



# Axiata Group Berhad

## 1Q 2019 Results

28 May 2019

Tan Sri Jamaludin Ibrahim, President & Group CEO

Vivek Sood, Group CFO



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“RM” shall mean Ringgit Malaysia being the lawful currency of Malaysia. Any discrepancies between individual amounts and totals are due to rounding.



# Axiata Group Berhad

## 1Q 2019 Results

Tan Sri Jamaludin Ibrahim, President & Group CEO



# Introduction – Recap from Analyst & Investor Day 2018



## 2019 - Need to review strategy, implementation & priorities

- Overall strategy remains the same
  - “Shifting Gear” towards profitability and cash focus
  - Rebalance focus, priorities, partnerships, portfolio, balance sheet and KPIs

### 8 focus areas for 2019:

- 1 Focus on profit growth relatively more than revenue market share growth.
- 2 Spotlight on opex and capex efficiency – RM5bn savings over 5 years.
- 3 Reprioritise / re-scope some investments with long payback (unless point #4).
- 4 Fund investments in new growth areas mostly through strategic partnerships / financial investors.
- 5 Monetise existing investments for cash and validation; and ‘sweat’ existing assets.
- 6 Accelerate structural changes through industry consolidation, network sharing and productivity initiatives.
- 7 Aggressive network and IT modernisation to drive data leadership and improve its economics.
- 8 Reflect the above in 2019 KPIs for Axiata and all OpCos.

# Key highlights 1Q19 (1/2)

“Shifting Gear” towards profitability and cash focus - a promising start.

## 8 focus areas for 2019:

- 1** Focus on profit growth relatively more than revenue market share growth.
  - 1Q19 EBITDA<sup>1</sup> growth of 7.7% YoY, with revenue<sup>1</sup> growth of 4.3%.
  - Improvement in ROIC<sup>2</sup> of 1.8% pts to 6.2% YoY.
  - XL and Robi return to profit<sup>1</sup>, with highest market share since XL-Axis and Robi-Airtel mergers.
- 2** Spotlight on opex and capex efficiency – RM5bn savings over 5 years.
  - Cost optimisation – delivered RM262m in 1Q19, and on track to achieve RM1.2bn target for 2019.
  - YoY cost is flat.
- 3** Reprioritise / re-scope some investments with long payback (unless point #4).
- 4** Fund investments in new growth areas mostly through strategic partnerships / financial investors.
- 5** Monetise existing investments for cash and validation; and ‘sweat’ existing assets.
- 6** Accelerate structural changes through industry consolidation, network sharing and productivity initiatives.
- 7** Aggressive network and IT modernisation to drive data leadership and improve its economics.
- 8** Reflect the above in 2019 KPIs for Axiata and all OpCos.

1. Underlying performance – excluding MFRS 16 impact and at constant currency

2. Underlying ROIC – excluding MFRS 16 impact

# Key highlights 1Q19 (2/2)

Rebalance focus, priorities, partnerships, portfolio, balance sheet and KPIs – making good progress.

## 8 focus areas for 2019:

- 1 Focus on profit growth relatively more than revenue market share growth.
- 2 Spotlight on opex and capex efficiency – RM5bn savings over 5 years.
- 3 Reprioritise / re-scope some investments with long payback (unless point #4).
- 4 Fund investments in new growth areas mostly through strategic partnerships / financial investors.
  - Capital injection into ADS by Mitsui, at pre-money enterprise valuation of USD500m (~RM2.0bn).
- 5 Monetise existing investments for cash and validation; and ‘sweat’ existing assets.
  - Divested 28.7% M1 stake, with RM1.65bn cash proceeds and gain on disposal of RM113m.
  - Transferred non-core digital assets valued at USD140m (~RM572m) to Pegasus 7, with gain on disposal of RM302m.
  - Non-subscription of preferential rights in Idea - stake diluted to 2.5%. No impact to P&L.
  - Strengthened balance sheet: cash balance RM6.8bn (+RM1.7bn QoQ), gross debt/EBITDA<sup>1</sup> improves from 2.3x to 2.2x, and OFCF<sup>1</sup> at RM224m (+RM61m QoQ).
- 6 Accelerate structural changes through industry consolidation, network sharing and productivity initiatives.
  - Intention to create a Global Champion through the proposed mega merger of Telenor Asia and Axiata.
- 7 Aggressive network and IT modernisation to drive data leadership and improve its economics.
- 8 Reflect the above in 2019 KPIs for Axiata and all OpCos.
  - Increased weighting for ‘EBITDA growth’ and ‘FCF yield’ KPIs.

1. Excluding MFRS 16 impact

# Triple Core Strategy

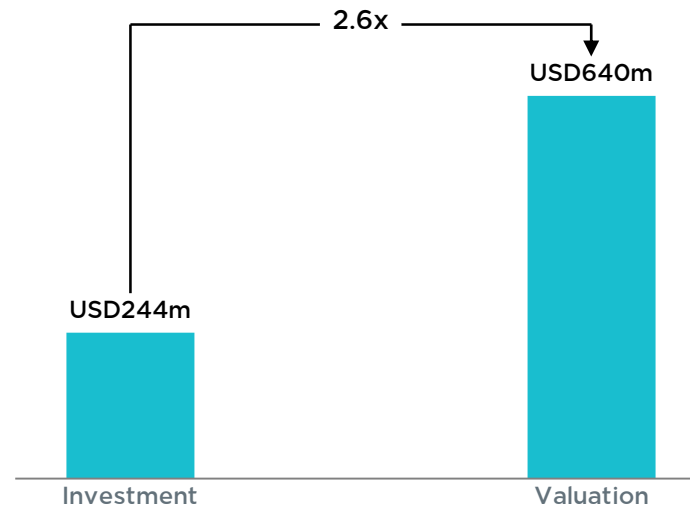
Digital Telco: All OpCos except Ncell, delivered highest YoY EBITDA growth in their respective markets. New growth areas: Double digit revenue growth for Digital Business (+66%) and Infrastructure (+25%).

## 1 Digital Telco - Profitability



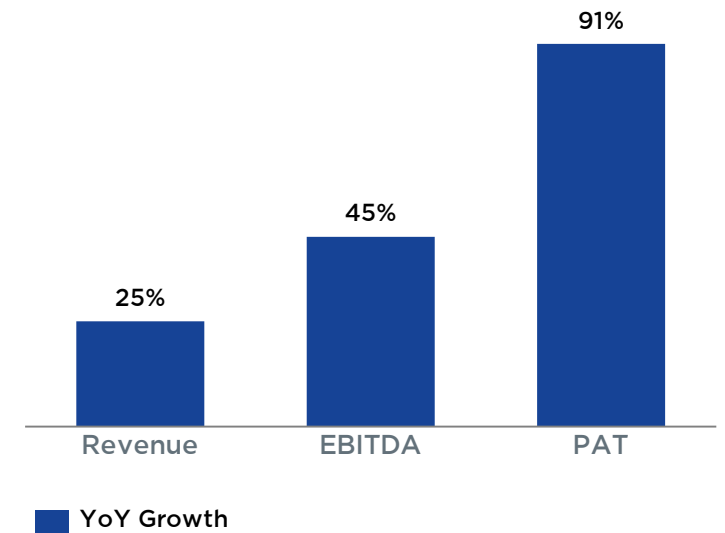
All OpCos, except Ncell, delivered YoY EBITDA growth greater than revenue growth, and also highest EBITDA growth amongst peers.

## 2 Digital Business - Valuation



- Valuation validated at USD640m, comprising core USD500m and Digital Ventures USD140m.
- Revenue growth of 66% YoY – strong momentum for all 3 core digital businesses ie. Boost, ada and Apigate.

## 3 Infrastructure - Growth



- edotco continues to deliver double-digit YoY growth for revenue, EBITDA and PAT.
- Records highest revenue and EBITDA in 1Q19.

