we have something for everyone and offering a customer lifetime experience with Maxis.

Hotlink is our entry level brand, which provides great value and affordability, and has been strengthened with core and new products, including: a youth targeted Unlimited Prepaid data offering for the heavy data user niche; and our successful Hotlink Postpaid – entry level postpaid plan.

Maxis is our premium brand, that provides an enriched lifestyle offering to our customers with innovative device ownership options, home and converged services and digital lifestyle solutions. This also drives a focus on average revenue per account (ARPA) and a consumer product portfolio that is value accretive. Through entry-level products, we ensure higher stickiness. Then, we

## MAXIS TRANSCRIPT: 2Q2021 RESULTS BRIEFING

use the higher stickiness to bridge to more premium converged offerings for higher ARPA.

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 solid performance in 2Q21 building upon solid performance in 1Q21 in 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.

For 2Q21, the Group recorded a total revenue of RM2,264 million, that is up - 5.3% year-on-year and also 1.6% quarter-on-quarter, due to solid device sales.

Service Revenue for 2Q2021 was also up at RM1,988 million, with an increase of 3.1% year-on-year and up 1.5% quarter-on-quarter.

Our postpaid revenue also grow, up 2.2% year-on-year and up 2.9% quarter-on-quarter RM1,002 million for 2Q21, due to a growth in subscribers and a stable ARPU.

Our prepaid revenue was only slightly down, 0.1% year-on-year and 0.7% quarter-on-quarter delivering RM685 million for 2Q21. This is a great result as Maxis is holding market share.

We will share more detail about Maxis' Postpaid, Prepaid and Home broadband segments later.

## MAXIS TRANSCRIPT: 2Q2021 RESULTS BRIEFING

Normalised EBITDA increased year on year by 6.1% and increased quarter-on-quarter by 4.9% to RM1,011 million. This is due to increasing revenues and also due to provision for doubtful debts (PFDD) being brought firmly under control and lower handset costs. Maxis has a lasting tighter cost control from our Fuel4Growth productivity programme, which is in transition to a new programme called XLR8. And more on that later.

Operating free cash flow for the period was RM894 million. On a year-on-year basis it decreased by 8.0% but increased quarter-on-quarter by 34.0%. The increase quarter-on-quarter is due to higher payments in 1Q21. More details on the cash flow profile later.

Capex was in-line with our normal spending profile, of the first two quarters being lower than the subsequent quarters in the rest of the year.

And finally, the Maxis Board of Directors is pleased to declare a prudent 4 sen interim dividend, which allows protection of core business in preparation for the opportunities from the pandemic recovery.

Now let us drill down into the business.

We are pleased that we delivered positive growth, even under weakening economic conditions. Service Revenue was up year-on-year by 3.1%, up quarter-on-quarter by 1.5% and up YTD on YTD by 1.3%. Service Revenue for the quarter was RM1,988 million.

This is because of our management ability to leverage our strong brands and differentiated business, plus the execution of our unique go to market strategies and increasingly diverse portfolio of converged consumer and business services.

## **MAXIS TRANSCRIPT: 2Q2021 RESULTS BRIEFING**

This result was due to a resilient core prepaid and postpaid business plus growth in our fibre and home broadband business.

Turning now to postpaid. Even in the ongoing difficult environment we continue to secure postpaid subscriber growth, delivering growth of 2.9% for quarter-on-quarter and 7.0% for year-on-year. We have been winning new customers with both our Maxis and Hotlink postpaid products.

The Hotlink brand is very strong with a loyal customer following. Our innovative Hotlink Postpaid plan is value accretive and very successful. We continue to migrate some of our customers from prepaid to postpaid and as well we have been winning new customers.

Postpaid revenue for 2Q21 was RM1,002 million. We are pleased that on all fronts we delivered positive postpaid revenue growth: year-on-year up 2.2% and quarter-on-quarter up 2.9% and YTD-on-YTD up 0.4%.

Postpaid revenue growth is driven by growth in both postpaid subscribers and Home 4G Broadband subscribers.

