

MAXIS TRANSCRIPT: 3QFY2020 RESULTS BRIEFING

This is the official Maxis transcript of the teleconference presentation that was given on the results presentation briefing call on Friday 23rd October 2020. 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 in this briefing session, on our third quarter FY2020 results.

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 then we are open for questions and answers. We aim to finish by around 4:00pm.

Let me first start by reminding you of our long-term vision and how the current environment is impacting this vision.

We are, all around the world, going through unprecedented times due to COVID-19, second and third waves plus the uncertainty in the economy ahead, leading to business closures and increasing unemployment.

The Malaysian Government's Movement Control Order ("MCO") started on 18 March 2020, this then became Recovery MCO ("RMCO") on 10 June 2020 and continued to-date. Therefore, the impact from COVID-19 pandemic is seen in

MAXIS TRANSCRIPT: 3QFY2020 RESULTS BRIEFING

both current quarter and Year-to-Date (“YTD”) performance against the corresponding preceding periods. Amongst others, these include travel restrictions impacting international roaming revenue, decline in foreign workers and reducing disposable income from increasing unemployment impacting Prepaid segment, decreased retail traffic due to MCO impacting Postpaid, Fiber and device sales, higher credit risk that increases receivable impairment and increased data consumption impacting network capacity investment.

Since the initial movement control order in Malaysia in March, we are still executing our Maxis Business Continuity Plan. We are now, in Conditional MCO (CMCO) for October 14th through 27th in four states namely Kuala Lumpur, Selangor, Putrajaya and Sabah. We suspended the Team A and Team B, Return-to-Office (RTO) phase and temporarily back to Work-From-Home (WFH) in these CMCO states that includes our headquarter and call center locations.

The MCO & RMCO has been challenging for everyone. Maxis responded to that challenge with great agility and execution of mitigation actions, that delivered great results for us and our customers.

Our first priority is still the health of our people, our customers and members of the public. As an essential service provider that is continuing its operations, our field 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 for us, is the health of our network and our goal is to continue to deliver the best network experience and service to our customers and our community.

MAXIS TRANSCRIPT: 3QFY2020 RESULTS BRIEFING

And, we proudly remain, the leading mobiles player in Malaysia. We maintained a high network performance, better than our peers. OOKLA's latest results demonstrate this.

We have increased the adoption of digital channels and the use of data and analytics to better serve our customers even during these challenging times.

Covid-19 with the challenges and the opportunities that it has brought, validated our long-term vision of "Being the leading converged solutions company in Malaysia".

Our company purpose of helping Malaysia to always be ahead, behind our converged solutions is exactly what our customers need in these trying times as well as what is to follow.

This is why we are now doubling down on our Convergence, Fibre, Enterprise and Digitalisation Strategies.

We will continue to invest in our network and technology leadership so that we can deliver on our promise of "unmatched personalised experience".

We have the world class efficient and effective Maxis organisation to lead us all through this challenging period, and we will continue to invest in our organization and capabilities.

Now with this in mind, let me hand over to Wayne to drill down into the operational and financial details.

Thank you, Gokhan. Good afternoon Ladies and Gentlemen.

Although, the RMCO continues to affect us all, we confronted the challenge very effectively and delivered a good set of results. We maintained the health of our

MAXIS TRANSCRIPT: 3QFY2020 RESULTS BRIEFING

business and maintained our TP-NPS rating at +57 demonstrating that we are delivering on our promise of unmatched personalised customer experience.

We had a solid quarter with our agile response to Covid-19, as Gokhan had said earlier, and tight risk management processes in place to mitigate some of the impacts.

We held service revenue flat year to date, compared with our competitors whose revenues declined.

We intensified our cash and analytical collections focus and our cash collections are up +8% to RM836 million for the quarter and better than the pre MCO period.

We are on track to deliver on our F4G productivity programme and have already achieved our year end target of RM350 million in Q3 and are on track to deliver the accelerated RM125 million cost out as part of our Covid-19 response plan. Also, our working capital programme is on track to deliver RM100 million.

