

MAXIS BERHAD

Maxis delivers strong performance in Q1, confirming strong traction in its convergence strategy

- *Underlying service revenue (excluding wholesale) at RM1.9 billion grew 2.8% year-on-year driven by steady mobile business and consistent growth in convergence*
- *Strong growth in postpaid and fibre subscriptions, with 13.7% and 40.0% growth year-on-year respectively confirm Maxis' leadership position*
- *Commitment to drive differentiation with 4G leadership and 5G network readiness ensures performance at an optimum level to meet increasing demands during MCO*
- *A well-developed BCP plan in place to overcome Covid-19 challenges*
- *Declared a first interim dividend of 4 sen net per share*

MEDIA RELEASE

For immediate release

Kuala Lumpur, 24 April 2020

Maxis Berhad (Maxis) delivered a strong performance for the first quarter ended 31 March 2020, driven by a steady core mobile business and solid convergence growth. The Company reported steady EBITDA although core performance was impacted slightly by early Covid-19, while maintaining an industry-leading EBITDA margin and a healthy Profit After Tax (PAT).

During the quarter, the mobile segment continued to be resilient with positive growth in postpaid subscribers reflecting increased digital adoption and successful prepaid-to-postpaid subscriber migration. Postpaid subscriptions grew 13.7% year-on-year (yoy), bringing the total to 3.4 million, providing a larger base for resilient ARPU. On the fibre front, the Company saw consistent growth in subscriptions by both families and small businesses. Fibre connections grew 40.0% yoy to be at 392k connections in total, consolidating Maxis' convergence ambition.

Underpinning these worry-free propositions was its leading 4G network, which continues to deliver the best in coverage and quality. Based on MCMC's Network Performance Report 2019 announced recently which measures the performance of mobile and fixed broadband access and voice services, Maxis has maintained its position as the leader amongst all service providers by excelling in all criteria for four consecutive years.

One year on after embarking on its new strategic growth plan, Maxis is progressing well and gaining a strong momentum towards its ambition to be Malaysia's leading converged solutions company. In the wake of the Covid-19 pandemic, Maxis remained focused on supporting the government and its customers while continuing to ensure the health of its networks to meet the demands during this trying time.

Comment by Gökhan Ogut, CEO, Maxis:

"We had a good set of results for Q1 overall amidst early impact of Covid-19. We continued to lead the mobile market and turned in solid growth in our fibre business, confirming strong traction in our convergence ambition. For our Enterprise business, the quarter saw us bringing strong partnerships which enabled us to offer new solutions and deliver even more value to businesses in Malaysia. Moving forward, we foresee the Covid-19 situation evolving and we will continue to assess its impact on our operations. Fundamentally, we are strong and are prepared to overcome these challenging times with a well-developed BCP plan that has been in place for several years. For now, our first priority is the health and safety of our employees, as the Maxis' front liners work 24/7 to ensure that consumers and businesses have uninterrupted connectivity and availability of services during this period."

Q1 financial highlights year-on-year (yoy) – Q1 2020 vs Q1 2019

- **Steady service revenue** excluding wholesale at RM1,928 million, 2.8% growth versus RM1,876 million recorded in Q1 2019. This was due to the strong growth in postpaid and fibre business, offset by decline in prepaid and the industry wide reduction of Mobile Termination Rate (MTR).
- **Continued postpaid leadership** with revenue excluding wholesale growing 4.7% to RM972 million from RM928 million in Q1 2019. The quarter saw continued strong prepaid-to-postpaid migration as customers step up for higher value tiers especially Hotlink Postpaid Flex with increased connections per account. Subscriptions grew 13.7% yoy bringing the total to 3.4 million. Postpaid APRU decreased to RM86 from RM92, reflecting the MTR reduction, initial Covid-19 impact and the dilution effect from Hotlink Postpaid Flex.
- **Prepaid segment experienced greater challenges this quarter.** Apart from continued SIM consolidation, on-going migration from prepaid to postpaid and reduced the MTR, early impact of Covid-19 started to kick-in. Prepaid revenue was 10.4% lower at RM714 million against RM797 million recorded in Q1 2019. Nevertheless, with effective execution of digital channels for top-ups, prepaid ARPU remained stable at RM39 per month when compared to RM40 in Q1 2019.
- **Demand for data grew exponentially especially from 18 March as the Movement Control Order (MCO) took effect.** Our customers consumed an average of 16.8 GB of data per month on a blended basis during the quarter, 43.6% higher than Q1 2019. Although average data usage increased across all services of Home Fibre, Prepaid and Postpaid during MCO, this does not necessarily correspond with the increase in revenue as it is within existing data plans for many customers, while some are based on top ups.