Postpaid ARPU, was firm at RM81.8 at 1Q21 and RM81.2 at 2Q21.

Our successful strategy to win entry level Hotlink Postpaid subscribers, does have a small dilution effect on the APRU.

We ended the quarter with 3,642 thousand subscribers: that is 237 thousand additional subscribers and an increase of 7.0% Year-on-Year; we increased our postpaid subscriber base by 104 thousand subscribers an increase of 2.9% Quarter-on-Quarter. Maxis is winning postpaid market share.

This result demonstrates that our postpaid product portfolio and service offering continues to be differentiated and accepted as a premium product.

## MAXIS TRANSCRIPT: 2Q2021 RESULTS BRIEFING

Hotlink Postpaid RM60 package saw a favourable response to the Government Jaringan Prihatin programme which provides a handset of service plan subsidy to B40. This supported sales during the period.

Postpaid data usage per month is now at 25.6GB per month up 12.2% quarter-on-quarter and up 37.4% year-on-year.

Turning now to prepaid. Prepaid service revenue decreased by only 0.7% quarter-on-quarter and decreased by a tiny 0.1% year-on-year to RM685 million. Likewise, our prepaid subscribers decreased slightly to 5,942 thousand by the end of 2Q21 mainly due to the MCO 3.0 in June. This is a small 2.3% decline quarter-by-quarter and even smaller decline of 0.6% year-on-year.

Maxis continues to win market share, attributable to our attractive Hotlink Prepaid Unlimited price plan being leveraged with our successful go to market strategy of targeting underserved markets.

Our Hotlink customers, value the brand promise and are loyal to the Hotlink brand. We also are seeing an improving subscriber mix with more Malaysians and less dependency on foreign workers which also means less churn.

Prepaid ARPU remained firm at RM38.2 for 1Q21 and RM38.0 for 2Q21 even with the free 2GB data per month offering under the government Jaringan Prihatin programme to B40.

Prepaid data usage per month is now at 23.7GB per month up 13.5% quarter-on-quarter and up 5.3% year-on-year. This is in-line with stay-at-home and work-from-home usage patterns.

Moving on to home broadband connectivity.

## **MAXIS TRANSCRIPT: 2Q2021 RESULTS BRIEFING**

During the initial MCO we were agile and fulfilled fibre connectivity orders with a temporary home 4G/LTE router. This is now a successful product which we call now Wireless Broadband (WBB). We report together our fixed fibre and home 4G/LTE router WBB services.

Wireless Broadband (WBB) fits with our strategy and digitalisation thrusts. WBB has proven to be very successful in non-fibre coverage areas.

Our home connectivity has steady growth with fibre and home 4G connections up by 8.5% quarter-on-quarter and by 28.5% year-on-year. We ended the period with a total of 654 thousand connections made up of 167 thousand 4G/LTE router services and 487 thousand home fibre services. WBB services has nearly doubled to 167 thousand and 70.4% year-on-year.

The good traction in both fibre and WBB products shows that people are increasingly aware of the benefits of having a good quality broadband service at the home.

Maxis now offers effectively a nationwide broadband service offering fixed fibre and home WBB services. With our own fibre and fibre wholesale access agreements covering over 5.0 million homes nationwide plus our ubiquitous 4G/LTE network covering over 93% of the population we can leverage our 1<sup>st</sup> mover advantage nationwide.

Furthermore, Maxis is participating in the JENDELA FTTP rollout programme that will increase homes passed to 7.5 million by the end of 2022.

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

## **MAXIS TRANSCRIPT: 2Q2021 RESULTS BRIEFING**

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

We have steady growth for 2Q21 of another 22k net fibre additions and ending the period with 487 thousand customers an increase of 4.7% quarter-on-quarter and 18.5% year-on-year.

Fibre revenue was up by 5.8% quarter-on-quarter and by 23.5% year-on-year to RM163 million.

Home fibre ARPU increased 1% quarter-on-quarter to RM109 per month, with adoption and upgrading to higher speed plans.