# Axiata Group Berhad

## 1Q 2019 Results

Vivek Sood, Group CFO

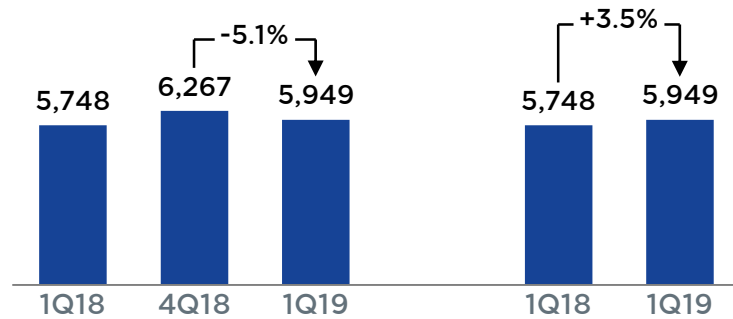




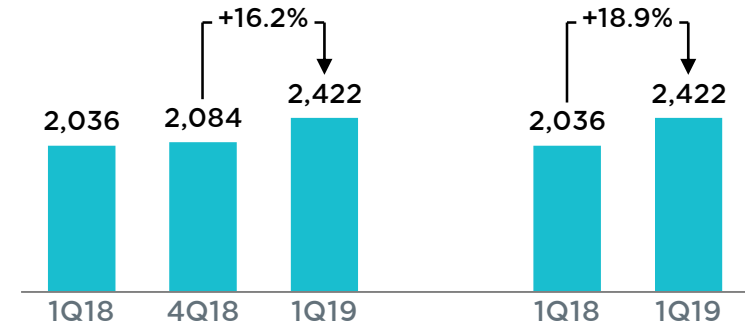
# 1Q19 reported results

Revenue grew 3.5% YoY while EBITDA grew 18.9% YoY. 1Q19 PATAMI of RM709m lifted by one-off gains from disposal of M1 and divestment of non-core digital businesses.

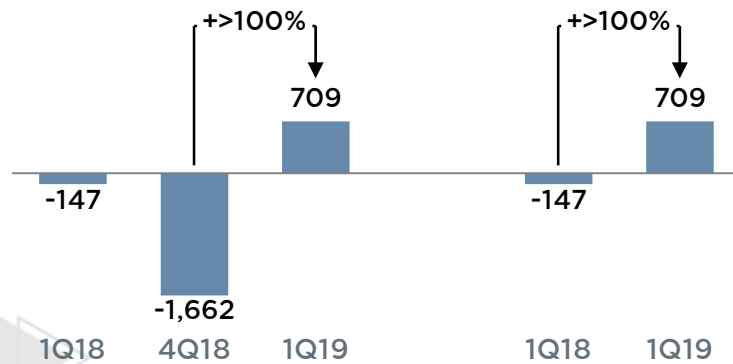
Revenue (RMm)



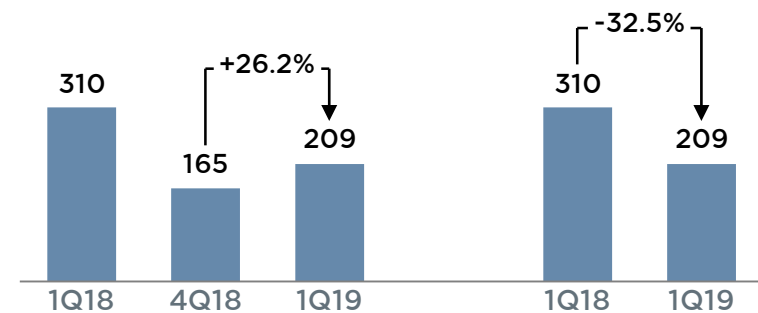
EBITDA (RMm)



PATAMI (RMm)



Normalised PATAMI<sup>1</sup> (RMm)

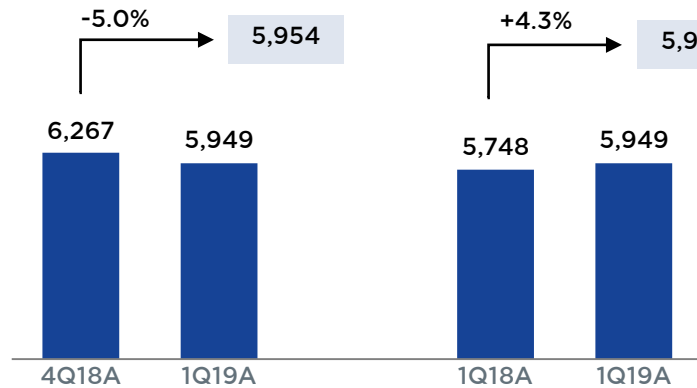


1. Refer to Data Financials Excel sheet (P&L tab) for normalisation items

# 1Q19 underlying performance<sup>1</sup>

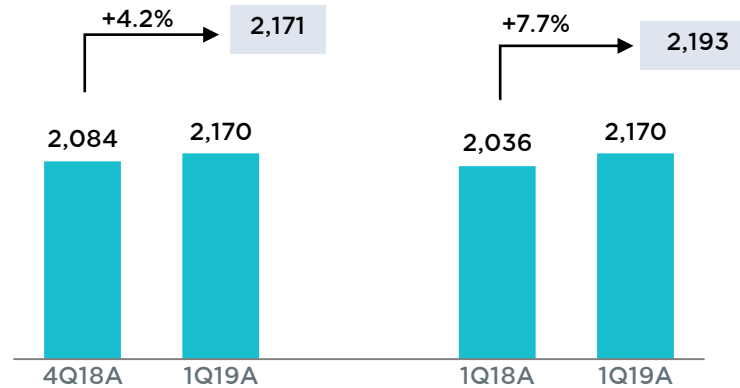
Strong YoY performance in revenue and EBITDA growth; +1.1% pts EBITDA margin expansion, as cost is flat.

Underlying revenue (RMm)



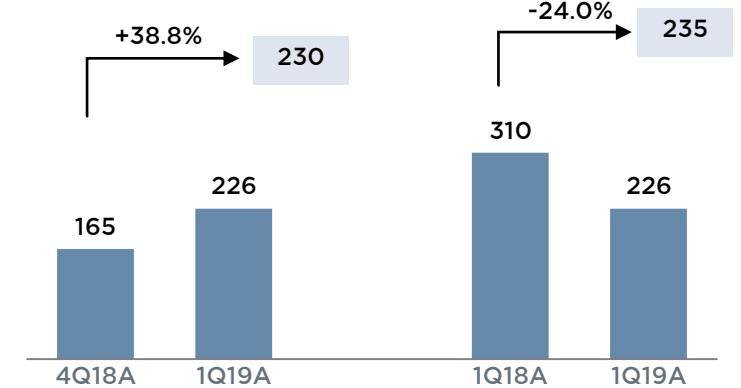
- Revenue growth of 4.3% YoY, with growth from all opcos, except Celcom and Ncell.
- Celcom impacted by declining industry revenue.
- Ncell impacted by Telecom Service Charge (TSC) and lower ILD revenue (in line with expectations).

Underlying EBITDA (RMm)



- EBITDA growth of 7.7% YoY, driven by XL, Robi, Dialog, Smart and edotco - topline growth and cost initiatives.
- Celcom impacted by one-off network cost from LTE expansion of RM35m.

Underlying PATAMI (RMm)



- Normalised PATAMI declined by 24.0% YoY due to:
- XL and Robi returned to black, resulting in higher minority interest;
  - higher finance cost from XL's sukuk issuance;
  - absence of share of M1 profit in 1Q19.

1. Underlying performance - pre-MFRS at constant currency

Note:

