

CEO's Statement



“Our ambitions are in line with the nation's aspirations to foster inclusive development and further enhance digital Malaysia, ensuring growth for the economy and prosperity for its citizens”



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GOKHAN OGUT
Chief Executive Officer

CEO's Statement

Dear Stakeholders,

Over the past few years, competition in the global telecommunications industry has intensified tremendously. In line with global trends, in early 2019, we shared our vision to be the Leading Converged Solutions Company in Malaysia. We launched a clear long-term strategic plan, which we call the MAX Plan, guiding us towards our goal.

We have committed to delivering an internal service revenue target of over RM10 billion by 2023, and are investing RM1 billion in growth capital expenditure over and beyond our core annual sum of RM1 billion for the next three years. At the same time, we will be delivering operational cost savings of RM1 billion over the next three years to bring about greater efficiencies and fund our growth agenda.

Notable challenges are heightened competition in an aggressive marketplace, as well as an ever increasing customer demand for high-speed and high quality data. These challenges however create incredibly exciting opportunities for leading players such as Maxis.

We believe our ambitions are in line with the nation's aspirations to foster inclusive development and further enhance digital Malaysia, ensuring growth for the economy and prosperity for its citizens.

We have been working alongside the regulators and other industry players to ensure a healthy competitive environment. With 5G on the horizon and the launch of the National Fiberisation Connectivity Plan (NFCP), we are equally committed to provide innovative services and connectivity solutions for consumers and enterprises alike through our core mobile investments and growth in our converged connectivity offerings. Through our efforts, Maxis will play an integral role in providing the best 5G and fibre connectivity in Malaysia.

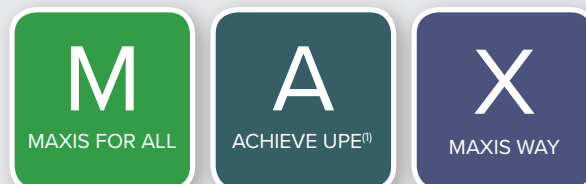
Review of the Year

Our strategic MAX Plan, which we unveiled in 2019, was developed with the clear intent of ensuring that our stakeholders are a part of our long term value creation journey. By embedding principles of sustainable development into our business activities, we will be able to create sustainable benefits for our shareholders and all other stakeholders. Further details can be found in the Our Strategy section on page 28 of this Integrated Annual Report (IAR).

Note:
 (1) UPE - Unmatched Personalised Experience

Our MAX Strategy

Be the Leading Converged Solutions Company in Malaysia



Our MAX Strategy

Our Performance 2019 has been both a financial rebasing period and an operational transformation year. Despite market challenges, we have performed well to record underlying service revenue excluding wholesale of RM7,660 million. We delivered a normalised EBITDA of RM3,768 million with a solid normalised EBITDA margin on service revenue of 48.3%. Please refer to our Management Discussion and Analysis on page 38 of this IAR for a more detailed analysis of our financial performance.

Our financial guidance has been fulfilled, reflecting a strong cash flow that is delivering sustainable returns to our shareholders. The Fibre and Enterprise businesses are on track with plans to generate substantial revenue streams over the next five years as part of our transformational strategy towards convergence. Our cost reduction and productivity management programmes are well underway and we expect to achieve our targets by 2023.

Service Revenue (Excluding Wholesale)

RM7,660 million

2018: RM7,607 million

Normalised EBITDA Margin on Service Revenue

48.3%

2018: 47.6%

“We continue to see growth in our subscriber base, with positive pre-to-post migration on the back of our offer of Hotlink Postpaid Flex and MaxisONE Plan share lines.”



Strengthening Our Consumer Products

Our consumer convergence strategy has been on an upward trajectory, driven by strong fibre growth in family and small business subscriptions. With the launch of “Superfast Fibre,” our customers are moving to new bundle plans, trusting us as their service provider of choice for fibre, shared lines and device bundles. Maxis has been the driving force in increasing connected fibre homes in the nation, with over 120,000 new connections in 2019 alone.

Our core mobile business remains resilient and we have maintained our market leader position. We recorded healthy postpaid and prepaid segment results. We continue to see growth in our mobile and fibre subscriber base, with positive pre-to-post migration on the back of our offer of Hotlink Postpaid Flex and MaxisONE Plan share lines. This has resulted in our continued leadership in postpaid, increasing our postpaid subscribers by 432k, and bringing our total base to 3.4 million. For Hotlink, we continued to leverage our Hotlink RED App, we are able to provide personalised offers to our customers through big data analytics which we call “Segment of One.”

