

MAXIS BERHAD

Maxis' agility in responding to unique environment results in strong Q2 performance

- *Stable underlying service revenue (excluding wholesale) at RM1.9 billion driven by positive growth in convergence offsetting the negative impacts of Covid-19*
- *Continued growth of subscribers for postpaid (+9.7% year-on-year) and fiber (+32.6% year-on-year)*
- *Strong liquidity position with operating free cash flow at RM936 million*
- *Commitment to provide reliable, secure and superior network; maintaining service quality in the face of increasing traffic*
- *Identified as Technology Solutions Provider by MDEC to support SME growth, continues to help accelerate their digitalisation in Malaysia*
- *Declared a second interim dividend of 4 sen net per share*

MEDIA RELEASE

For immediate release

Kuala Lumpur, 23 July 2020

As the COVID-19 situation is evolving, with a robust Business Continuity Plan (BCP), Maxis has taken decisive actions to serve its stakeholders in the long term, including protecting its employees, maintaining network quality and reliability, serving its customers, supporting communities and the Government to stay connected in this unprecedented time.

The Movement Control Order (MCO) has seen Maxis experiencing higher pressure on prepaid and roaming revenues, lower sales in stores and businesses from the more challenged sectors, but also with increased demand for services, particularly around connectivity, converged solutions and digital care. As the country moved on to Recovery Movement Control Order (RMCO) in June, the Company successfully executed and ramped up its go-to-market strategy in reaching out to customers especially the underserved segment, to promote digital channels and modern trade outlets for online activities and transactions; including top-ups and payments.

The agility in responding with measures to mitigate Covid-19 and the commitment to protect the health of its employees, network and systems as well as fully supporting its customers, suppliers and communities, has enabled Maxis to perform well in this unique and challenging environment.

For the second quarter ended 30 June 2020, Maxis delivered a resilient performance, driven by a steady core mobile business and consistent growth in convergence and digitalisation. The quarter saw Maxis continue to report healthy EBITDA, while maintaining a leading EBITDA margin and a stable Profit After Tax (PAT). Leading the market with remarkable subscription growth, **Maxis' mobile business remained strong and continued to deliver substantial cash flows.** On the fibre front, the Company registered another quarter of positive growth in subscriptions by both families and small businesses, **consolidating Maxis' convergence ambition.**

Comment by Gökhan Ogut, CEO, Maxis:

“Overall, we delivered a strong Q2 performance amidst a challenging environment. We continued to lead the mobile market and turn in consistent growth in our converged solutions for individuals, homes and businesses. We are confident of playing a key role as a catalyst for digitalisation for consumers and businesses, which is in line with our recent brand refresh built around our new brand purpose, ‘**Always be ahead**’. We are committed to support our customers to be more digital and adapt quickly to a rapidly changing environment. With the capabilities to be a strong partner to Enterprises and SMEs, we continue to empower them to adapt to the accelerating changes in the business landscape by delivering new technologies, models and mindsets through our converged offerings. Meanwhile, the health and safety of all our employees remains our priority, and we are proud of those in the field who continue to deliver essential services to our customers.

We will continue to invest in our network to provide the best fixed and mobile connectivity to our customers. At the same time, we are accelerating our 5G network readiness, engaging with the industry on trials, RAN sharing and will feature even more use cases in the coming months. We are ready to deploy 5G and are committed to providing the best 5G innovation to Malaysia as soon as the spectrum is made available. Moving forward, we continue to drive our strategy execution and build more momentum in achieving our converged solutions ambition. We will also continue to ensure that consumers and businesses have uninterrupted connectivity and be ready for recovery.”

Q2 financial highlights year-on-year (yoy) – Q2 2020 vs Q2 2019

- **Resilient underlying service revenue** (excluding wholesale) at RM1,887 million, the same level as recorded in Q2 2019, driven by strong growth in postpaid and the fibre business.
- **Strong postpaid results, leading the market** with revenue (excluding wholesale) growing 2.1% to RM961 million from RM941 million in Q2 2019. The quarter saw continued strong prepaid-to-postpaid migration as customers step up for higher value tiers especially Hotlink Postpaid. Subscriptions grew 9.7% yoy bringing the total to 3.4 million. Postpaid APRU decreased to RM85 from RM91, reflecting reduction in the Mobile Termination Rate (MTR), reduced international outbound roaming, the dilution effect from Hotlink Postpaid and Maxis Postpaid Share Line.
- **Prepaid segment remained very competitive.** The MCO has put a constraint on physical retail channels and field sales team in April and May. Prepaid revenue was 13.3% lower at RM686 million against RM791 million recorded in Q2 2019. Nevertheless, with effective execution of digital channels for top-ups, massive subscriber adds in June from new products and sales targeting underserved areas, prepaid ARPU was stable at RM40 per month when compared to RM41 in Q2 2019 owing to strong Hotlink App adoption and digital channels for top-ups.
- **Demand for data grew exponentially.** Our customers consumed an average of 21.1 GB of data per month on a blended basis during the quarter, 54.0% higher than Q2 2019.
- **Increased demand for digital services.** Our Maxis and Hotlink apps are important channels for customer convenience, access to rewards and ease of transactions, including top-ups, payments and digital services. Adoption of these apps continue to grow, with 73% of our prepaid mobile Internet (MI) customers now using the Hotlink App, significantly up from 59% in Q2 2019, while 58% of our postpaid primary account holders are on the Maxis App, compared to 43% in the same period last year.
- **Continued positive momentum in fibre,** with 32.6% growth in fibre connections yoy, bringing the total to 411k. The take up was primarily driven by strong adoption of Maxis Unlimited