- **Continued positive momentum in fibre**, with 40.0% growth in fibre connections yoy, bringing the total to 392k. The take up was primarily driven by strong adoption of MaxisONE Prime, resulting in steady ARPU from superfast fibre packages of 300, 500 and 800 Mbps. Fibre connections were slightly lower this quarter at 23k against 31k in Q1 2019 due to installation deferment as a result of the MCO.
- **Normalised EBITDA remained healthy** at RM920 million, 3.5% lower than RM953 million registered in Q1 2019. Consequently, Normalised PAT for the quarter was 10.9% lower at RM360 million against RM404 million in Q1 2019. The decline was mainly due to loss of wholesale business and higher impairment made to receivables as the Group revised the expected loss rates in view of the Covid-19 pandemic and its impact on economies worldwide which has caused a significant increase in credit risk.
- **Normalised EBITDA margin on service revenue remained high** at 47.4% against 48.9% in Q1 2019.
- **Operating free cash flow** increased 26.2% to RM713 million compared to RM565 million in the preceding year, mainly due to improved productivity and working capital management.
- **Declared a first interim dividend of 4 sen net per share** for the quarter, representing a dividend payout ratio of 87%. The Company is taking a prudent approach to ensure it continues to have the capacity to grow the business in line with its convergence strategy and invest in its network given the dramatic increase in demand.

Key highlights for Q1 2020

- **Accelerating convergence and growing Enterprise business:**
 - Partnership with Microsoft to accelerate adoption of innovative digital solutions for businesses offering bundled fixed line number calling with Microsoft Teams Unified Communications, enabling voice calls from any place at any time across multiple devices.
 - Collaboration with OPPO to empower business owners across multiple industries with the latest business mobility solutions and services including a planned '5G-Ready Masterclass' to assist SMEs with a seamless transition into a 5G era when the network becomes available.
- **Maintaining 4G network leadership and ensuring people and business stay connected during MCO:**
 - Maxis spent RM163 million in capex in Q1 for continued investment in network capacity to support the data traffic growth, investment in Home Fibre and Enterprise growth.
 - With telecommunications being an essential service to the public, Maxis continues to ensure that its network performance is also maintained and enhanced around critical locations. 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 during MCO, Maxis undertook the following initiatives:
 - Added sizeable capacity from our fibre partner and the international Internet gateway
 - Increased its site upgrades by 100% and expedited the capacity rollout

- Continuous network optimisation to complement the network rollout to ensure that customers will enjoy a quality experience especially for commonly used applications.
- **Supporting the Government, customers and community** to provide the much needed critical connectivity and communications services during the MCO:
 - Ensuring that customers are able to reach out to Maxis services from home via apps, 24 hour self-serve kiosks and customer care call centres
 - Free data for prepaid and postpaid customers, as well as free subscriptions on important business collaboration tools for enterprises. Additionally, Maxis has removed data charges for visits to critical websites, while all calls to important agencies including Crisis Preparedness and State Health Departments are free of charge
 - Free access and unlimited data usage on the eKelas portal to enable continued remote learning for students in rural communities
 - Supporting the Ministry of Health with connectivity needs for Sungai Buloh and Kuala Lumpur Hospitals
 - Collaborated with Malaysian influencers & artists to spread positivity in #KitaSapotKita campaign

- End -

We Are Maxis

We are the leading converged solutions company in Malaysia, enabling 10 million individuals, families and businesses to do more in an Always On world. As our customers increasingly immerse themselves in an ever expanding universe of connected applications, we are obsessed with providing an unmatched end-to-end internet experience – bringing together advanced always on connectivity and always great tech care. Beyond connecting people with our services, we are passionate about leveraging new technologies to make a positive impact in the community in which we operate.

For more information, please visit: [maxis.com.my](https://www.maxis.com.my)

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