The Government’s push towards a digital economy presents us with opportunities to further innovate on our customer offerings. These include our consumer products and solutions for voice, video, fixed and mobile services. Maxis TV, which we launched during the year, was aimed at creating greater value for our customers by providing content from top entertainment providers that are delivered to a range of mobile devices.

Enterprise Solutions

Our Enterprise team has completed its planned upskilling to build significant talent capacity and capability in key areas. Our core people are now primed to support the growth of our Enterprise business and our pipeline of products. We have new offerings and capabilities for our customers backed by our partnerships with Amazon Web Services (AWS) and Cisco Systems and AmBank.

We have also forged key strategic collaborations to pursue our fibre ambitions. This includes our recent tie-up with Celcom Timur (Sabah) Sdn. Bhd. in October to provide greater fibre connectivity access to more people and businesses in Sabah. We also entered into an agreement with Allo Technology Sdn. Bhd. (Allo), a wholly-owned subsidiary of Tenaga Nasional Berhad (TNB) in November that will see Maxis expand fibre access to Cyberjaya and Bangsar South in the Klang Valley, and in Jasin, Melaka.

As Malaysian businesses embark on their digitalisation journey and business transformation, Maxis is there as their first partner to help grow their business. Part of our efforts are focused on building awareness and educating enterprises on how they can leverage services such as IoT, managed services, cyber-security and cloud computing as a catalyst for business growth. We understand their unique needs, as we ourselves are undergoing our own transformation journey towards becoming Malaysia’s Leading Converged Solutions Company. Our aspiration is not limited to ourselves, but is extended to the people and businesses of Malaysia, as we help them to be leaders in line with our purpose to help everyone be always ahead.

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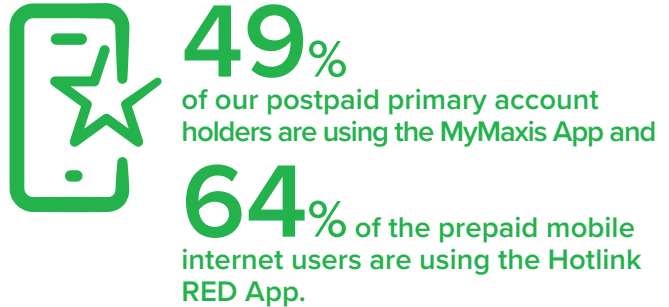


Our Enterprise team is key to realising our ambition as we know Malaysian businesses require multi-dimensional solutions beyond just connectivity in order to increase their productivity and efficiency. Our solutions cater to businesses' present and future needs through a single managed service that offers an end-to-end ICT solution for them.

Providing an Unmatched Personalised Experience

Our retail stores continue to evolve with digitalisation. Through our new Maxis Concept Stores, we are providing a differentiated customer experience that caters to their evolving digital lifestyles. Our first concept store was launched during the year at The Gardens Mid Valley, which was followed by our second store at Sunway Pyramid. The new concept stores have gone beyond the traditional retail store offering to become customer experience centres. We are incorporating cutting edge technology into these stores in line with our promise to offer an Unmatched Personalised Experience and drive the adoption of converged services. We have also invested in expanding our retail footprint and are extending our reach into underserved areas to provide mobile and digital connectivity to communities living there.

In line with our digitalisation strategy, we have strengthened one of our key customer touch-points – our easily accessible and convenient mobile apps, namely the MyMaxis, Hotlink RED and Hotlink Postpaid Flex apps. On top of exciting deals and rewards, we have enhanced these apps with new features and capabilities that offer our customers support and convenience at their fingertips. Today, 49% of our postpaid primary account holders are using the MyMaxis App and 64% of the prepaid mobile internet users are using the Hotlink RED App. The high take up rate reflects our ability to cater to their needs by offering them variety, flexibility and choice through convenient digital services.



Investing in the Best Network and Technology

Investment in our network assets remains at the heart of our strategy and is reflected in our sustained leadership in this area. We continue to differentiate ourselves as the best network from other players with our 4G LTE network in terms of upload and download speeds, data latency and customer experience. We have attained more than 3Mbps, 95% of the time in a demanding market environment with ever-increasing data usage. Our priority is to continue to keep improving our 4G network while preparing for the future with 5G and greater fibre availability.