We have maintained our network superiority with additional capex brought forward, and the latest OOKLA performance results confirms this.

We enhanced our online and physical retail distribution, accelerated digital app adoption, increasing reloads and payments.

We drove a greater use of data analytics across the business and a greater proactive push on digital channels and payments.

This has meant, that we have solid postpaid results, protecting our subscriber base which was up 1.4%, QonQ. On a YonY basis, we increased postpaid subscribers by 6.8% a significant additional 219 thousand subscribers versus a year ago, largely due to our successful Hotlink Postpaid entry level plan driving

MAXIS TRANSCRIPT: 3QFY2020 RESULTS BRIEFING

pre-to-post migration plus our PRIME fibre and shared line plans, were very effective.

The prepaid market continues to be competitive and declining in market size, yet we were again innovative in our products and distribution.

In June, we executed our new Hotlink brand, go-to-market strategies and launched new prepaid products. We ended June with a growth in subscribers reversing the prepaid total market declining trend. Since then, our subscriber base decreased slightly by 1.1% on a QonQ basis. Again, this is a very solid result, in the context of a pre-paid contracting total market size due to SIM consolidation, declining foreign workers, and our ongoing successful pre-to-post migration with Hotlink postpaid product.

In Fibre, we delivered solid growth of 3.2% QonQ. Maxis continues to be agile and the temporary 4G/LTE home router is now a permanent product line, Fixed Wireless Broadband Access, which is presented later in more detail.

We now have in total of 424k fibre subscribers up 3.2% QonQ and pleasingly up 23.3% YonY.

Digitalisation is a key thrust. Maxis postpaid app adoption is significant at now 57% and Hotlink prepaid app adoption is strong at 74%.

We are very pleased with our performance for the 3Q2020 with our core business being resilient and our growth areas maintaining traction. Let's start with an overview of the year-on-year comparison.

We delivered a firm and slightly growing underlying service revenue that is up 0.5% YonY, for the 3Q2020 of RM 1,930 million, excluding wholesale revenue, incidentally also up 2.3% QonQ.

MAXIS TRANSCRIPT: 3QFY2020 RESULTS BRIEFING

Our postpaid segment revenue, excluding wholesale revenue, for 3Q2020 was RM945 million, a decrease of 1.5% YonY. Subscribers grew 6.8% YonY. The key driver being the current lack of roaming revenue throughout 2020 which we expect will return to normal levels in second half of 2021; also the decreasing MTR rates.

Our prepaid segment for 3Q2020 delivered revenue of RM717 million, a decrease of 9.7% YonY in line with decreasing subscribers down 6.6% due to Covid-19 and the effect of the MTR throughout the year. QonQ revenue was up 4.5% which we will explain shortly.

Normalised EBITDA decreased YonY by 4.1% to RM 924 million for 3Q2020 versus RM 964 million for 3Q2019. This EBITDA decrease was driven by the wholesale agreement that still contributed to 3Q2019 plus a further MTR reduction from 1st January, and the lack of roaming revenue, partially offset by our Fuel4Growth productivity programme capturing cost savings. Plus, we have prudently increased our allocation for bad and doubtful debts in 2020, more about that later.

Operating free cash flow, decreased 30.1% YonY to RM 745 million for 3Q2020 from RM1,021 million at 3Q2019 this was mainly due to two USP payments being made this quarter and none being made in 3Q2019, so our underlying operating free cash flow was strong at about RM1,150 million.

Capex for 3Q2020 was a solid RM319 million, that is RM77 million more as we continue to focus upon targeted capacity upgrades, as evidence by our exceptional network performance measured independently by OOKLA.

The Group is pleased to declare a prudent 4 sen dividend for the third quarter.

MAXIS TRANSCRIPT: 3QFY2020 RESULTS BRIEFING

Let's now, drill down into the business.

The service revenue, even under weakening economic conditions is very resilient, because of the agile mitigation actions we took.

Service Revenue, excluding wholesale revenue, shows that the core business is strong and resilient.

