

MAXIS TRANSCRIPT: CGS-CIMB
13th Annual Malaysia Virtual Corporate Day

Good morning Ladies and Gentlemen, this is Gokhan Ogut speaking.

A warm welcome to everyone participating in Maxis presentation session at the CGS-CIMB 13th Annual Malaysia Corporate Day.

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.

We will start the session with a short presentation then we are open for questions and answers. We aim to finish by 11:00am.

Maxis, Malaysia and the whole world, remain in unprecedented times due to: COVID-19 and the ongoing second and third waves plus the uncertainty in the economy ahead, in terms of business closures and unemployment, and timing of an eventual recovery to a new norm as and when the vaccines are successfully deployed.

The initial Malaysia movement control orders (MCO) triggered the execution of our Maxis Business Continuity Plan. At the moment, Kuala Lumpur and Selangor are back under Conditional Movement Control Order (CMCO). Maxis has suspended the Team A and Team B, Return to Office (RTO) phase and temporarily back to Work From Home (WFH) in these CMCO nominated geographic areas.

We have put in place a robust and holistic response plan, managing the crisis and a resilience plan for the ongoing economic recession.

Our first priority is the health of our people, that is our staff, our suppliers' staff; our customers and members of the public. Our field staff and sales staff all have the appropriate PPE for the job and Maxis implements social distancing at all of our premises and offices.

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The second priority 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.

We worked hard to ensure that our network was able to cope with the increased load brought upon by the shift to remote working. We extended coverage to critical areas to ensure that front-liners fighting COVID-19 and our subscribers could stay connected. We also increased capacity at sites that had higher load than usual to maintain an unmatched network experience.

Furthermore, we also engaged with all our stakeholders to ensure that we are keeping them updated and supported throughout these times. This includes supporting the government and its initiatives, transparent engagement with investors as well as customer outreach and engagement

Moving on to our resilience plan. In the near term, we are focused on maintaining productivity levels and fulfilling our ambitions that we have set out in FY2020 through cost controls and cash flow management, optimising resources and targeted mitigation actions to protect our core business.

We are reviewing our long-term strategy and plans to be more resilient given the uncertain circumstances.

And finally, we are ready to take on any new strategic opportunities that may arise, be it opportunistic strategies amidst the new normal, or exploring organic growth opportunities.

We have also seen an acceleration of digital-related opportunities.

COVID-19 has not altered the digital future way we work, it has merely brought the timelines forward.

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These are reliant on connectivity and delivery, with many requiring security and reliability.

We are steadfast to our long-term vision “To be Malaysia’s leading converged solutions provider”. Hence, we are doubling down on our MAX plan.

The COVID-19 situation has triggered the acceleration of digital transformation and processes: e-health; e-education; e-commerce; virtual offices and work from home. Maxis is pre-eminently positioned for this future.

We have maintained our network and technology leadership so that we 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.

Another milestone of our MAX plan is our Brand Refresh.

Our brand purpose of “*Always Be Ahead*” was in the planning and development stage for several months, and we executed it during the MCO with great operational success.

“*Always Be Ahead*” empowers an enhanced go-to-market strategy with targeted branding, enhanced sales and service channels, new products and services.

Our newly expanded channels for sales and service, embodies a coherent strategy leveraging our Maxis and Hotlink apps, redesigned webs sites and ecommerce site.

The **maxis** brand, embodies our convergence strategy with:

- Fibre
- Mobile

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- Prime and shared line converged packages, and
- Maxperts

The brand refresh was a timely one as it refocuses our brand on what's important – providing an unmatched experience for all our customers. Our Brand promise is also in sharp focus “We exist to bring together the best of technology to help people, businesses and the nation to **Always Be Ahead** in a changing world”.

Consumer value escalator is covered by our two brands, Hotlink and Maxis ensuring that we have something for everyone. Importantly this is about offering a customer lifetime experience with Maxis, with Hotlink, Maxis postpaid and also converged services and shared lines for the household.

Hotlink is our entry level plan, which provides great value and affordability, offering prepaid plans and entry level access to phones. The **Hotlink** brand has been strengthened. With core and new products; including: A youth targeted Unlimited Prepaid data offering for the heavy data user niche; and our successful Hotlink Postpaid – entry level postpaid plan.

Maxis is our premium brand, that provides an enriched lifestyle offering to our customers with innovative device ownership options, home and converged services and digital lifestyle solutions.

We have our own in-house product teams who design the pricing and bundles. These are then fulfilled by our in-house service installation team, which we call the Maxperts.

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Onto the Enterprise value escalator, the New *Maxis Business* brand targets SMEs, corporates, and Government customer segments. We have a complete business product and service portfolio. We are aiming to position Maxis as the “preferred ICT solution provider”.