Postpaid & Fibre converged packages, resulting in steady ARPU from superfast fibre packages of 300, 500 and 800 Mbps. The installation backlogs due to MCO were cleared in June.

- **Normalised EBITDA remained healthy** at RM903 million, 4.6% lower than RM947 million registered in Q2 2019. Consequently, Normalised PAT for the year was 13.6% lower at RM338 million against RM391 million in Q2 2019. The decline was mainly due to loss of wholesale business and higher impairment made to receivables based on higher credit risk in view of the COVID-19 pandemic and its impact on economies worldwide.
- **Normalised EBITDA margin on service revenue remained high** at 47.5% against 49.4% in Q2 2019.
- **Operating free cash flow** sustained at a high level at RM936 million, 8.3% lower than Q2 last year, but strengthened 31.3% from Q1 2020. Productivity programme delivering results, improving capital efficiency and big-data analytics improved collections process.
- **Declared a second interim dividend of 4 sen net per share** for the quarter. The lower distribution at this unprecedented time will allow Maxis to continue supporting consumers, businesses and communities, and at the same time being prudent in preserving cash and ensuring protection of the core business in preparation for the opportunities from recovery of the economy.

Key highlights for Q2 2020

- **Enabling SME adoption of converged solutions for post-MCO business reactivation:**
 - First telco to deliver Digital Marketing and Cloud POS solutions to SMEs as a Technology Solutions Provider (TSP), selected by the Malaysia Digital Economy Corporation (MDEC) for the RM500 million SME Digitalisation Grant under Budget 2020.
 - Expanding offering and strengthening new capabilities in Microsoft and cloud solutions through the acqui-hire of a talent pool of specialist professionals, supporting SMEs and Enterprises with remote working solutions to help with business continuity, improved productivity, performance and acceleration in time to market.
- **Maintaining 4G network leadership and ensuring people and business stay connected:**
 - Maxis invested RM259 million in Q2 2020, bring the year to date capex to RM422 million this year.
 - During the MCO, the significant increase in traffic for both fixed and mobile networks have put the network under pressure especially during peak periods. In meeting the surging demand of data, Maxis undertook the following initiatives:
 - o Added sizeable capacity from our fibre partner and the international Internet gateway
 - o Increased its site upgrades by 100% and expedited the capacity rollout
 - o Continuous network optimisation to complement the network rollout to ensure that customers will enjoy a quality experience especially for commonly used applications
 - o Dedicated 24x7 network command centre monitoring traffic closely and technicians working round the clock to keep fixed and mobile networks running healthily
- **Staying in tune with customers' needs with Internet upgrades and more digital lifestyle benefits:**
 - Launched Hotlink Prepaid Unlimited with unlimited Internet and unlimited calls to all networks for the first time, as well as digital lifestyle benefits, such as Maxis TV, cashback on Google Play store and Apple app store purchases and more rewards. Revamped Hotlink SUPERRR to Hotlink Prepaid Video for high-speed, high quality video streaming.
 - Enhanced Maxis Postpaid plan with up to 100GB high speed data, as well as unlimited calls and SMS to all networks. Customers can add on a Share Line at only RM48 per month and enjoy 30GB sharable data so there is something for everyone in the whole family.

- **Supporting customers and community to** provide the much-needed critical connectivity and communications services:
 - Supporting Malaysians with free 1GB Productivity Internet daily to access a range of education, and productivity-related services until 31 December 2020. Continues to provide free access to MySejahtera and MyTrace apps, as well as important health and news sources.
 - Hosted **Maxis'** 11th Annual General Meeting (AGM) in full virtual proceedings for the first time via live streaming and online voting, demonstrating continued commitment to shareholders, while taking every precaution to safeguard their safety and wellbeing.

To watch Maxis' Q2 2020 financial results video release, please click <https://youtu.be/n25l-HmOCPE>

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