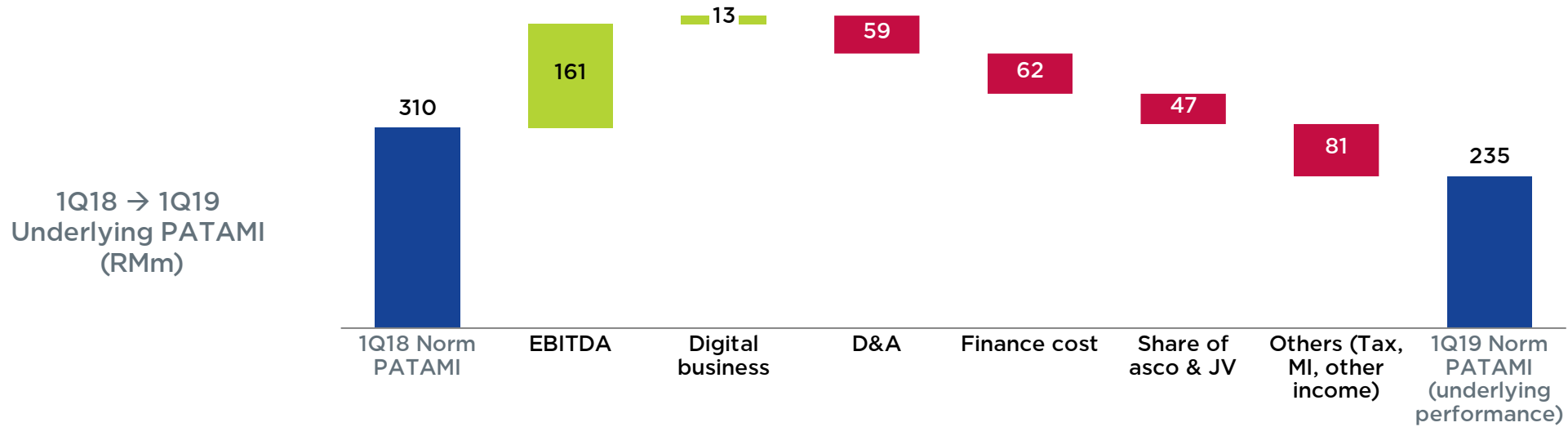
xx - pre-MFRS at actual currency

xx - Underlying performance

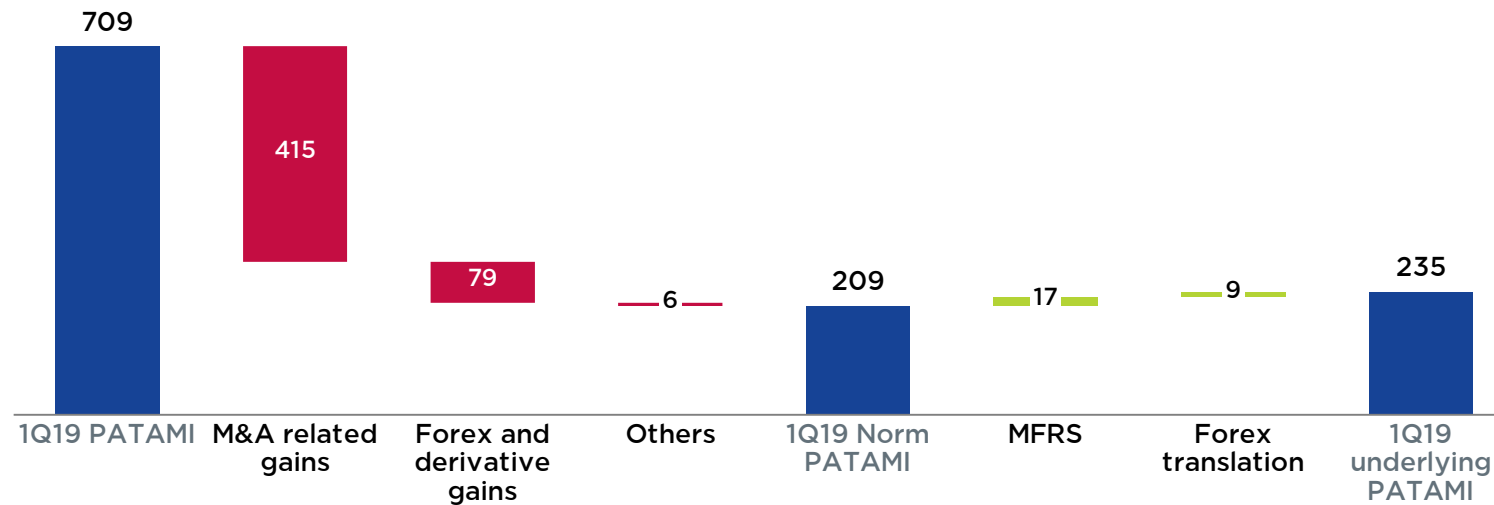
xx% - Underlying performance growth rate

# 1Q19 underlying performance<sup>1</sup>

Underlying PATAMI of RM235m supported by EBITDA improvement and narrowing losses from digital business, offset by higher minority interest as XL and Robi return to profits.



1Q19 Reported PATAMI → 1Q19 Underlying PATAMI (RMm)



1. Underlying performance - pre-MFRS at constant currency

# Capital expenditure and cash flow

All OpCos except Smart generated positive OFCF in 1Q19, driven by higher EBITDA.

Capital expenditure (RMm)

Free Cash Flow<sup>1</sup> (RMm)

Operating Free Cash Flow<sup>1</sup> (RMm)

Capex intensity

21%

24%

FCF yield

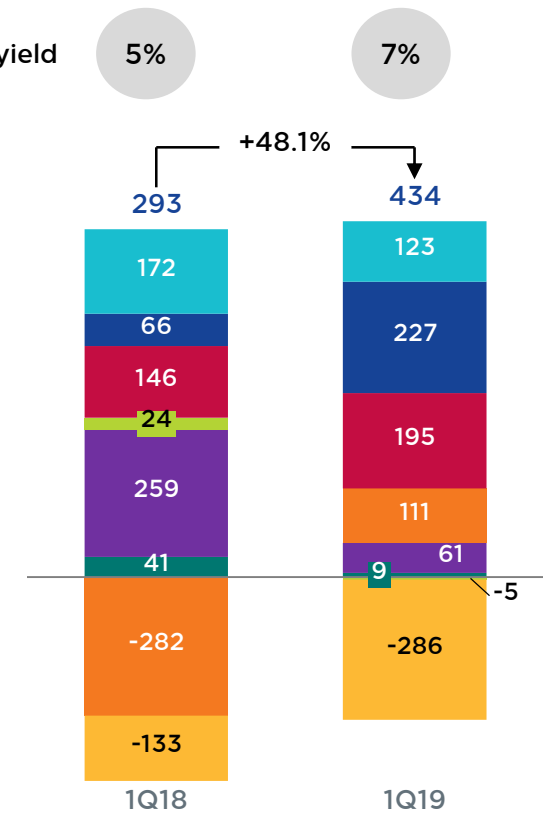
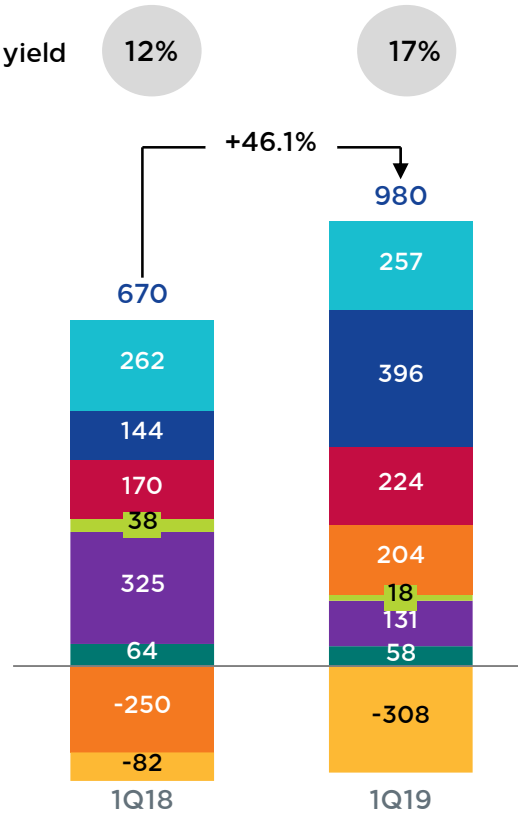
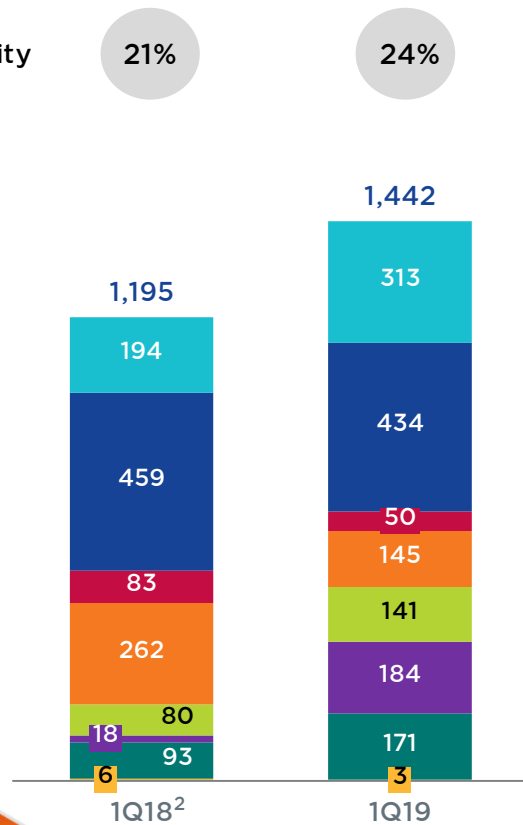
12%

17%

OFCF yield

5%

7%



Note:

FCF = EBITDA-Capex

OFCF = EBITDA- Capex- Net Interest-Tax

1. Includes spectrum fees in 1Q18 amounting to RM171m

2. Restated

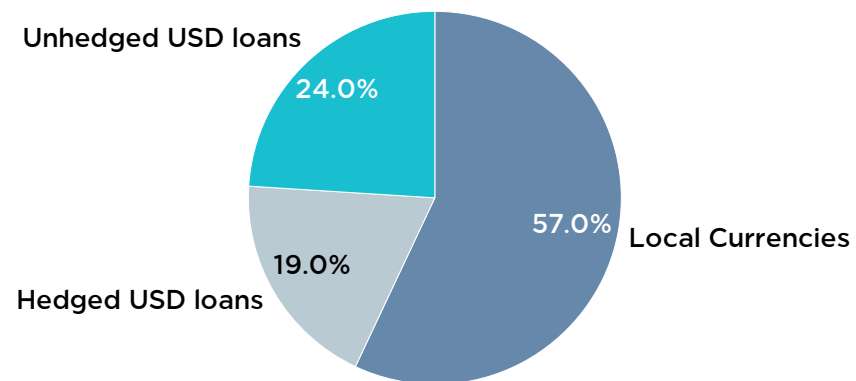
# Balance sheet

Balance sheet remains strong with gross debt/EBITDA<sup>2</sup> at 2.21x in 1Q19; cash balance improved to RM6.8bn lifted by M1 proceeds of RM1.65bn.