QonQ shows an increase of 2.3% and YonY, shows an increase of 0.5%, to RM1,930 million that is RM10 million higher than RM1,920 million at 3Q2019.

On a YTD'20 on YTD'19 basis, Service Revenue, excluding wholesale, shows an increase of 1.1%

Let's now, drill down to postpaid and prepaid for more insights.

First, turning to postpaid subscriber growth. We have continued to migrate prepaid to postpaid and have been winning new customers with our Hotlink postpaid entry point package. We ended the period with 3,451K subscribers.

We saw a YonY increase of 6.8%, that is 219K additional subscribers. Plus, we had a QonQ increase of 1.4%.

ARPU decreased slightly, QonQ, to RM84 from RM85 due to factors including: the slight ARPU dilution affect from Hotlink Postpaid and Maxis Share line. Hotlink postpaid is earnings accretive and decreases churn rate and related churn retention costs.

Postpaid revenue, excluding wholesale income, shows the underlying business is resilient.

MAXIS TRANSCRIPT: 3QFY2020 RESULTS BRIEFING

On a YoY basis there is a decrease of 1.5% to RM 945 million from 3Q2019 of RM959 million mainly due to lack of international roaming revenue, and the decrease of MTR rates.

On a YTD on YTD basis, postpaid revenue excluding wholesale is up RM50 million that is 1.8% to RM2,878 million YTD2020 versus RM2,828 million for YTD2019. Showing underlying growth offsetting the current lack of international roaming revenue.

This is a remarkable result with strong subscriber growth and a resilient ARPU delivering positive growth – very rare in a mobile business in mature markets. A testament to Maxis' premier price plans and service offerings that our customers value highly.

Postpaid data usage has increased throughout the MCO from an average of 18.62GB/month in the 2Q to an average of 20.21 GB/month for the 3Q.

Prepaid was a great success due to the execution of our new sales and retail strategy to target underserved markets, and the new focus on the prepaid Youth market and the unlimited prepaid plan. Plus, the adoption rate of the Hotlink prepaid app increased to 74%.

Although YoY prepaid subscribers declined by 6.6% and QonQ our prepaid subscribers, declined only 1.1%. However, QonQ we increased revenue from RM686 million to RM717 million.

Let me explain this. Maxis has a major brand refresh and renewed segment focus, launching new prepaid products in June. This was reflected in ending the month of June, with a big increase in prepaid subscribers, yet the average for the 2Q2020 period was lower and hence prepaid revenue in 2Q2020 was low.

MAXIS TRANSCRIPT: 3QFY2020 RESULTS BRIEFING

This high prepaid subscriber base, at the start of July, then translates to a higher average subscriber base in July to September, 3Q2020 and corresponding increase in revenue. Hence a QonQ an increase of revenue of 4.5%.

Even with the ongoing trends of prepaid market contraction and SIM consolidation and our successful migration of prepaid to postpaid, Hotlink prepaid is still resilient.

Data usage, for the 2nd QTR was 22.53GB and the average usage dropped in the 3rd QTR to 19.07GB/Month.

During the MCO we were agile and fulfilled fibre sales with temporary 4G/LTE routers. This has been a successful product in its own right and is being adopted by our customers. Wireless Broadband, the fixed wireless 4G/LTE router-based service, fits with our strategy and digitalisation thrusts.

We are now reporting Wireless Broadband (WBB): Fixed Wireless Broadband (WBB) which are the 4G/LTE routers and Mobile WBB which are the traditional USB dongles and data only SIM cards people use in PDAs. The WBB revenue and subscribers are included in the Postpaid-figures.

Mobile WBB has been offered for a few years and has an installed customer base of around 100,000 subscribers. However, during the MCO there has been an increase in 4G/LTE Routers. The total WBB subscribers increasing from 94k for the 1Q to 98K for the 2nd QTR and ending at 110K for the 3rd QTR. Revenue has also increased from RM27 million for the 2nd QTR to RM30 million for the 3rd QTR.

