

MAXIS TRANSCRIPT: 3Q2023 RESULTS BRIEFING

This is the official Maxis transcript of the teleconference presentation that was given on the results presentation briefing call on Friday 10 November 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 third quarter of 2023 today.

Joining me today are Jennifer, our Chief Financial Officer; Loh, our Chief Marketing Officer; Prateek, our Chief Enterprise Business Officer; and our Investor Relations team. At this point, I'd like to introduce Masleena Hafiza Mahdi, or Mas for short, who joined us as our Head of Investor Relations last month. She brings a wealth of experience from her previous roles in Investor Relations and Corporate Finance. Mas, would you like to say a word or two?

Thank you Eng. Good afternoon everyone. I am excited to join the team and look forward to meeting you soon. Back to you, Eng.

Thank Mas, and welcome to the team.

Ladies and gentlemen, 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.

Quarter 3 has been an exciting quarter for us. Firstly, Maxis signed the 5G Access Agreement with Digital Nasional Berhad, or DNB, on 14 August, and launched our brand new 5G products for both consumers and enterprises the very next day. Our new plans offer more value and data for the benefit of our customers.

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Our second highlight is the launch of our new Hotlink prepaid plans with upgraded internet passes in July. The new plans consolidate the previous Hotlink Unlimited speed-based plans and Hotlink Pantas high-speed data plans, giving customers more flexibility under one plan.

Finally, you may recall our announcement in June that Telekom Malaysia will access Maxis' 4G and 2G network and leverage on Maxis's infrastructure. I am pleased to share that we have now fully onboarded TM onto our network. This industry collaboration extends coverage to TM's customers, making more efficient use of Maxis' high quality mobile networks.

Let us move to slide 4.

It has been 9 months into the year, and our revenue and earnings remain in line with the guidance that we have set out. In view of the current landscape of the telecommunication industry in Malaysia, we are revising our guidance on Capex and expect to spend slightly less than RM1 billion for the full year 2023.

To ensure we continue to be Malaysia's leading integrated telco, we remain focused on growing across 3 main engines: mobile, fibre and enterprise. I am pleased to share that we saw strong quarter-on-quarter growth across all segments, as you can see in slide 5. As a result, service revenue grew 1.5% quarter-on-quarter and 1.8% year-on-year.

Since joining in November last year, I've stressed my focus on operational and execution excellence. We have embarked on a cost optimisation exercise, starting with rightsizing the organisation. This resulted in some costs incurred in the third quarter, and we expect this to be the start of rebasing our costs to a more efficient level.

Last but not least, we are pleased to announce that our Board of Directors has approved the declaration of a third interim dividend of 4 sen per share.

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Let us now begin by reviewing the business, starting with Consumer Postpaid on slide 6.

Consumer postpaid continues to be the main revenue contributor with a growth of 1.3% quarter-on-quarter, reflecting a year-to-date growth of 7.9%. We will continue with our focus to migrate our prepaid customers to postpaid and ensure a continuous sustainable revenue growth in this segment.

Next, on slide 7.

Revenue from consumer prepaid is generally stable supported by various Hotlink offers and promotions. Quarter-on-quarter there is an increase in revenue growth. In view of a soft Prepaid market, and our continuous pre-to-post migration strategy, Prepaid subscribers are stable at 5.68 billion.

Moving onto slide 8.

We continue to see growth in home connectivity, especially fibre, in the third quarter. Fixed-mobile convergence is a key strategy and focus area for Maxis.

In light of several competitors in the market repricing their fibre services, Maxis still maintained our growth momentum for fibre installations.

Maxis has recently revised all our fibre plans, and introduced the new 1Gbps and 2Gbps plan. Our existing customers on above 100Mbps plans will also enjoy free speed upgrades.

We are currently finalising the TM high-speed broadband negotiation. The arrangement is anticipated to be reflected in our costs, enabling us to provide better customer service at the right pricing levels. This is expected to improve revenue contribution from home connectivity in the long run. Further, this creates defensive value in increasing the stickiness of our growing base of converged customers.

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Let us now turn to slide 9.

Revenue from our Enterprise businesses has been growing steadily over the quarters reflecting a 5% growth in quarter 3 compared to quarter 2 and a 5.1% growth year-to-date. The growth in this quarter was driven by a couple of wins that exemplify our focus on sustainable, predictable revenue streams.

The first is the commencement of TM's access to Maxis' 4G and 2G network services.

We have also secured commercial deals in connectivity solutions.

We recently deployed secured dedicated internet access solutions for a large local bank across its key locations. This solution leverages Maxis' fibre infrastructure and provides dedicated bandwidth to the bank. This gives them better accessibility, control and security over their network.

We also won a contract to provide managed voice solutions to a local university. Connectivity via managed voice solution enables the university employees to carry a fixed business number on their mobile phone, giving them mobility and ensuring that they can be contacted anytime, in and out of the campus.

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

Thanks Eng. Let us move to Slide 10 on earnings.

EBITDA decreased by 7.3% quarter-on-quarter and 7.5% year-on-year, while EBIT decreased by 13.4% quarter-on-quarter and 14.3% year-on-year. Eng mentioned earlier that Maxis is embarking on a cost optimisation exercise to pave our journey towards operational excellence. This is important to allow us to remain competitive in the long run, in view of the current dynamics of the market and the telecommunication industry.

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In laying the foundation and re-basing our costs, we focused on rightsizing the business. The bulk of the costs relates to manpower, and this is reflected in our quarter 3 financial results. Excluding the said costs, normalised EBITDA and EBIT would be flat.

The decrease in Profit After Tax this quarter is in line with the trend in EBITDA and EBIT. Our year-to-date Profit After Tax for 2023 was higher compared to the same period last year due to the absence of the prosperity tax this year.

Rest assured that our performance is still in line with our 2023 guidance, amongst which is to maintain EBITDA at the 2022 level of RM3.9 billion. We continue to focus on our core business, improve our processes and systems and ensure that we deliver value to our stakeholders.

We recorded a healthy Operating Free Cash Flow of RM1 billion for the quarter. Our 9 months OFCF is slightly lower than 2022 due to the impact of paying Prosperity Tax earlier this year.

We anticipate cash outflow will be higher in the fourth quarter as there may be potential investment and commercial opportunities, including those related to the developments in 5G. We have a healthy cash balance to support such outflows, if required.

For quarter 3, we spent RM215 million on Capex, and RM511 million year-to-date. To recap, Maxis spent more Capex in 2022 in light of the 3G sunset and higher data usage requirement post Covid. We have spent less on Capex in 2023 as network usage has stabilized. We are also cognisant of the 5G developments and remain prudent with our spend for the rest of the year.

Moving to the last page.

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As Eng has mentioned earlier, we are reducing our expected Capex spend in the year 2023. We firmly believe that we are on track to meet our guidance.

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.

We would like to wish all those celebrating a Happy Deepavali. Thank you and see you next quarter.