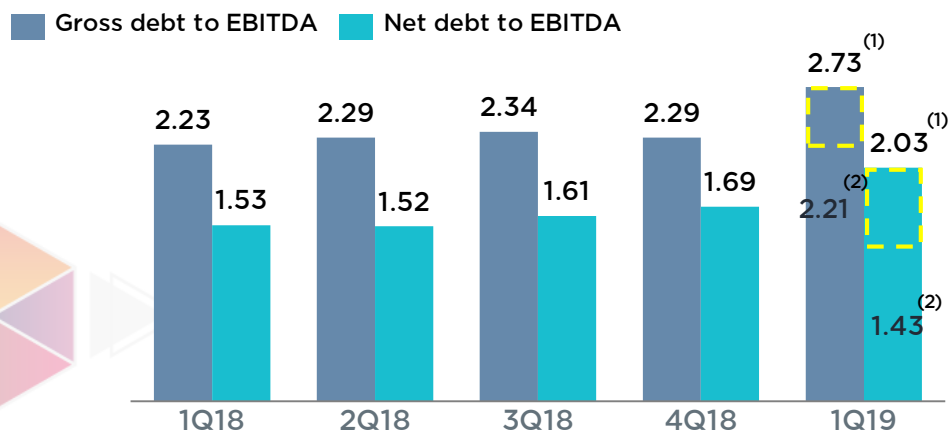
Group Borrowings – by currency

In million	Loan currency	USD	Local	Total (RM)
HoldCo and Non OpCo	USD	1,561	414	6,791
	<b>Sub-total</b>	<b>1,561</b>	<b>414</b>	<b>6,791</b>
OpCos	USD	462		2,030
	RM		5,001	5,001
	IDR		13,836,058	3,971
	BDT		20,247	985
	SLR		15,634	364
	PKR		2,057	60
	<b>Sub-total</b>	<b>462</b>		<b>12,411</b>
<b>Total Group</b>	<b>2,023</b>		<b>19,202</b>	

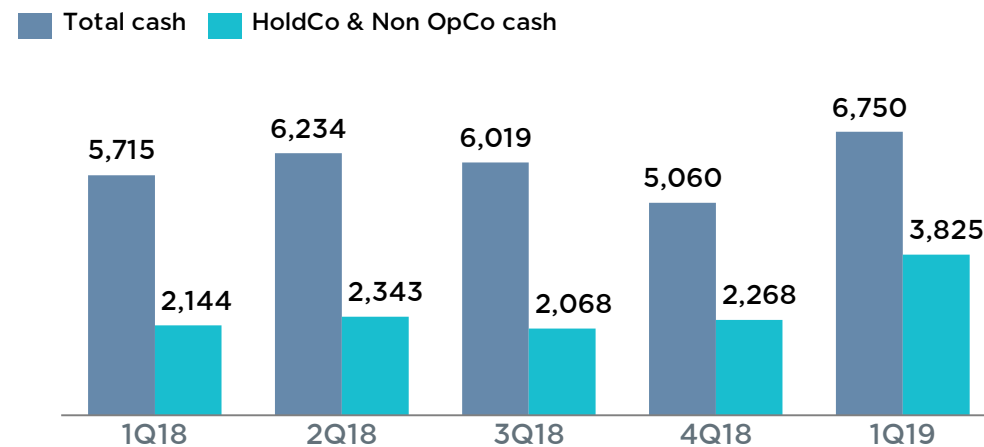
Group Borrowings – hedged/unhedged loans



Gross and net debt/EBITDA (x)



Cash (RMm)



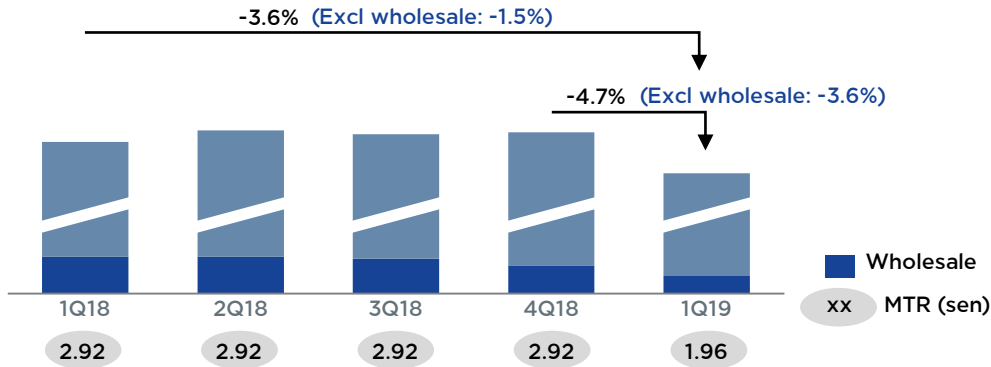
(1) Post-MFRS 16, which includes lease liabilities  
 (2) Pre-MFRS 16

1

# Digital Telco: Celcom

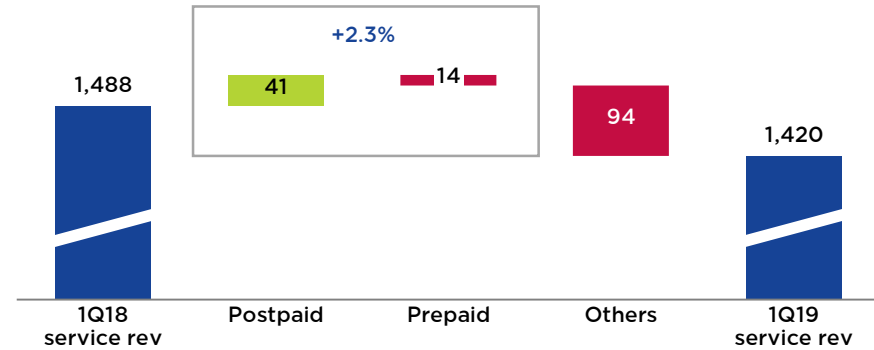
Industry declined 3.6% YoY as is impacted by lower regulated mobile termination rates (MTR) and wholesale revenue; Celcom's core mobile service revenue grew 2.3% and opex improved 8.5% YoY.

MY mobile service revenue (RMm)



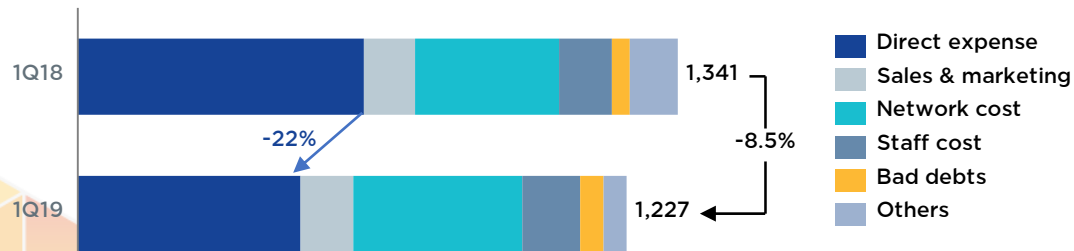
Malaysia mobile service revenue declined 3.6% YoY and 4.7% QoQ in 1Q19, where wholesale revenue impact is between 1-2% pts.