Again, this shows that during the MCO/RMCO and the resulting work from home, people are more aware of the benefits and features of having a good quality

MAXIS TRANSCRIPT: 3QFY2020 RESULTS BRIEFING

broadband service at the home and SME office – another example of digitalization and execution of our converged solution strategy.

Maxis still holds the First mover advantage in delivering a nationwide commercial fibre offering. Our sales and service channels are trained, ready and been proactive for several months. Under our brand refresh **Maxis** targets converged service offerings: PRIME, shared postpaid lines and our unique talent pool of Maxperts. We therefore continue to build momentum supporting our first mover advantage in converged mobile-fibre services.

At the end of 3Q2020 we have 424 thousand fibre connections, an increase of 3.2% that is 13 thousand more at the end of 2Q2020.

Although, HomeFibre ARPU dropped slightly to RM104/month, overall revenue for the quarter was up +4.5% to RM138 million.

Behind our fibre access agreements with TM, Sacofa, Allo and CT Sabah, as well as our own fiber connected homes base, we now have established processes offering the best nationwide coverage and access to over 4 million homes.

All of these is reflected in a 31.5% increase in fibre revenue, to RM401 million for YTD'20 versus RM305 million for YTD'19.

Now let me hand over to Paul McManus on Enterprise execution strategy.

Thank you, Wayne.

Our Quarter 3 has been about reigniting our customer engagements and accelerating our go to market related activities. The last 3 months have seen a very busy period for Maxis Business. With us announcing several new Malaysian firsts. To kick off, we had the launch of the first and second series of our new 4

MAXIS TRANSCRIPT: 3QFY2020 RESULTS BRIEFING

part Spark Web Summit building upon our successful inaugural 2019 Maxis Business Spark Summit , Our 2020 Spark Summit already in the first 2 series of our planned 4 part program this year has had over 1200 delegates join us digitally from all over Malaysia, with feedback being resoundingly positive, as we covered themes that resonated with many Malaysian businesses as we re-emerged from the MCO. These first 2 themes being “Embracing Forced Disruption” and “Agility Beyond Recovery”. Building on the digital events theme and adapting to the new norm, we also hosted our first Maxis Right Cloud webinar series with our Global technology partners, AWS and Microsoft which saw over 400 delegates attend from across all of our business segments to learn about how they can adopt and leverage the benefits of an integrated cloud strategy to help them become more agile and nimble as they seek to re-ignite growth, in addition we launched a programmed series of webinars and virtual workshops with more than 1,500 SME customers across Malaysia, sharing tips and strategies to help them digitise their operations and accelerate their move to an online e-commerce and maximise their web presence.

The MCO has created an unprecedented challenge for all enterprises. In support of the Government budget announced stimulus program we were fortunate to be chosen to work closely with both MDEC and the Ministry of Finance as Preferred Technology Service Provider to help the government accelerate access to funding for SME’s across Malaysia and to help Malaysian SME’s adopt Digital technologies to aid their recovery and pivot to new ways of doing business through the Government Digital Grant.

In addition to partnering with MDEC and the Government we were also pleased to announce a first in Malaysia with the soft launch in July of the Maxis Business Digital Readiness Index. This new Digital adoption benchmarking suite, was

MAXIS TRANSCRIPT: 3QFY2020 RESULTS BRIEFING

designed to further empower organisations to kickstart their digitalisation journey, to allow businesses to assess themselves against global and local peers in regards to their digital adoption maturity and provide them with a personalised report and suggested guide on how and where they could lift and accelerate their initiatives to realise the benefits of digitalisation. Thus, helping them navigate this sometimes, complex challenge, to get the right advice on the right solutions to ensure investments are well made and benefits truly realised. The index proved to be so favorably received that over 1,600 participants applied in the first few weeks, 48% of these were Micro SMEs who were clearly seeking guidance and advice on how to find and deploy the right digital solutions.

