

MAXIS TRANSCRIPT: 2Q2023 RESULTS BRIEFING

This is the official Maxis transcript of the teleconference presentation that was given on the results presentation briefing call on Wednesday 9 August 2023. 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 for the second quarter of 2023 today.

Joining me today are Jennifer, our Chief Financial Officer; and Wei Ning from our Investor Relations team.

This briefing will follow our usual format of a short presentation, followed by a Q&A session.

Let us begin our presentation with Slide 3.

We are now past the halfway point of the year, and I am pleased to report that Maxis' revenue and earnings are in line with our guidance. To reiterate, our guidance for the year is a low single digit growth in Service Revenue and EBITDA at similar levels to 2022.

We have seen encouraging year-on-year growth for Service Revenue in the first half of 2023. Our Consumer Business grew by 4.7%, while our Enterprise Business grew by 4.5%.

We will continue to focus on operational excellence and execution, while maintaining strict cost discipline to ensure sustainable and predictable growth.

I am also pleased to announced that Maxis Board of Directors has approved a second interim dividend of 4 sen per share.

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Let us go through the details in our results, starting with Consumer Postpaid on slide 5.

Consumer Postpaid revenue grew 9% year-on-year, in the first half of 2023. This was driven by higher subscriptions, especially for the contracted base of Maxis Postpaid, and our affordable entry-level Hotlink Postpaid.

We are committed to grow our Postpaid market share. We have expanded our customer touchpoints beyond the usual branded retail and dealer channels. Our Postpaid services can also be purchased via e-Commerce partners such as Shopee and Lazada, and Apple premium resellers.

We continue to increase our efforts on pre-to-post migration, as we have observed a 3-to-6-fold reduction in churn when a Prepaid subscriber moves to Postpaid. Further, Postpaid subscribers yield higher ARPU than Prepaid, and therefore increase our revenue.

Having said that, we will not downplay the opportunities that remain in the Prepaid market. Let us now move to the next slide, which is slide 6, on Consumer Prepaid.

Prepaid revenue was relatively stable at RM1.3 billion for the first half of 2023. In the second quarter, we streamlined our products to focus on higher-margin services. Combined with the softer Prepaid market, this has impacted our Prepaid revenue.

Our Prepaid revenue performance is consistent with our efforts on pre-to-post migration, as I mentioned previously. This is in line with the trends we have observed in similar markets in the region and globally. Therefore, we believe the performance of the Consumer Business should be assessed as a whole in due course, instead of Postpaid and Prepaid separately.

Nevertheless, we remain keen to grow market share in our Prepaid segment, especially for the youth and underserved segment. We recently launched a

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new Prepaid plan, with attractive prices and reward program that promotes brand loyalty for this segment.

Let us now move to Slide 7.

On Home Connectivity, Maxis has now surpassed the 700 thousand mark in number of homes connected.

We will continue to focus on fixed-mobile convergence. This is important for us as it reduces the churn of our existing mobile Postpaid customers and creates what we call defensive value for us telco.

I believe that Maxis' home connectivity proposition is well differentiated by our focus to maximise our customers' home Wi-Fi experience. We recently launched Wi-Fi as a service, which gives customers access to as many Mesh as they require at home, ensuring they always get stable and good connectivity at home.

Let us now turn to Slide 8 on Enterprise Business.

Enterprise revenue grew an encouraging 4.5% in the first half of 2023, mainly from the growth in our core connectivity business. We intend to leverage on this to expand into solutions that will complement our high-quality connectivity services.

One of these solutions is managed SD-WAN. SD-WAN is an extension to fixed connectivity, typically used by companies with multiple operating locations. This allows them to operate on a single secured network, while saving costs for hardware through the virtualization feature of a software-defined network.

We recently secured a couple of notable SD-WAN wins that I would like to share. First, BHPetrol selected Maxis to deploy managed SD-WAN services for over 400 of its retail stations in Peninsular Malaysia. This service will

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connect their outdoor payment terminals at every petrol pump and Point of Sale. To-date we have already connected 240 of their locations and anticipate to connect all stations by end of the year.

Maxis has also completed the delivery of our SD-WAN solution to connect Johor Plantations' network; connecting its estates, mills, biogas plants, biomethane plant and agrotech lab that spans across over 60,000 hectares.

Separately, we announced in June that we were appointed by TM to provide 4G MOCN, 4G and 2G Domestic Roaming services. We expect a gradual contribution from this win to our Enterprise revenue starting fourth quarter of this year.

I will now hand over to Jennifer, to present the overall company financials.

Thanks Eng. Let us move to Slide 9 on earnings.

We recorded a healthy EBITDA of RM1.97 billion in the six months ended 2023, and EBIT of RM1.1 billion. Quarter 2 earnings are typically higher than Quarter 1 as there are lesser devices launched, and therefore lower device costs.

Year-on-year, EBITDA was lower due to lesser USP project fulfilments in 2023, and therefore lower USP income in the year. EBIT was further impacted by higher amortisation costs for spectrum which started since the third quarter of 2022.

Profit After Tax is largely in line with EBIT and EBITDA trends, other than the reduced tax expense due to the discontinuation of Cukai Makmur in 2023.

Let us move to the next slide.

Operating free cash flow and Capex are both in line with our quarterly trends. Our cash balance as of 30 June 2023 is healthy at RM 515 million.

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Similar to the previous quarter, we have been prudent with our Capex investment as 4G network capacity stabilizes. We will focus our spending on maintaining network quality going forward.

Moving to the last page. Our guidance has been revised, as our Service Revenue guidance is now a low single digit increase for 2023.

Before we open up for questions, I would like to provide an update on 5G access. As announced on Bursa recently, Maxis will be holding an Extraordinary General Meeting on 14 August to seek shareholders' approval for our entry into the 5G Access Agreement with Digital Nasional Berhad, or DNB.

In the circular, it is mentioned that the operating expenses incurred is expected to be RM360 million per annum. I would like to clarify that we do not expect the impact in 2023 to be material. This is because the amount will be pro-rated by the combination of the time we enter into the Access Agreement, and the rollout progress by DNB to arrive at 80% coverage.

We are aware that a number of you have questions on the different Target Capacity imposed by DNB to Maxis, whereby our estimated operating expense of RM360 million is higher compared to other Access Seekers of RM288 million. We are currently in discussions with MCMC on this matter, and seeking to reverse the time-based tiering and ensure we are on the same level playing field.

At this stage, we are unable to comment further on costs to build a second 5G network as discussions are ongoing with the industry on the transition to the two 5G networks.

We look forward to offering our 5G products and services immediately after signing the Access Agreement.

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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 early next week. Thank you, and see you next quarter.