Celcom mobile service revenue (RMm)



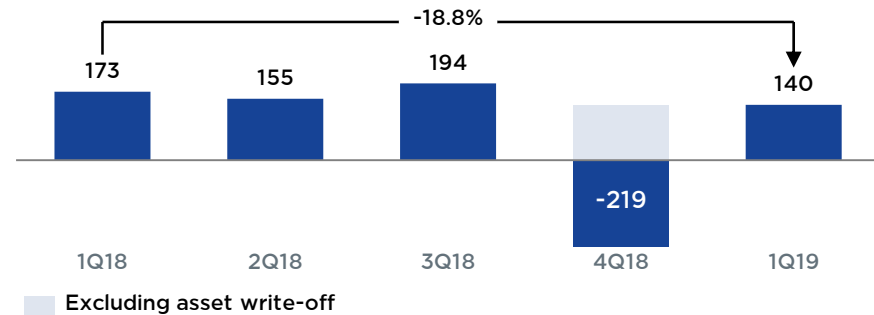
Celcom core mobile service revenue grew 2.3% YoY driven by strong postpaid growth of 7.1% YoY.

Celcom Opex (RMm)



Operating expenditure fell 8.5% YoY, from direct expenses (-22%) due to lower device sales and outpayment.

Celcom PATAMI (RMm)



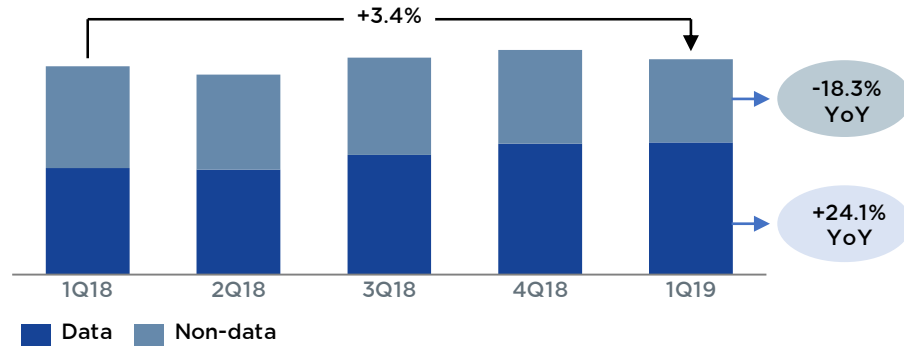
PAT declined 18.8% YoY due to one-off network cost from LTE expansion of RM35m in 1Q19.

**1**

# Digital Telco: XL

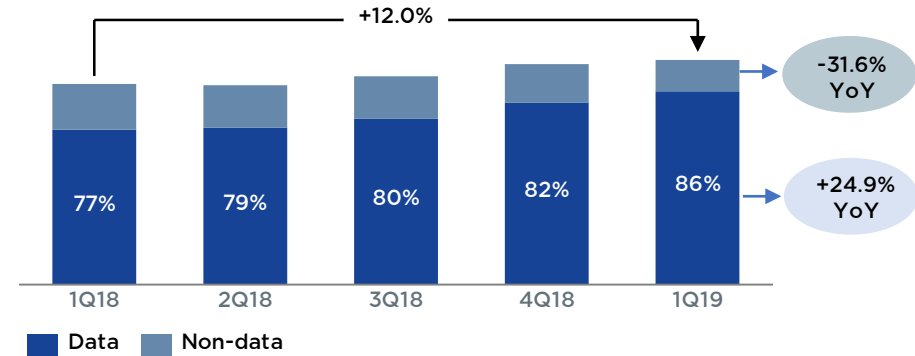
Industry growth of 3.4% YoY is driven by strong data growth of 24.1%; XL's 1Q19 service revenue growth of 12.0% is ahead of industry, and returned to profit.

ID mobile revenue (IDRbn)



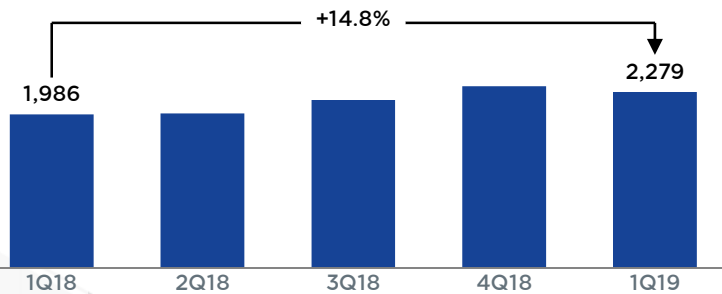
Overall industry growth of 3.4% YoY, driven by data growth of 24.1%, offset by non-data decline of 18.3%.

XL service revenue (IDRbn)



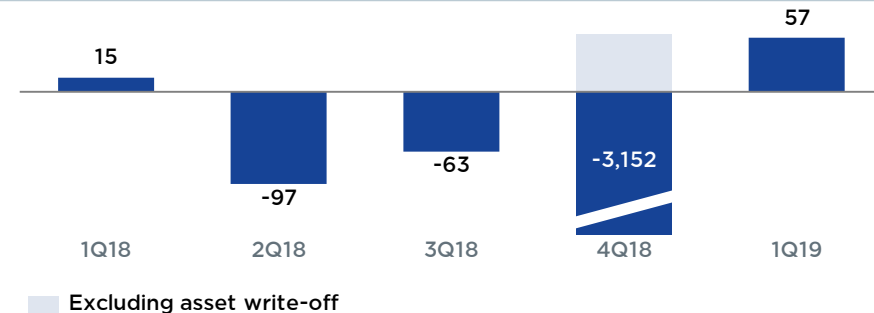
XL service revenue growth of 12.0% YoY, driven by strong data growth of 24.9%.

XL EBITDA (IDRbn)



Double digit EBITDA growth of 14.8% YoY, due to higher spend for prepaid SIM registration in 1Q18.

XL PAT (IDRbn)

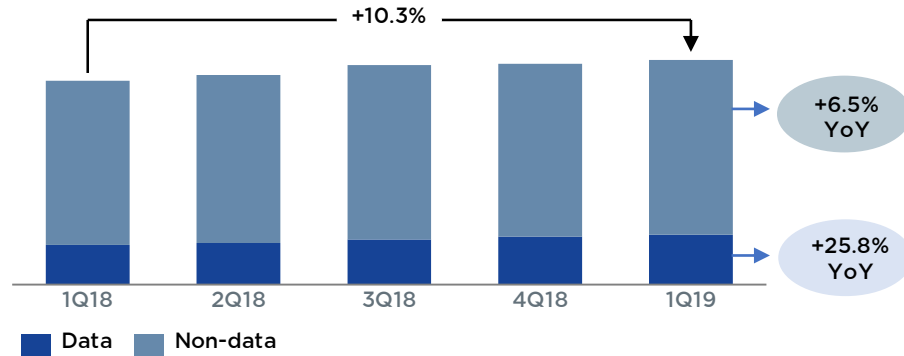


Strong start as XL returned to profit with PAT of IDR57bn (+271% YoY).

# 1 Digital Telco: Robi

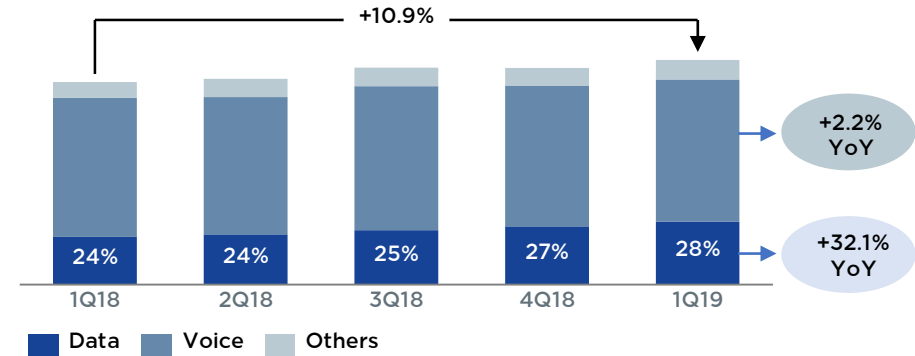
Strong industry growth of 10.3% YoY; Robi also outperformed the market in 1Q19 and returned to profit.