The Enterprise value escalator is designed to provide businesses with an end-to-end portfolio of services. These services are designed to help businesses scale and grow in the digital age – connecting them to their customers and enabling greater productivity with digital and cloud-based solutions

Fixed connectivity is a core strategy in both our consumer and enterprise ambitions. It provides access to a much wider range of solutions and products that we can offer our customers such as:

- Consumer: Smart home, entertainment, gaming, family propositions
- Enterprise: Deeper, more complex services, private networks, SD-WAN, cloud/edge technologies etc.

We are committed to making Maxis as accessible as possible to our current and future customers. Hence, we have diverse physical and digital channels to enable this.

We have a very extensive distribution network – placing an emphasis on underserved markets. Our Maxis and Hotlink apps have become an integral part of our channels – the app provides access to personalised offers. The app also gives our customers access to our rewards platform.

Moving forward, we are building more functionality into the app to extend beyond just being a payment and redemption portal, but to be able to explore deals and

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access other services such as video streaming, financial services and service management.

In addition, we also have relaunched our website, with an enhanced ecommerce platform.

These are in line with how we see the future relationship between us and our customers – more and more we find that connectivity is just the gateway to services that they consume.

Although, the RMCO continues to affect us all, we confronted the challenge and delivered great results. We maintained the health of our business and maintained our TP-NPS rating at +57 demonstrating that we are delivering on our promise of unmatched personalised customer experience.

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 pre-to-post migration plus our PRIME fibre and shared line plans.

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

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. This is a solid result, in the context of a pre-paid contracting total market size due to SIM consolidation and our ongoing successful pre-to-post migration with Hotlink postpaid.

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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 23.3% YonY.

Digitalisation is a key thrust. Maxis postpaid app adoption is firm at 57% and Hotlink prepaid app adoption is firm 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 0.5% change YonY, for the 3Q2020 of RM 1,930 million, excluding wholesale revenue, incidentally also up 2.3% QonQ.

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 lack of roaming revenue throughout 2020.

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

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

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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 RM1,066 million at 3Q2019 this was mainly due to two USP payments being made this quarter and none being made in 3Q2019, so unusually different.

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 also declared a prudent 4 sen dividend for the third quarter.

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.

ARPU on a YonY basis is lower because of the lack of roaming revenue throughout 2020.

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

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On a YonY basis there is a decrease of 1.5% to RM 945 million from 3Q2019 of RM959mn mainly due to lack of international roaming revenue.

On a YTD on YTD basis, postpaid revenue excluding wholesale is up RM50mn that is 1.8% to RM2,878mn YTD2020 versus RM2,828mn for YTD2019. Showing underlying growth offsetting the 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.

This was largely driven by various initiatives done throughout 2020 which includes: a revamp of the postpaid portfolio, introduction of hotlink postpaid, Maxis online stores, and e-commerce such as Lazada. Overall, this supported enhanced handset promotions, and enhanced personalised offers which expand beyond device contracting.

Prepaid was a great success due to the execution of our new sales and retail strategy to target underserved markets, 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 YonY prepaid subscribers declined by 6.6% and QonQ our prepaid subscribers, declined 1.1%, QonQ. However, QonQ we saw an increased revenue from RM686mn to RM717mn.

Let me explain that. Maxis had a brand refresh and launched new prepaid products in June, this was reflected in ending the month of June, with a big

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increase in prepaid subscribers, yet the average for the 2Q2020 period was lower and hence prepaid revenue in 2Q2020 was low.

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.

Maxis still holds the First mover advantage in delivering a nationwide commercial fibre offering. Our sales and service channels are trained, ready and been pro-active 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.

We saw strong growth of 13k net fibre additions. 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 RM138mn.

Behind our fibre access agreements with TM, Sacofa, Allo and CT Sabah, 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, RM401mn: YTD'20 versus RM305mn: YTD'19.

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During the MCO we were agile and fulfilled fibre sales with a temporary 4G/LTE router. This has been a successful product in its own right and 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: Fixed 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 is included in the Postpaid Revenue 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 1Q2020 to 98K for 2Q2020 and ending at 110K for 3Q2020. Revenue has also increased from RM27mn for 2Q2020 to RM30mn for 3Q2020.

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

Despite the challenging economic environment in Q2, Q3 saw us focusing on remobilising our salesforce and internal capabilities to ensure that our customers receive the right business solutions to help them not only through their recovery period but transform and digitalise for growth.

COVID-19 has created an unprecedented challenge for particularly smaller businesses so as we came out of lockdown, we worked together with the

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Government on the SME MDEC Government Grant with the right connectivity and business solutions bundle which has shown positive initial traction as many SMEs needed the right solutions & support in reactivating their businesses.

Our recently launched SME-in-the-Box solution with AmBank also proved to be effective in offering Malaysian Businesses with a comprehensive one-stop solution that covers simple financing and digital solutions, especially for SMEs that leverage on the potential of eCommerce. We have also initiated webinars and engagements with more than 1,500 SME customers, sharing tips and strategies to help them digitise their operational capabilities and will continue to work with strategic business partners to come up with the most functional and applicable solutions to meet the needs of the current digital landscape.

