

MAXIS TRANSCRIPT: 4Q AND FY2023 RESULTS BRIEFING

This is the official Maxis transcript of the teleconference presentation that was given on the results presentation briefing call on Thursday 22 February 2024. 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 fourth quarter and full financial year ended 31 December 2023.

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.

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 concluded quarter 4 and the full financial year ended 31 December 2023 on a high note. I am happy to share that we recorded the highest ever total revenue of RM10.2 billion, which is 4% higher than 2022.

Our consumer business revenue in 2023 exceeded the RM7 billion mark for the first time, driven by our rapid 5G launch and new high-speed fibre plan offerings.

Our Enterprise business continues to grow steadily, having secured a number of multi-year contracts for connectivity, and solutions services.

Moving to the next slide, on Financial Highlights for the quarter.

We saw growth in our Service Revenue, EBITDA and normalised Profit After Tax this quarter, both on quarter-on-quarter and year-on-year basis.

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We have assessed our growth based on normalised Profit After Tax as it is more reflective of our operations and comparable to our previous quarters, given the various one-off adjustments recorded during the financial year. Jennifer will provide further details on the normalisation later in this presentation.

Our spending on Capex this quarter was the highest compared to quarters 1, 2 and 3, and in line with our yearly spending profile, while our operating free cash flow was stable at RM665 million.

And finally, our Board has approved a 4 sen per share dividend distribution to our shareholders, which translates to a total payout of RM313 million.

Let us move to slide 5.

This slide summarises the performance of our full financial year. You may recall that we had set our guidance in 2023 for a low single digit increase in Service Revenue, flat EBITDA and Capex of less than RM1 billion. I am pleased to share that we have achieved what we had promised.

Service revenue grew 2.8% year-on-year, despite us discontinuing wholesale voice at the end of 2022. Excluding wholesale voice, service revenue would have been up by 4.2% year-on-year.

EBITDA also grew 0.8% year-on-year in spite of the costs incurred in the third quarter of 2023 for our cost optimisation exercise. EBITDA would have otherwise been up by 2.7%.

Our focus on execution, execution, execution last year has paid off as service revenue and EBITDA in 2023 were the highest recorded in the past 5 years.

We have been prudent in our Capex investments in view of potential developments on the 5G delivery model, and spent RM813 million for the year. Our operating free cashflow for the year was at RM2.85 billion.

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Slide 6 shows you our quarterly growth in Service Revenue.

As you can see, the growth in 2023 was contributed by both our Consumer and Enterprise businesses. The bar graph on the right shows that in quarter 4 we achieved quarter-on-quarter growth across all business segments.

We will now go through each business area in detail.

Let us look at Consumer Postpaid on slide 7.

Postpaid revenue grew by 7.5% year-on-year, underpinned by our strong subscriber growth of 7.6%. We have intentionally widened our price range of Postpaid plans across both our Maxis and Hotlink brands, ranging from RM30 to RM199 per user per month to cater to a broader market segment.

Moving on to slide 8 on Prepaid.

The Prepaid market continues to be highly competitive and challenging. Subscribers grew by 1.6% year-on-year, as we actively expanded our Hotlink presence in key focus areas such as the youth segment, and under-indexed markets in the East Coast and East Malaysia.

Our Prepaid revenue saw a decline as ARPU declined. We are continuously reviewing this market to determine the optimal price point and best value proposition for our target customers.

Let us now turn to the next page, on slide 9.

We saw continued growth in home connectivity. Revenue was up by 9.7% year-on-year, and we now serve 750,000 customers. We will continue to focus on fixed-mobile convergence as an attractive proposition for our existing and prospective customers.

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After many months of negotiations, we have finalised and signed the extension of our high-speed broadband agreement with Telekom Malaysia in December 2023. The signing of this agreement will enable us to access Telekom Malaysia's high speed broadband network at reduced pricing and better service quality levels.

In October 2023, we reduced our fibre retail prices in an increasingly competitive market. We anticipate an increase in fibre customers now that home connectivity is becoming more affordable for all, with ARPU expected to decline in the coming quarters as customers move to our new plans.

Next on slide 10 is our recap of our Enterprise business.

In quarter 4, the Enterprise team secured multi-year contracts across our Wholesale, Enterprise, Public Sector and SME accounts. These services include mobile and fixed connectivity, IoT solutions, cloud as well as managed services.

