MAXIS TRANSCRIPT: 2Q2022 RESULTS BRIEFING

This is the official Maxis transcript of the teleconference presentation that was given on the results presentation briefing call on Thursday 28 July 2022. 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, I'm Gokhan Ogut. A warm welcome and thank you for participating in our second quarter FY2022 results briefing.

Joining me today are Wayne Treeby our Chief Financial and Strategy Officer; Loh Keh Jiat, Chief Marketing and Consumer Business Officer; and also Paul Zaman from Investor Relations.

This call will follow our usual format of a short presentation from us, followed by Q&A, finishing by 3.30pm.

I like to start each quarterly briefing reminding you of our Corporate MAX Strategy. Since the launch of our MAX strategy execution in 2019, we have made concrete steps in achieving our vision of being the leading converged solutions provider in Malaysia.

Maxis is committed to connect all "rangkaians" in all ways. Beyond maintaining our network leadership in mobile, we are investing in our fixed connectivity by accelerating our own fibre build, focusing on our first-mover advantage to lead converged services to the home. We also invest in digital solutions to be the preferred ICT partner for all Malaysian businesses.

In Maxis, we always put our customers first – and that means ensuring our customers get differentiated and digital "unmatched personalised experience". Internally, we also focus on building critical capabilities, culture and systems to ensure that Maxis will "Always Be Ahead", especially in this fast-changing environment.

We are seriously embracing ESG and updating our MAX Strategy to incorporate our ESG goals, which we will discuss further in the coming months with you.

Moving onto the 2Q22 performance highlights, I am very pleased to share with you our strong results, a testament to our cautiously optimistic approach whilst remaining steadfast on the MAX Strategy.

We continued to deliver strong growth in Consumer Postpaid Subscribers, which is now at 3.25 million, is up by +7.5% year-on-year.

The Consumer Prepaid market remains competitive. Nevertheless, we ended this period with 5.81 million Consumer Prepaid subscribers.

In Consumer Fibre and WBB connections, with 638k connections, we delivered double digit growth of +18.1% year-on-year, and more importantly increasing our lead in converged services to the Home.

In our Enterprise Business, each Business Registration Numbers or “BRNs” as we call it, refers to a business account. With 89k Enterprise BRNs, it is an encouraging growth of +4.0% year-on-year, in this difficult economic environment.

We will discuss more about both Consumer Business and Enterprise Business later in this presentation.

As you would remember, last quarter, we introduced a new statistic called Digital Care, which is our measure of customer service interactions taken through digital channels. Of all customer interactions for the quarter, 23.4% of them were handled digitally, an encouraging growth of 9.1 percentage points year-on-year.

Maxis is already advanced in its digitalization programme, embracing Maxis Chatbots empowered by disruptive technologies including: Artificial

Intelligence, Machine Learning, Natural Language Programming and Big Data analytics.

Let me now hand over to Wayne to present our 2Q22 financials.

Thank you, Gokhan. Good afternoon, Ladies and Gentlemen.

As Gokhan mentioned earlier, we have delivered pleasingly strong results this quarter, seeing positive all-around growth in our Service Revenue in both Consumer and Enterprise Businesses, as well as an increase in overall profitability, and more importantly an increase in our Operating Free Cash Flow. We will go into more details in subsequent slides.

Maxis is committed to creating long-term value for our shareholders and has been providing consistent cash returns through the declaration of dividends, and the Board of Directors fully recognises the importance of this.

With great pleasure, I would like to announce the declared second quarter interim dividend of 5 sen for this period. The declared dividend is consistent with our dividend policy and as a result of our active and successful capital management. This follows Maxis declaring a total dividend of 5 Sen for 4Q2021 and a 5 sen interim dividend for 1Q2022, returning to pre-covid levels.

Our internal management goal is to target for the full year delivery of a DPS/FCFPS percentage of around 100% and to have the cash reserves to pay attractive and sustainable dividends. In 2Q22, we recorded an ample cash balance of RM853 million.

Let us move into Service Revenue.

Service Revenue for the quarter was RM2,084 million, up +4.3% year-on-year and +2.7% quarter-on-quarter.

The increase in Service Revenue is driven by both Consumer and Enterprise Business, especially across Postpaid, Prepaid and Home Connections. This is truly a testament of the successful execution of our Consumer convergence strategy, which Loh shared with us in the last quarter.

Moving on to Capex, Capex for 2Q22 was RM241 million, up 33.9% year-on-year. Following the full 3G network shutdown in December 2021, we have invested in improving 4G coverage and capacity nationwide, maintaining top network performance as measured by MCMC.

Capex was also driven by our investments in fibre. Maxis has the largest fiberised tower and base station footprint. With 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 largely fibre, to which Maxis has over 21,000km fibre installed to-date. We have added over 76,000 premise passes to-date.

Leveraging on these fibre rings, Maxis also invests in increasing the number of fibre sites, targeting to connect and service business premises, especially those in industrial zones. Our SD-WAN network has now grown and offers over 1,300 locations across the country.

In addition to the RM412 million Commercial Capex invested year-to-date, we have also invested over RM200 million USP Capex through JENDELA and USP programs. The USP capex are subsequently claimable back from MCMC upon completion. Maxis retains the Plant Property and Equipment (PPE) assets which are then depreciated.

Turning now to profitability, we delivered EBITDA of RM1,014 million for 2Q22, and RM1,944 million for first half of 2022. Though slightly down by -1.2% year-on-year, this is largely due to the high device contracts volume that resulted in higher device costs in 2022, which supports future revenue growth particularly in postpaid. Staff costs had also increased from our previous acqui-hires.