BD service revenue (BDTm)



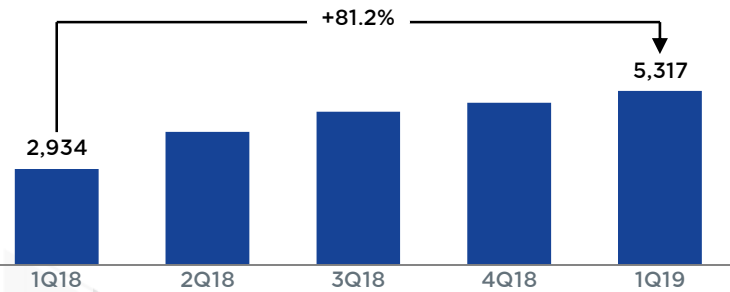
Overall industry growth of 10.3% YoY, driven by data growth of 25.8%, and non-data growth of 6.5%.

Robi service revenue (BDTm)



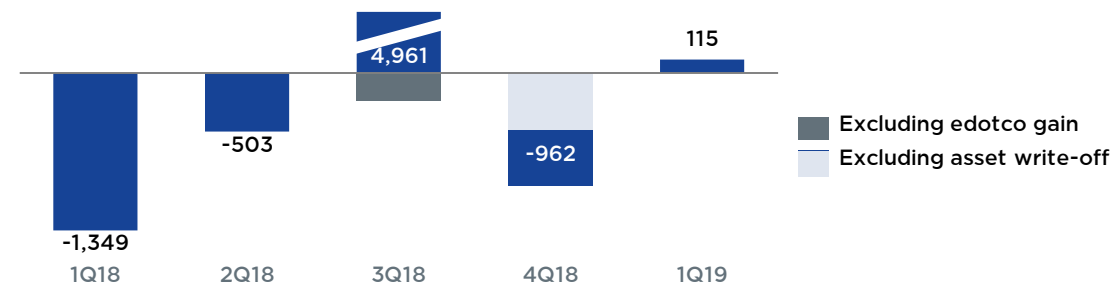
1Q19 Robi's service revenue growth of 10.9% YoY, driven by strong data growth of 32.1%.

Robi EBITDA (BDTm)



Double digit EBITDA growth of 81.2% YoY, due to lower customer acquisition costs.

Robi PAT (BDTm)



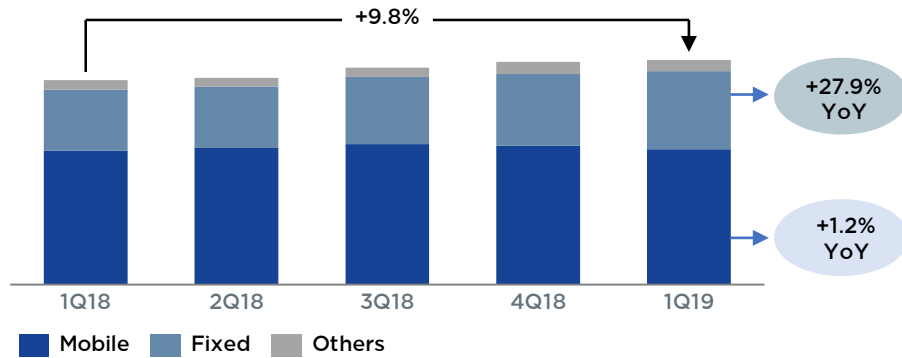
Strong start as Robi returned to profit with PAT of BDT115m, vs losses of BDT1.3bn in 1Q18.



# 1 Digital Telco: Dialog

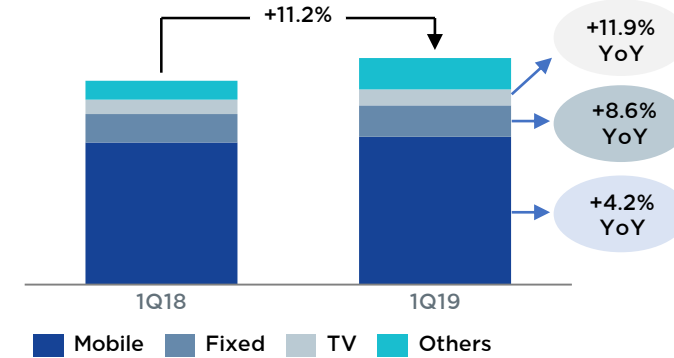
Telco industry growth of 9.8% YoY, driven by fixed segment; double-digit YoY revenue growth of 11.2% for Dialog, with EBITDA growth of 10.8%.

SL revenue (SLRm)



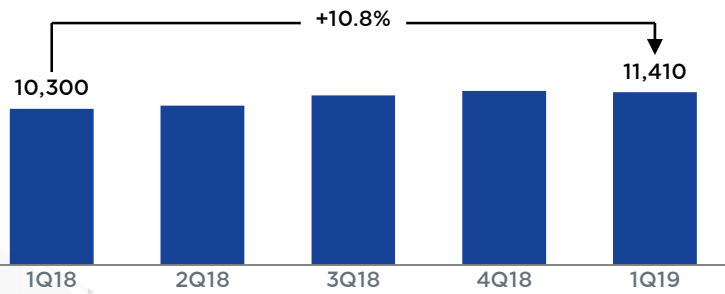
Industry growth of 9.8% YoY, driven by fixed segment (+27.9%).

Dialog revenue (SLRm)



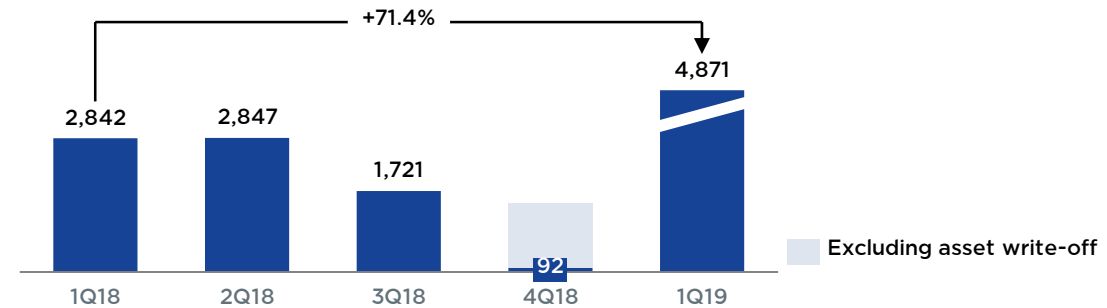
Double digit YoY revenue growth for Dialog, led by TV (+11.9%), fixed (+8.6%) and mobile (+4.2%).

Dialog EBITDA (SLRm)



Double digit EBITDA growth of 10.8% YoY, on the back of stringent cost management.

Dialog PATAMI (SLRm)

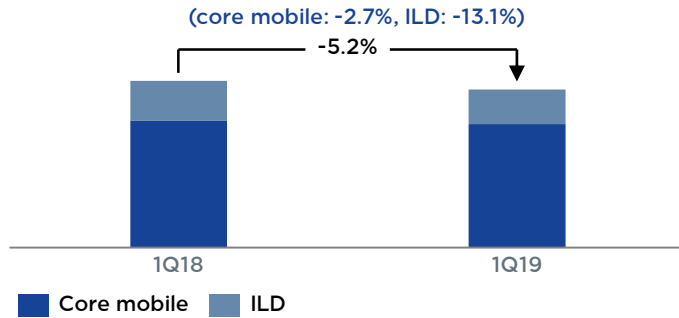


PAT jumps 71.4% YoY; excluding forex gain, PAT grew 11.0% YoY.

# 1 Digital Telco: Ncell and Smart

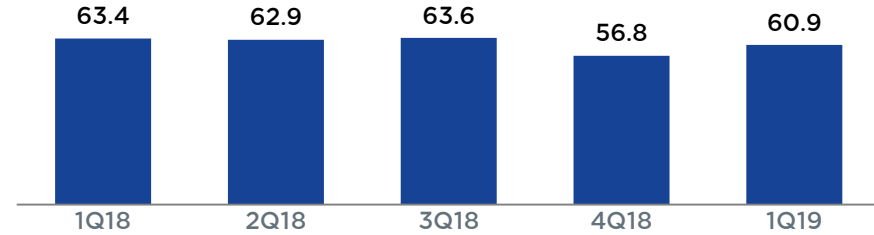
**Ncell: Core mobile revenue impacted by Telecom Service Charge.**  
**Smart: Solid 1Q19 performance.**

Ncell revenue (NPRm)



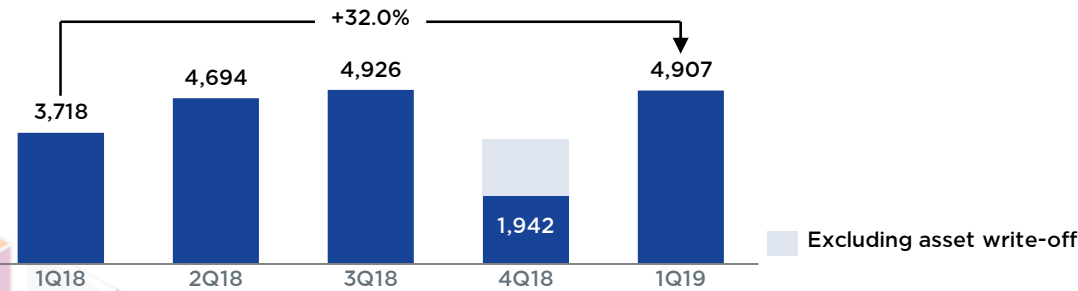
Core mobile revenue impacted from Telecom Service Charge (TSC) in July 2018; ILD falls 13.1% YoY.