Whilst there has been much focus on consumers and SMEs in these challenging times, and building on our focus to help guide and inform as a trusted ICT partner we also wanted to shine a light on challenges that corporate Malaysia was also facing today. We commissioned an extensive survey in partnership with IDC , our Maxis Business 2020 Digital Technology Assessment survey, this was aimed at providing a first-ever Malaysian overview of corporate adoption of transformative next wave, and business critical technologies with a specific focus on Cloud, SDN, IoT and Cybersecurity solutions. This extensive survey and resulting report, revealed many interesting insights, learnings and failures in the digital journeys of many organisations as they have embarked on trying to grapple with harnessing these new technologies to deliver demonstrable business impact. These incredibly informative insights lead us to launch our 'Retransformation Campaign' in the hopes of exemplifying the need for Malaysian businesses to rethink and re-evaluate their digital transformation strategies and to always be ahead in the changing digital landscape.

MAXIS TRANSCRIPT: 3QFY2020 RESULTS BRIEFING

As a result of this Retransformation campaign and market study, we have launched a range of innovative new offerings in the Malaysian market place, which include our Maxis Business; Managed Cloud, Smart Manufacturing, Managed UC, Usage Based Internet and Bandwidth on Demand solutions, these solutions deliver more flexibility, control and efficiency for customers whilst also delivering significantly improved economics and TCO versus legacy provider services, all by leveraging Malaysia's first MEF 3.0 next generation Software Defined Network.

We continue to invest heavily in skills and accreditations of our people, and we are proud to announce that we have attained the status of 'AWS APN Authorised Solution Provider' being the first Malaysian telco to be on the AWS Solution Provider Program. These combined with our broadening Microsoft credentials showcase our growing capabilities and expertise in delivering the latest ICT solutions to our customers.

We continue to see an increasing growth in the market towards conversations with Maxis Business around their enterprise ICT requirements, these conversations and partnerships are also translating into accelerating growth in our customer acquisition and contracts for new and expanded services, beyond our core connectivity solutions this fact is re-enforcing our confidence and commitment to our strategy as the right one.

Our strategy remains intact and we will continue to invest in not only the best technologies, capabilities and partnerships, and by offering these to our customers we are helping them deliver outcomes that are consumed as a service leveraging our marketing leadings converged networks and digital

MAXIS TRANSCRIPT: 3QFY2020 RESULTS BRIEFING

platforms. Thus, solidifying our position to become Malaysia's Leading ICT solutions provider for all business segments.

Now let me hand back to Wayne.

Thank you, Paul.

Turning now, to our capex, which is about protecting the health of our network and IT systems to deliver the best experience for our customers. To date we have invested capex to get our core network 5G ready and able to support network virtualisation plus increasing fibre connectivity in our Radio Access Network enabling fibre or single-hop microwave connectivity to our base stations.

Although we expect the normal phasing of capex, this year. We have brought forward capex, in the 3rd QTR an acceleration in capacity build to reflect the changing usage profiles from virtual working, Work-From-Home and digitalisation. Capex for the 3rd QTR of 2020 was RM319 million up 23% compared to 3rd QTR of 2019 of RM242 million.

YTD'20 capex of RM741 million was greater than YTD'19 RM636 million up by 15.6% that is RM105 million.

This shows our ongoing commitment to the health of our network and maintaining best network performance as evidenced by third party independent assessments such as Ookla.

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

MAXIS TRANSCRIPT: 3QFY2020 RESULTS BRIEFING

Very pleasingly, we have a resilient normalised EBITDA. EBITDA for YTD'20 was RM2,747 million -4.1% lower versus RM2,864 million for YTD'19 due to the wholesale agreement and current lack of roaming revenue in 2020.

Yet, if we exclude the wholesale revenue that impacts YTD'19 then EBITDA YTD'20 is RM2,798 million and YTD'19 is RM2,823 million underlying EBITDA down just 0.9%. This is due to the current lack of roaming income and increased PFDD yet masking underlying service revenue growth YTD of +1.1% and our Fuel4Growth productivity gains.