We will continue to promote Maxis' Enterprise products and services through partnerships. In quarter 4, we announced a number of collaborations with a diverse group of partners:

- Firstly with electric vehicle providers Blue Shark and JomCharge to provide connectivity for vehicles and charging stations;
- Second, we are partnering with a number of state agencies to better engage with the SME segment at state level and promote digitization; and
- Last but not least, we recently announced our collaboration with Public Bank to promote digital adoption amongst SMEs. This arrangement combines Maxis' digital expertise with the bank's financial products to assist SMEs.

We look forward to the growth opportunities in this space.

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Let me now hand over to Jen to take you through the financials.

Thank you Eng.

Let us go to slide 11, starting with the EBIT and EBITDA graph on the left.

We recorded a strong EBITDA of over RM1 billion in the fourth quarter, which is in line with our revenue growth. In terms of EBIT, we have taken the prudent step to accelerate the depreciation of some of our network assets, in view of the developments on the 5G delivery model. In addition, we carried out a one-time clean up in writing off some of our assets. The combined effect of these adjustments was RM315 million as indicated on the bar graph and consequently, our reported EBIT is RM289 million.

For the full year, we recorded a growth in EBITDA, despite incurring the staff optimisation costs in the third quarter. This is a result of various initiatives we have taken to optimise and reduce our cost base, including the renegotiations of a number of large contracts. Excluding costs relating to the staff optimisation, EBITDA would have been up by 2.7% year-on-year.

Looking now at Profit After Tax on the right. To reflect the actual operational earnings for the year, we have made a few adjustments and normalised the Profit After Tax, which are detailed out in the appendix to this deck for your reference. Notwithstanding the normalisation, the reported Profit After Tax is also reflected in this slide, consistent with the disclosure in our announcement to Bursa. Allow me to take you through the adjustments in chronological order.

In 2022, you may recall that there was a one-time charge for Prosperity Tax, or Cukai Makmur. This was RM37 million in the fourth quarter of 2022, and RM162 million for the full financial year ended 31 December 2022.

In 2023, we incurred costs as part of the staff rightsizing exercise in the third quarter. The impact of this exercise was RM57 million net of tax.

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Subsequently in the fourth quarter, the afore-mentioned depreciation of our network assets and writing-off of some of our assets totaled RM231 million net of tax. To recap, the gross amount for these expenses was RM315 million, as shown in the EBITDA graph on the left.

Also in the fourth quarter we paid a tax settlement of RM73 million in relation to the notices of additional assessment from the Inland Revenue Board.

Excluding these non-operational adjustments, Maxis' net profit was up by 3% year-on-year indicating a positive achievement as we prioritise growth while maintaining strict cost discipline. Including the non-operational adjustments, the reported Profit After Tax for the year dropped by 13.8% compared to 2022.

Let us now go to slide 12.

Operating free cash flow in the fourth quarter was impacted by the RM73 million tax settlement I mentioned earlier. In addition, we made a RM233 million prepayment to Digital Nasional Berhad or DNB for 5G access, as part of the proposed equity investment. You may refer to our Bursa announcement dated 1 December 2023 for details of the transaction.

Similarly, our cash flow position for the full year was affected by the higher overall tax payments and payment to DNB.

Our working capital and cash balance remains strong. As Eng mentioned earlier, our Board has evaluated our profitability and cash flow, and approved the fourth interim 4 sen per share dividend to our shareholders.

On Capex, we have been prudent in our investments in view of industry developments. Our network Capex was at a similar level to the previous financial year, with investments focused on network capacity and fibre build. We were selective with our spend on IT digitisation, as we focused on harnessing the full potential of our previous digital initiatives.

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Let us now move to the last page, on guidance.

We are optimistic of the growth and opportunities 2024 presents to Maxis. However, we are cautious of the potential changes and development in the industry, particularly in relation to 5G. Therefore, our guidance for EBITDA and Capex continues to exclude the potential impact of this uncertainty.

We expect service revenue to grow by a low single digit. EBITDA is expected to remain relatively unchanged, while Capex spending will be less than RM1 billion.

Before we proceed to our usual Q&A session, I am sure many of you would like to know the progress of our proposed investment in DNB. The due diligence is currently underway and barring any unforeseen circumstances, we expect the deal to be finalise in the second quarter of 2024. We will not be able to comment more beyond this.

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 tomorrow. Thank you, and see you next quarter.