Ncell EBITDA margin (%)



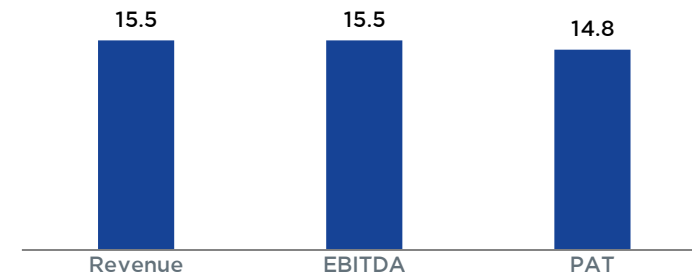
1Q19 EBITDA margin steady at 60.9%.

Ncell PAT (NPRm)



PAT grew 32.0% YoY due to provision write back in 1Q19; excluding that PAT grew 15.5% YoY.

Smart 1Q19 YoY growth (%)



Solid 1Q19 performance with double-digit YoY growth across all metrics.

## Digital Businesses: Boost, ada and Apigate

Boost is the largest e-wallet in Malaysia.



1.8x YoY growth in users to 3.9m  
(1Q19)



5.7x YoY growth in merchants to  
74k (1Q19)

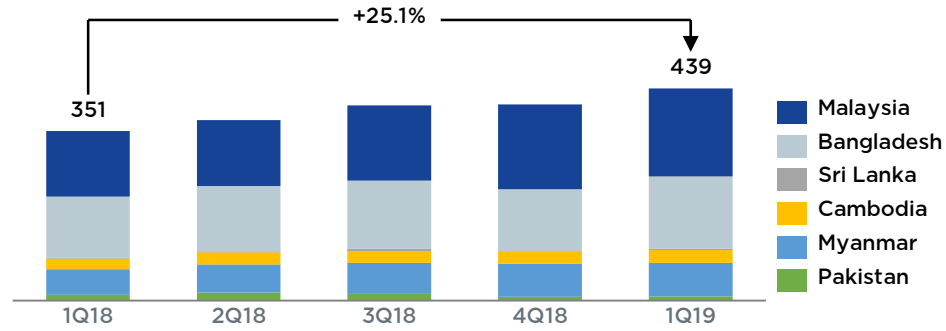


ada (analytics. data. advertising)  
business pillars are powered by its deep  
data assets with 280m unique profiles  
and >200 raw and derived attributes.



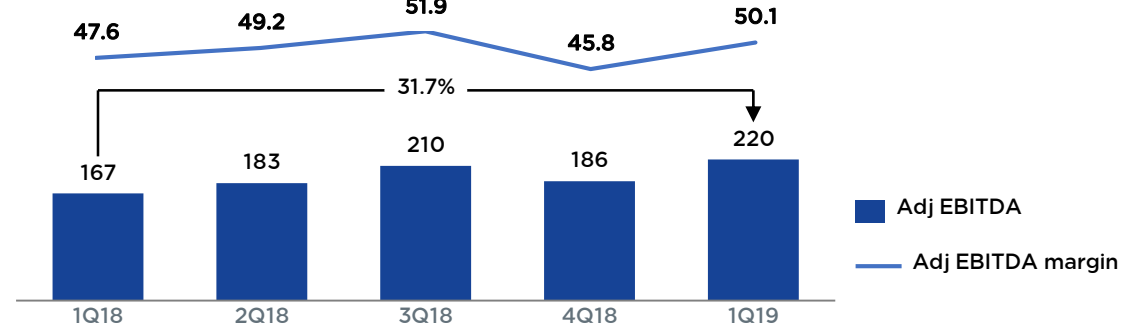
Apigate has a reach of 3.5bn customers  
and over 110 MNOs.

Revenue (RMm)



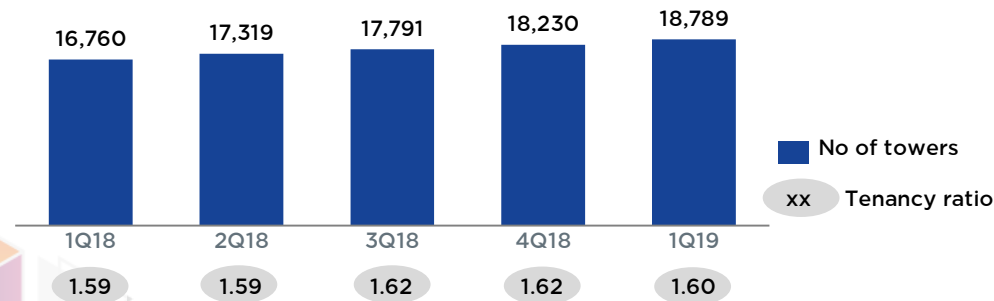
Revenue growth of 25.1% YoY, with strong growth across all footprint, except Pakistan.

Adj.<sup>1</sup> EBITDA (RMm) and Margin (%)



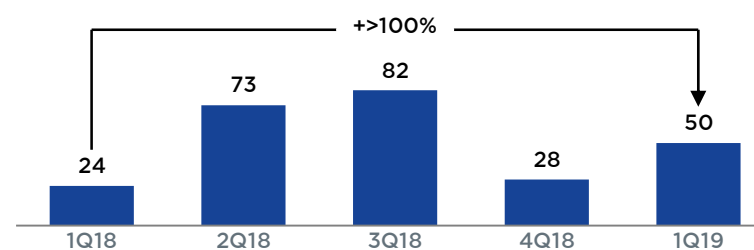
1Q19 adjusted EBITDA growth of 31.7% YoY; margin expansion of 2.5% pts to 50.1%.

Tenancy ratio (x) and towers (nos)



Portfolio up >2,000 YoY to 18,789 towers; tenancy ratio is steady at 1.60x.

PAT (RMm)



1Q19 PAT growth of 105% YoY driven by strong performance in Malaysia and Bangladesh.

1. Adjusted for non-recurring items such as business development and M&A related costs, and share-based payment expenses.

## FY19 headline KPIs

Broadly in line.

	FY19 Headline KPIs (pre-MFRS16 @ constant currency)	Guidance
Revenue growth	3 - 4%	In line
EBITDA growth	5 - 8%	In line
ROIC	5.2 - 5.6%	In line
Capex <sup>1</sup>	RM6.8bn	In line

Note: Constant currency is based on the FY18 average forex rate (e.g. 1 USD = RM4.034)  
 ROIC is defined as EBIT - tax + Share of Associates / Average Invested Capital (excluding cash)

1. Capex is not a Headline KPI

# Key risks and opportunities

## RISKS

- Unfavourable regulatory environment, particularly in Nepal and Sri Lanka.
- Adverse macro conditions post terror attacks in Sri Lanka.
- Prolonged electricity crisis in Cambodia.
- Celcom turnaround, amidst a declining industry.
- Capital gains tax in Ncell.

## OPPORTUNITIES

- Sustained growth in Indonesia and Bangladesh.
- Growth momentum for Digital Businesses.
- Higher tenancies in Infrastructure and building on continuous momentum.
- Structural cost takeout.





# Appendix



## IFRS 16 impact

RM252m EBITDA uplift and marginally negative impact of RM17m on PATAMI.