On a QonQ basis, the EBITDA increased by 2.3% from RM903 million for the 2Q to RM924 million for the 3Q, in line with Service Revenue growth of 2.1%.

We have already discussed revenue lines, so the key variations at the cost line includes the following: increased prudent provisions for bad and doubtful debts; offset by Fuel4Growth productivity gains.

We are implementing digitalisation across our workforce and customer service channels, which is improving our productivity and reducing our cost base gradually.

Our underlying NPAT, QonQ increased very significantly by 7.7% and YonY increased by 0.8%.

This was driven by a higher service revenue of 2.1% and lower OPEX of 3.3%.

YTD2020 NPAT was RM1,062 million down by RM94 million, 8.1% from RM1,156 million for the previous year. Excluding wholesale, then NPAT YTD comparison, is down only 2.7%.

This is due to the following.

MAXIS TRANSCRIPT: 3QFY2020 RESULTS BRIEFING

Depreciation increasing in line with past higher levels of capex in core and growth business areas - we are investing today to secure and capture future cash flow growth.

Current lack of roaming income throughout 2020.

We maintain our prudent PFDD policy for the 3rd QTR, with a smaller PFDD compared to the 2nd QTR and we expect that trend will be continued despite 2nd and 3rd Covid-19 waves unfolding.

Universal Service Provisions (USP) are paid on eligible revenue and in the 3Q2020 we made two substantial payments, whereas in 3Q2019 we made none. USP must be made, however the timing can mask underlying trends. We expect to make a total of three USP payments in 2020 just like 2019.

Importantly, we delivered a normalised OFCF of RM 745 million for the 3rd QTR. If we unmask the underlying cash flow by backing out the two USP payments of RM406 million we see that we delivered a OFCF of RM1,150 million more than the 3rd QTR 2019 of RM1,066 million.

OCF decreased QonQ by 20.4% to RM745 million compared to RM936 million at 2Q2020, due to these two USP payments.

OCF decreased YTD on YTD decreased by 9.7%, that is the YTD'20 is RM2,395 million compared to the YTD'19 of RM2,652 million. However, if we remove extra USP payments OCF would be relatively flat, down by just RM37 million.

These strong results are due to our disciplined focus on cash management and capturing results from our ongoing 3-year Fuel4Growth productivity and working capital programmes.

MAXIS TRANSCRIPT: 3QFY2020 RESULTS BRIEFING

The unprecedented uncertainty about the duration of the COVID-19 pandemic and its impact on the Malaysian and global economy has meant we have to stay prudent.

Now, let's turn to Dividends.

The Board of Directors has declared a third interim single-tier tax-exempt dividend of 4.0 sen per ordinary share in respect of the financial year ending 31 December 2020, to be paid on 23 December 2020. The entitlement date for the dividend payment is 30 November 2020.

The Board of Directors fully cognisant and recognises the importance of dividends to the Group's equity shareholders. However, given the level of uncertainty and challenges created by COVID-19 pandemic, this is a prudent position to adopt.

Finally, to our outlook for FY2020.

Please read the Guidance in the results pack and also presented in the Bursa disclosure – in summary due to ongoing unprecedented uncertainty and signs of weakening local and global economies we feel it is prudent not to give guidance.

I will now hand back to Gokhan.

Thank you, Wayne.

Our leadership is determined and steadfast as we see the bluesky opportunity of a digitalised world. Our priority is to continue to execute our convergence vision & growth strategy, and we are doubling down and accelerating that strategy execution.

- Putting the health and safety of our people first

MAXIS TRANSCRIPT: 3QFY2020 RESULTS BRIEFING

- Maintaining our leadership in core mobile business
- Offering more digital services and converged solutions to individuals, homes and businesses
- Developing new Enterprise solutions and broadband offerings
- Achieving differentiated and unmatched personalised experience
- Maintaining the health of our network and IT systems and delivering performance leadership; and
- Focusing on cash management, liquidity and productivity being equitable and fair to our shareholders and people.

On this note, thank you for listening to us and we are ready to take your questions.

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