Adapting to the new norm, we hosted our first Cloud webinar series with our Global tech partners, AWS and Microsoft which saw ~400 participants across business segments. We also had our first two virtual Business Spark events which discussed how businesses can adapt to change to stay ahead of disruptions and ways to prepare for uncertainty by having the right operational agility. Both Spark events proved to be a success with over ~1,000 viewers despite being done virtually for the first time.

Maxis Business is also proud to announce that we have attained the status of **‘AWS APN Authorised Solution Provider’** and are the first telco to be on the AWS Solution Provider Program in Malaysia. Fresh out of the oven, we also recently achieved another Gold in Microsoft’s Partner competencies which brings us to a total of 4 Gold and 4 Silver competencies. These credentials showcase our capabilities and expertise in delivering the latest ICT solutions to our customers.

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We continue to see a shift in market conversations and Maxis Business has proven to be a logical, preferred partner for converged network services. We attribute our accomplishments to not only our highly mobilised salesforce and sales operational models but also our strong internal support structures and capabilities that have set us up for success as we close the year.

In line with our Vision to be the leading converged solutions provider in Malaysia, Maxis has announced acqui-hire of Audeonet (M) Sdn Bhd in December 2020 – Maxis' second acqui-hire deal in 2020. Maxis Business has expanded its voice and unified communications (UC) solutions as part of its ongoing commitment to build talent capacity and capabilities in sophisticated solutions for its Enterprise segment. This integration of Audeonet into Maxis follows the successful acqui-hire of Infrastructure Consulting & Managed Services (ICMS), a Microsoft Gold Partner and cloud solutions company, earlier this year.

To further empower organisations to kickstart their digitalisation journey, the Maxis Business Digital Readiness Index was soft launched in July to allow businesses to assess themselves through an exhaustive report and get in touch with our in-house experts for advice on the right solutions. The index proved to be favourable with over 1,600 participants applying, 48% of which were Micro SMEs who were excited and hungry for the right digital solutions.

We also wanted to understand and address the challenges that corporate Malaysia is facing today. A Digital Technology Assessment 2020 survey was jointly developed with IDC providing a first-ever Malaysian overview of corporate adoption of Cloud, SDN, IoT and Cybersecurity solutions. The survey revealed gaps present in the digital efforts of organisations thus leading us to launch our **'Retransformation Campaign'** in hopes of exemplifying the need for Malaysian businesses to rethink and reevaluate their digital transformation strategies to

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always be ahead in the changing digital landscape. The campaign symbolises our commitment in delivering a differentiated experience with our best-in-class network and digital solutions, fully supported by our end-to-end managed services.

In establishing a successful digital transformation journey for our customers, we have outlined 6 corporate solutions, all enhanced by our Maxis Programmable Network, for businesses to adopt; **Managed Cloud, Smart Manufacturing, Smart Security, Managed UC, Managed SD-WAN** and Bandwidth on Demand – some of which were strategically launched within the past few quarters.

Our strategy remains intact and we will continue to invest in not only the best technologies and offer them to our customers, but also in upskilling our talent in areas of Managed Services, IoT and Cloud. We are confident in playing a key role as a catalyst for digitalisation to our Enterprise customers and will continue to lead market conversations in transforming and digitalising Malaysian Businesses through leveraging our best-in-class digital and Cloud solutions, underpinned by our robust internal capabilities and our leading converged network, solidifying Maxis Business as Malaysia's Leading ICT solutions provider across all business segments.

Maxis has embarked on the Fuel4Growth programme in 2019 which comprises productivity and working capital management and the target is to deliver RM1 billion over three years from 2019 and 2021. The Fuel4Growth programme is now in its third year, and we have now rebranded it to XLR8. We are currently on track with our in-year target and have further accelerated cost take out initiatives in response to the COVID-19 scenario.

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Operational savings was largely driven by a reduction in areas including device costs, traffic cost, and re-negotiation of commercial contracts. In parallel, management also focuses on accelerating digitalisation and applied data analytics across the organisation.

Through data analytics, we have intensified our cash and analytical collections focus and our cash collections are better than the pre-MCO period with 9% cash uplift and 10-points improvement in overdue percentage.

Finally, to our outlook and priorities.

In-line with the guidance in the 3Q20 results pack and also presented in the Bursa disclosure we feel it is prudent not to give guidance on the back of the ongoing unprecedented uncertainty and signs of weakening local and global economies.

Our leadership is 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 and our customers first
- Maintaining our leadership in core mobile business
- Maintaining the health of our network and systems and delivering performance leadership
- Offering more digital services and converged solutions to individuals, homes and businesses
- Developing new Enterprise solutions and converged broadband offerings
- Achieving differentiated and digital unmatched personalised experience
- Accelerating our digital transformation to be a leader in the new post COVID-19 world – a world-class digital organisation; and

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- 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.

END