

MAXIS BERHAD

Maxis' Convergence Growth Strategy on track, profit bounces back in Q1

- *New growth strategy is mobilised and gaining momentum*
- *Reorganisation to build capacity and capabilities to support convergence ambition*
- *Q1 performance with 56% profit lift over previous quarter*
- *Declared a first interim dividend of 5 sen net per share for the quarter*

MEDIA RELEASE

For immediate release

Kuala Lumpur, 26 April 2019

Maxis Berhad (Maxis) delivered a steady performance for Q1 2019, bouncing back from the impact of one-off costs in Q4 associated with its growth strategy. The Company is on track with its growth strategy, setting a strong momentum towards its ambition to become the leading converged solutions company in Malaysia.

The New Growth Strategy for Converged Solutions

In the last quarter Maxis announced that it made a significant change to its long term strategy, setting the foundation to be a strong converged solutions player in Malaysia and a development path over the next 5 years to help achieve its ambitions.

There are three focus areas:

With its capabilities in fixed and superior mobile connectivity, Maxis will cater to the **evolving digital lifestyles of everyone** – reaching even more individuals, homes and businesses through its converged propositions that will offer more services and solutions. During the quarter, the Company made headway in this space, including preparing for the first NB-IoT services, new fibre broadband speeds and achieving strong results for its existing converged solution, MaxisONE Prime.

Secondly, Maxis will leverage its technology and network leadership, as well as capabilities in big data and analytics to deliver **personalised experiences** for its customers. A testament to this journey is its on-going digitalisation and expansion of customer touch points.

Thirdly, is **evolving its organisational culture** towards higher levels of innovation and efficiency. One of the key initiatives carried out during the quarter was a reorganisation of its people, processes and structure to align with its strategy. To operationally implement this strategy, Maxis is moving its people into different customer centric focus areas, and developed a new

organisational structure to build both capacity and capability. The transformation to realise the convergence ambition follows the journey of two successful transformations that Maxis had implemented previously, specifically around culture change and digitalisation.

Financial highlights Year-on-Year (YoY) – Q1 2019 vs Q1 2018

The company's overall performance in Q1 2019 showed a **resilient core business** and healthy EBITDA, EBITDA margin and profits.

- **Continued to grow and lead the market in postpaid**, with revenue growing by 1.5% to RM1,000 million from RM985 million:
 - Strong subscriber growth with 349k added from Q1 2018 to Q1 2019, bringing total subscribers to 3.3 million.
 - Firm ARPU of RM88 within expectations, driven by Hotlink Postpaid Flex growth.
 - Hotlink Postpaid Flex and Flex PLUS are attracting budget conscious customers including migration from Prepaid.
 - Delivered another quarter of strong growth in fibre subscribers, adding 31k fibre connections from Q4 2018, bringing a total of 280k.
- **Service revenue** dipped 1.7% to RM1,947 million for Q1 2019. Excluding wholesale revenue, largely attributed from the network sharing agreement, service revenue was up 0.9% on a YoY basis, reflecting a stable underlying core business. This result was also affected by MCMC's mandated drop in mobile termination rate and hence reduced mobile termination income.
- In a declining market, **prepaid business is stabilising** in line with expectations and enhanced use of big-data analytics for segmented and personalised offers and rewards. Prepaid ARPU was stable at RM40 due to high 4G penetration, increasing Mobile Internet usage, and as higher value subscribers moved to the entry level Hotlink Postpaid Flex plan.
- **Normalised EBITDA** was RM953 million, with a solid margin on service revenue of 48.9% for Q1 2019; driven by a continued focus on profitable segments and cost optimisation initiatives. The decline of 6.6% from Q1 2018 which was attributable to factors including the decline of wholesale revenue due to the expected termination of the network sharing agreement, continued investment in Fibrenation and mobilisation of Enterprise business growth opportunities.
- **Normalised profit after tax** for Q1 2019 declined 20.8% to RM404 million as compared to RM510 million a year ago, in line with the decline in EBITDA.
- **Capex** at RM127 million compared to RM107 million in the same quarter last year. Continued to invest in capex to maintain our superior network, offering the best in coverage, speed and quality.
- **Growth capex** of RM1 billion over three years as announced last quarter is largely enterprise customer driven, which will accelerate periodically.
- Stronger **free cash flow** at RM264 million, increasing by 60.0% YoY.
- Declared a first **interim dividend** of 5 sen net per share.

Key highlights in Q1 2019

- **Strong data growth and usage**, with average blended data consumption higher at 11.7GB per month in Q1 2019, which is 7.1% higher than the previous quarter.
- **Leadership in 5G** – Signed MoU with Huawei for 5G acceleration programme and started first 5G live trials in the country, recording close to 3Gbps download speed with test user equipment (prototype mobile equipment).
- **Scaling up Enterprise** team with additional 100+ talented resources to support growing pipeline of products and deals. Maxis' current cloud and IoT services in the last few quarters lend credence to the momentum of an emerging ICT services market.
- Continued to enjoy significant **first mover advantage in fibre broadband** – Added 31,000 new subscribers in Q1, migration of existing fibre base to new plans nearing completion, and with Maxperts delivering **Unmatched Personalised Experience**.
- **Strengthened Segmented Marketing** – amplified targeted personalised marketing, an essential driver of customer value creation, and continued to drive App penetration and personalised offers on the apps. Strong app adoption with 55% of Mobile Internet users on Hotlink RED App, and 39% of postpaid customers on MyMaxis App.
- **High customer satisfaction** with Touch Point NPS score improving further to +55 points.

Comment by Gökhan Ogut, CEO-designate, Maxis:

"We are pleased with our performance and the progress of services development during the quarter. We had a stable Q1 performance which was a quick recovery from Q4 2018. We are starting to deliver on the expectations of our ambitions, systematically building a momentum in executing our new growth strategy. Customer take up of our converged, fibre and enterprise services has been strong, with results that have exceeded our expectations. In terms of our people, we have reorganised ourselves to get everyone aligned towards a common goal. There is a lot of energy in the company, and while we have done a lot during the quarter, it is just the beginning of what we see as an exciting future for Maxis."

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We Are Maxis

We are the leading converged communications and digital services company in Malaysia, enabling 11 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

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