Our Wireless Broadband (WBB) continues to deliver strong revenue growth up by 11.9% quarter-on-quarter and by 74.1% year-on-year. For 2Q21, WBB revenue stood at RM47 million. This was driven by strong subscriber growth of 29k in the quarter to 167k customers up by 21.0% and 70.4% year-on-year.

WBB ARPU also recorded a significant improvement to RM114 per month 2Q21 up from RM102 per month a year ago, 2Q20.

I will now hand over to Paul to present the Enterprise business.

Thank you, Wayne.

Despite prolonged lockdowns across the first half of the year, Q2 has seen strong continued year on year growth and business momentum, with many significant milestones achieved

Since the start of the pandemic, Maxis Business has been at the forefront of supporting businesses which are struggling to keep ahead of the everchanging

## **MAXIS TRANSCRIPT: 2Q2021 RESULTS BRIEFING**

digital world. Over the last few quarters, the Maxis Business team has gone to great lengths to ensure we positively impact the community as a whole with an emphasis on “we are better together”. I am pleased to say that all those efforts have been recognised – this quarter, our #KitaSapotKita business edition initiative was honoured with a Special Award at the WARC Awards, under the B2B category for the insightful and effective way Maxis has supported Malaysians SMEs during these unprecedented times.

To date, we have served over 12.7k SMEs and micro-SMEs through the MDEC Digitalisation grant alone and whilst still holding the torch for the most comprehensive solutions offered under the grant, we have expanded the catalogue to include our digital workspace solution to cater for the prolonged work-from-home situation.

To further empower and drive recognition and awareness towards SMEs and entrepreneurs during the pandemic, we have also launched our UsahaWIRA campaign where we feature customer testimonials from various regions and industries, to educate our viewers on how the right digital tools can help elevate their business.

2021 continues to be the year of ‘acceleration’ for us as we accelerate our leadership in critical Cloud capabilities and offerings for Malaysia. Reflecting our determination and commitment to lead in delivering capabilities that help our customers embrace end-to-end cloud adoption. We are proud to announce our most recent acqui-hire, a highly regarded local Malaysian private cloud solutions company with over 10 years’ experience providing Managed Cloud and ICT services to Enterprise customers namely “Peering One”. With a pool of strong cloud professional specialists complemented by strategic partnerships with key global technology providers such as VMware and Veeam. This acquisition will

## **MAXIS TRANSCRIPT: 2Q2021 RESULTS BRIEFING**

further deepen and scale our capabilities to offer best-in-class Private and Hybrid Cloud solutions. This is a very complimentary addition to our previously announced acquisition of ICMS, and we are excited to see this combination significantly further expand our capacity to offer Cloud solutions in the next half of the year and beyond.

Building on this central cloud theme of leading the market for innovation we were also pleased to have recently launched our new Maxis Backup-as-a-Service (BaaS) solution in partnership with Commvault – Maxis is now the first Cloud Service Provider in Malaysia to offer a comprehensive BaaS solution (managed by Commvault and stored in Microsoft Azure cloud). We know that this unique offering, will empower organisations to embrace cloud adoption by providing a simplified, secured, and seamless data management option that will give our customers the peace of mind that their data is safeguarded, and secure whilst being compliant with the most rigorous industry standards.

We continue to advance our best-in-class partnerships as central to our strategy, partnering with world class global technology companies, thus ensuring that Maxis Business leads the industry with market disruptive business propositions for all our customers.

Continuing our previously announced position of strength as the only Telco accredited as an Advanced Consulting AWS Partner, we have expanded this important relationship to now being an approved AWS Direct Connect Service Delivery Partner where we can now offer AWS Dedicated and Hosted Connections, providing customers with the flexibility and choice in the way they connect with AWS, as well as enhanced monitoring of the network link between Maxis & AWS.

## MAXIS TRANSCRIPT: 2Q2021 RESULTS BRIEFING

All these positive engagements have been re-enforced by countless digital workshops, roundtable discussions and thought leadership conversations. The increased focus around our converged offerings has also resulted in landmark breakthroughs wins across various segments and industries such as in the education (mobile converged bundles) and utilities sector (NB-IoT) in the multi millions of RM values.