Over the last few years, we have been carefully assessing the 5G technology and conducting demonstration trials in our test lab. We have also been upgrading our core network elements to gigabit-capable speeds so that they can support the capacity demands of 5G.

In February 2019, Maxis and Huawei signed a Memorandum of Understanding (MoU) to cooperate on fully fledged 5G trials. Following this, Maxis commenced Malaysia's first 5G live trials, and recorded close to 3Gbps download speeds. We also participated in Malaysian Communications and Multimedia Commission's (MCMC) #5GMalaysia showcase in Putrajaya as well as the IDECS 2019 in Kuching demonstrating how 5G can enable the Government and corporations to make informed decisions.

Our cooperation with Huawei culminated in October 2019 with the landmark agreement with them for the provisioning of a 5G network, an event witnessed by the Prime Minister of Malaysia, YAB Tun Dr. Mahathir bin Mohamad. This marked a significant milestone in Maxis' 5G journey. In November 2019, Maxis collaborated with Aquaria KLCC to showcase Malaysia's first 5G Augmented Reality (AR) experience featuring marine life. In the same month, Maxis and Celcom Axiata Berhad (Celcom) signed an MoU to explore a potential partnership to efficiently deploy Malaysia's 5G infrastructure. The collaboration has the potential to enable both companies to explore potential business opportunities in relation to key strategic 5G areas to deliver the best 5G innovation that will benefit the people and businesses in Malaysia as soon as the necessary spectrum is made available.



Maintaining Our Innovation Drive

We have placed great emphasis on co-creation with other Malaysian companies, facilitating dialogues to innovate our products and services based on our customers' feedback. In line with our wider innovation agenda, we have kick-started innovation programmes to position Maxis as the digital solutions provider through engagements within the start-up community, internal teams and co-creation initiatives with various companies.

As part of our technology ecosystem development, we had a positive response from our IoT Challenge hosted in collaboration with the Malaysian Digital Economy Corporation (MDEC). We also conducted strong internal engagements with our employees through innovation sessions, including an Innovation Pipeline event that we designed for our people to share ideas with each other.

Empowering Our Talent

Digitalisation remains a crucial driver for us to achieve our strategy to improve customer touchpoints and create great digital experiences for both our consumers and employees. We continue to focus on our people, enabling them to grow through various talent development programmes. In 2019, we appointed a new Chief Human Resource Officer who is taking the lead in building new capabilities within our workforce to support a digital Maxis. We are also hiring people with the right digital skills and talents, as we continue with upskilling our existing employees' capabilities. Maxis' positive work culture experience across 3,559 employees is reflected in our employee engagement score of 88, which is on par with the best organisations globally.



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eKelas programme has reached out to more than **13,000** students across 10 states and **72** Pusat Internet (Internet Centres).

Supporting Our Communities

As for our partners and the community, we continue to lead and grow as a responsible corporate citizen through our flagship community programme, eKelas. This impactful programme has reached out to more than 13,000 students across 10 states and 72 Pusat Internet (Internet Centres). With the Ministry of Education's recognition of eKelas as an outreach initiative under its Highly Immersive Programme which is aimed at improving the English proficiency of Malaysian students, eKelas has expanded beyond the Internet centres to reach out to 22 pioneering schools in 2019.

Leveraging technology, we have also been providing a digital workshop series to equip micro-entrepreneurs and small businesses with digital marketing skills.

What Lies Ahead for Us

Maxis is at a key inflection point in its growth journey and we are very excited about what lies ahead for us. We are making significant progress in the first year of our long-term strategic plan to be the Leading Converged Solutions Company in Malaysia. With growth in fibre connectivity and 5G on the horizon, I look forward to continuing our engagement with the government and the industry regulator MCMC, on the best way to deliver 5G to Malaysia.

The progress we made in 2019 was the result of the combined efforts of many people, and I would like to extend my sincere appreciation to the Board of Directors for their guidance; our partners and shareholders for their continued support in driving this significant change; our customers for their continued trust; and our employees for their utmost dedication and commitment towards our exciting journey ahead.

GOKHAN OGUT