2Q22 Profit After Tax was a solid RM329m, +10.4% increase quarter-on-quarter, though a decline of -8.6% year-on-year.

This was mostly due to our prudent approach of amortising spectrum over a shorter economic life, triggering an incremental increase in amortisation since 3Q21. Further, Profit After Tax was also impacted by a one-off increase in corporate tax, that is the Prosperity Tax charged in 2022. 1H22 tax was RM62m higher year-on-year, of which RM51m was due to Prosperity Tax.

Importantly, we maintain our diligence in cash management, and laser focused on Operating Free Cash Flow.

We delivered an OFCF of RM1,658 million for first half 2022, that is pleasingly 15.3% higher on a year-on-year basis. Quarterly OFCF is affected by the phasing of collections and payments. However, these are largely normalised on a year-to-date basis, so the underlying strong cash flow is apparent.

We continue our strong focus on cost management and cash flow via our XLR8 program. As we always emphasise, XLR8 is not just a cost optimisation program, it also aims at fostering a continuous discipline in reinvest savings to fund grow areas for the business.

Our progress is on track to build an advanced cost management capability and working capital improvement, with XLR8 themes around:

- Leveraging digital capabilities to transform our collections process – from tightened acquisition criteria to dynamic collection treatment based on customer segmentation, and design of a new operating model with the uplifted capability in collections operations.
- Secondly, driving continuous cost improvement discipline, diving deeper into granular costs and driver-based budgets to reinforce accountability

via joint ownership of costs. We will also be investing in a modern digital finance architecture to better equip this shift in cost discipline, as well as building resource capabilities around the XLR8 program.

- Thirdly, ensuring digitally enabled sales for our frontliners as well as building on digital care capabilities to improve costs to serve.

Now, let me handover to Loh to share with us the performance of Consumer Business

Thank you, Wayne.

We are pleased that we see a solid growth in Consumer Business, for both Mobile and Fibre, mainly driven by a clear convergence strategy.

Consumer revenue as a whole grew by 3.4% quarter-on-quarter and 4.4% year-on-year, consistent with overall consumer subscribers growth of 1.8% quarter-on-quarter and 2% year-on-year.

Consumer postpaid continues to gain market share with both revenue and subscribers recording a growth quarter-over-quarter and year-over-year.

ARPU stood at RM79, an increase of RM 1 from the last quarter, largely due to increase in international outbound roaming, though we remain cautiously optimistic as we are not back to pre-pandemic levels yet.

For Consumer Prepaid, growth in 2Q22 was positive with developments on both subscribers at an addition of +93k subscriptions quarter-on-quarter, and a quarter-on-quarter increase of RM22 million in Prepaid revenue.

Subscriber growth was driven from the resilient adoption of Hotlink Prepaid Unlimited, growth of new under-served segments from the Hotlink Prepaid Pantas as well as borders re-opening increasing the influx of tourists and foreign workers.

Strong ARPU growth was on the back of increased internet spend driven by growing usage amongst the subscribers, as well as introduction of new internet passes & HotlinkMU personalised offerings and promotions.

Now moving on to Home Connectivity, Fibre and WBB showed a continuous growth with connections up by +23k connections quarter-on-quarter. The strong momentum in Home continues driven by our focus on service and in-home Wi-Fi experience. We continue to leverage on network and service superiority to drive convergence while growing household base with segmented approach.

Now let me hand it back to Gokhan.

Thank you, Loh.

As you would have seen in the news, Maxis in our commitment to play a key role in supporting the digital ambition of Malaysia, formed the Maxis 5G Alliance on 15 June 2022. With 16 initial members from the global and local tech industry, we expect this Alliance to co-create, commercialize and scale 5G use cases and innovative solutions across industries to drive digital transformation and innovation. This Alliance will also unlock the value accretive opportunities of IR4.0 technologies like IoT, Cloud, Edge Computing, VR and AR.

We also see growth in our new capability areas, particularly from those of our 5 acquisitions to-date, that had now been fully integrated and embedded into the business. This spreads across the ICT stack – covering cloud offerings, fixed voice and unified communication (UC) expertise, and end-to-end management network services. We have also strengthened our ICT solution portfolio through continuous collaboration with our ecosystem of partners such as teaming up with Hewlett Packard Enterprise (HPE) in offering Multi-access Edge Computing (MEC) as a digital solution for enterprises.

Now coming to the results, in spite of the still challenging economic environment, particularly in the enterprise space, we continue to see growth and positive momentum for our Enterprise revenue and new Enterprise customers, or BRNs. Enterprise revenue grew 4.7% year-on-year to RM774 million, with most of this growth attributed from our fixed & solutions segment – that is RM30 million higher year-on-year.

We are pleased with our progress and outlook so far, and this 'Year of Execution' will see us differentiate ourselves through converged solutions building upon our significant continued investment in fibre build, mobile expansion, and digital solutions.

Our leadership is steadfast in capturing the converged services opportunity of a digitalised world and Digital Malaysia and our priorities remain the same as previous quarters.

A big difference in this quarter, the Maxis Board of Directors now considers it an appropriate time to share our guidance. Considering the domestic and global economic outlook, rising inflation and interest rates, our guidance for the financial year ending 31 December 2022 is for service revenue to be a low to mid-single digit increase, and EBITDA to be flat to a low single digit increase.

We note the uncertainty around our discussions with DNB on the wholesale access agreement and the potential equity stake. I am sure you appreciate that these discussions are confidential, and so we cannot add any more details at this juncture.

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

Please raise your virtual hand if you wish to ask a question.

<Q&A session>

We will provide a transcript of our presentation speech excluding the Q&A session, posted on the Maxis IR website by early next week.

Thank you, and we will see you next quarter.