It is gratifying to see that our vision and decision two years ago to embark upon our own Maxis Business internal IT Transformation journey, is now starting to bare fruit, helping us create better customer intimacy and insights, a lower cost to serve and significantly improved customer and service operations experiences

As we step into the second half of 2021, Maxis Business intends to further invest across emerging technologies such as 5G, IoT, AI and Cloud. This is to ensure we anchor our solution capabilities and vertical reach in preparation for IR 4.0 initiatives, in tandem with the Government's MyDigital blueprint journey. We will continue to bring together the best of our people, capabilities, and technologies to enable Malaysian businesses to 'Always be Ahead'.

I will now hand back to Wayne.

Thank you, Paul.

Moving on to Capex, we continued to invest to maintain our superior network, offering the best in coverage, now 4G/LTE has over 93% population coverage.

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

Capex for 2Q21 was RM180 million, down 30.5% year-on-year but in-line with our normal phasing of capex.

## MAXIS TRANSCRIPT: 2Q2021 RESULTS BRIEFING

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

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

Maxis has the largest fibrised tower and base station footprint and continues to invest in this. We now have 62% of mobile base stations with direct fibre and these are largely in market centres. 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 are now largely fibre. This means that our 4G/LTE customers enjoyed better upload and download speeds and better latency and due to increased fibre rings, increased reliability. 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.

Looking now at profitability, let's start with EBITDA, then we will look at PAT and OFCF.

We delivered normalised EBITDA of RM1,011 million for 2Q21 up by 4.9% compared to RM964 million for 1Q21. EBITDA, year-on-year growth is 6.1%.

This is largely due to revenue growth in home broadband both Fibre and WBB and lower expense from lower device and operation and maintenance costs.

YTD21 EBITDA was RM1,975 million up by 3.3% compared to YTD20 EBITDA of RM1,912 million

## MAXIS TRANSCRIPT: 2Q2021 RESULTS BRIEFING

EBITDA growth is driven by higher service revenue growth and lower PFDD costs. The level of PFDD peaked in 2Q20 and is progressively under careful control with steadily decreasing low levels by 2021. PFDD for YTD20 was RM217mn and this reduced for YTD21 to just RM19 million.

Our PAT, quarter-on-quarter was higher by 7.8% and year-on-year up by 5.3%. This trend in PAT is in line with EBITDA as already discussed.

Depreciation increased reflecting our previous period higher capex investments into both network and IT system capability for our future business growth.

The profit after tax was down by just 0.7% YTD on YTD, mainly driven by increasing EBITDA matched by increasing depreciation and amortisation, nevertheless a great result in the current covid pandemic environment.

In terms of OFCF, we maintain a strong focus on cash management. We delivered a sustained normalised OFCF increasing by 34% to RM894 million for 2Q21 versus RM667 million for 1Q21. OFCF was RM1,561 million YTD21 compared to RM1,721 million YTD20 that is down 9.3%.

Operating FCF was up because of phasing of collections and phasing of payments, which we expect will normalise throughout the rest of the year.

The Maxis Board of Directors has declared a first interim single-tier tax-exempt dividend of 4.0 sen per ordinary share in 2Q21 in respect of the financial year ended 31 December 2021, to be paid on 30 September 2021. The entitlement date for the dividend payment is 3 September 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

## **MAXIS TRANSCRIPT: 2Q2021 RESULTS BRIEFING**

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 2Q21 Results and specifically our Prospects (Bursa Note 17) – in summary due to ongoing unprecedented uncertainty, we still 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 value creation for our shareholders and as such our priorities remain:

- Putting the health and safety of our people and our customers first
- Maintaining leadership and scale in core mobile business
- Maintaining the health and superiority of our network and systems
- Building more scale and offering more digital and converged solutions to individuals and homes
- Developing new Enterprise solutions and converged broadband offerings
- Achieving differentiated and digital Unmatched Personalised Experience
- Strong focus on cash flow through cost measures financial flexibility, and productivity

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

**END**