RM million	1Q19 pre-IFRS 16	IFRS 16	1Q19 post-IFRS 16
EBITDA	2,170	252	2,422
Depreciation & amortisation	(1,408)	(235)	(1,643)
Finance cost	(359)	(50)	(409)
PBT	1,010	(33)	977
PATAMI	726	(17)	709

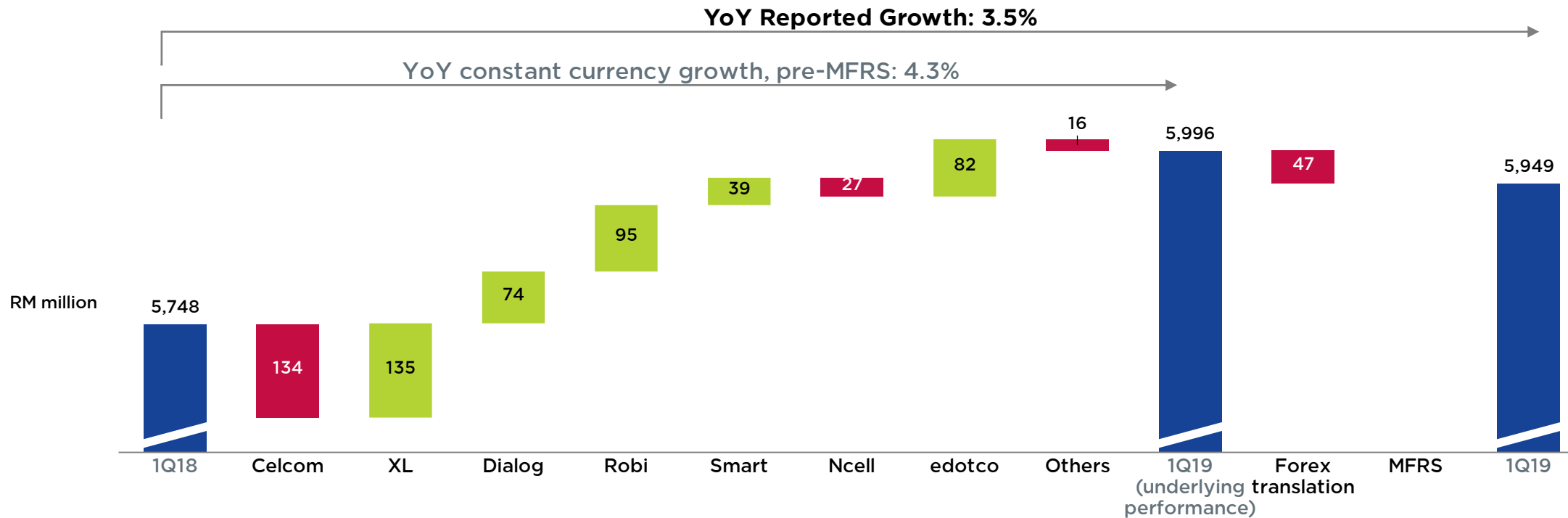
RM million (as at 1 Jan 2019)	As reported	Reclassification <sup>1</sup>	IFRS 16	As adjusted
Right-of-use assets	-	3,291	4,825	8,116
Lease liabilities	-	3,030	4,521	7,551

1. Reclassification from PPE and payables on existing finance leases



# Group revenue: 1Q18 → 1Q19

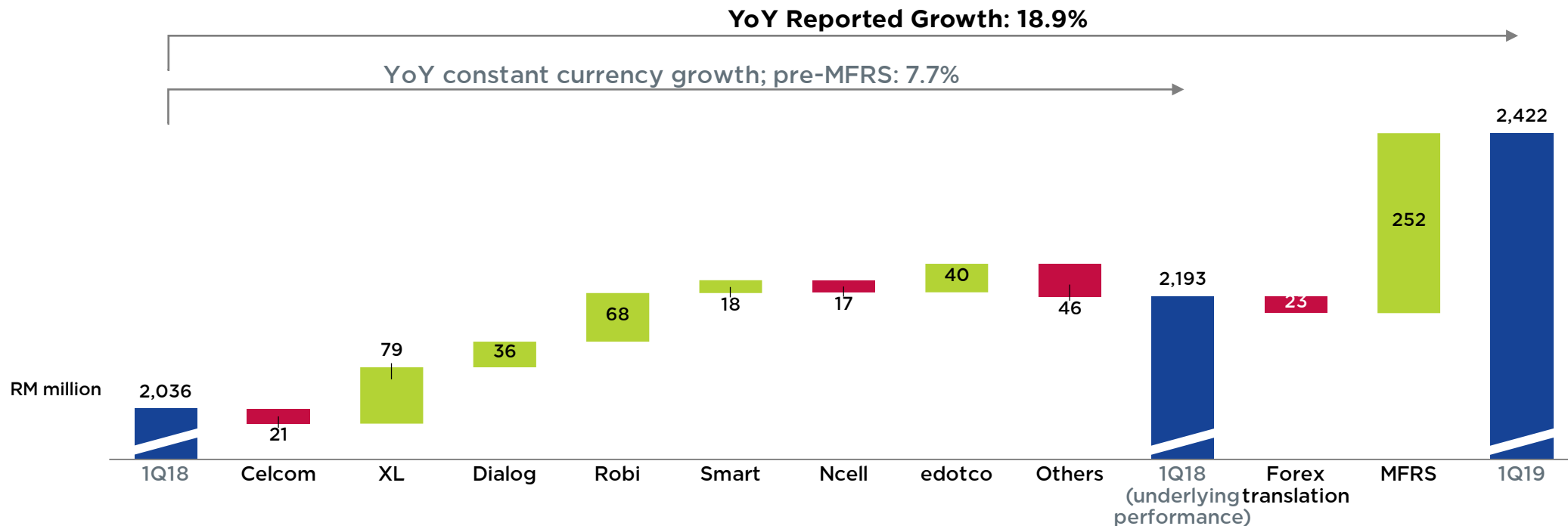
1Q19 revenue growth of 3.5% driven by better performance from all OpCos, except Celcom and Ncell.



Revenue	1Q18	YoY Growth Rates	Revenue (underlying performance)	1Q19
Celcom	1,798	(134) -7.4%	Celcom	1,664
XL	1,590	135 8.5%	XL	1,725
Dialog	661	74 11.2%	Dialog	735
Robi	769	95 12.3%	Robi	864
Smart	253	39 15.5%	Smart	292
Ncell	550	(27) -4.9%	Ncell	523
edotco	350	82 23.4%	edotco	432
Others	(223)	(16) -7.3%	Others	(239)
<b>GROUP</b>	<b>5,748</b>	<b>248 4.3%</b>	<b>GROUP</b>	<b>5,996</b>

# Group EBITDA: 1Q18 → 1Q19

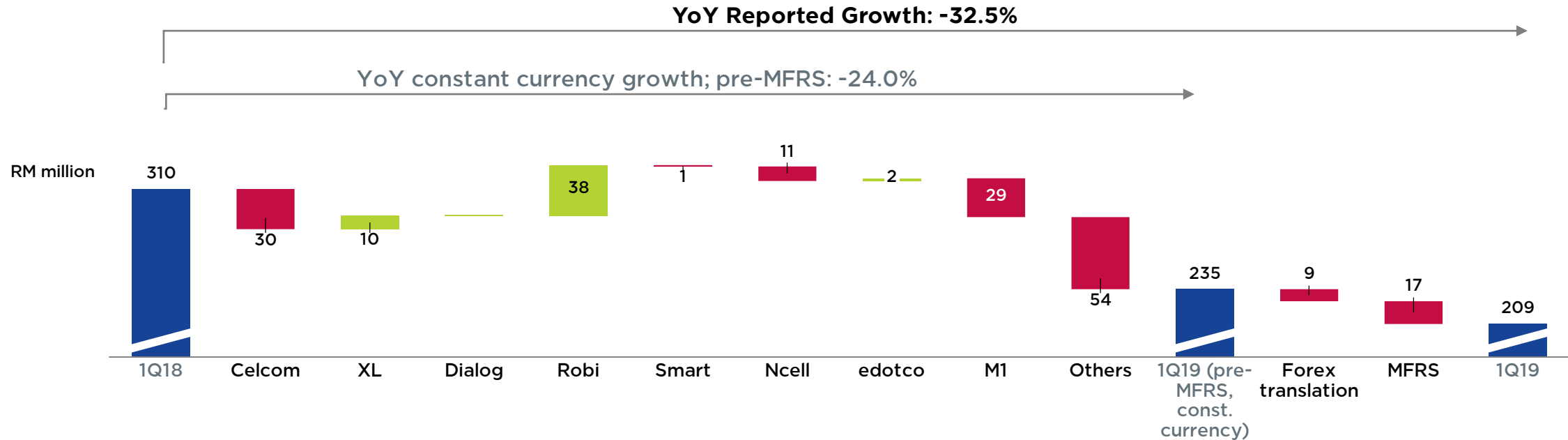
1Q19 EBITDA growth of 18.9% mainly due to positive MFRS 16 impact and higher contribution from all OpCos, except Celcom and Ncell.



EBITDA	1Q18	YoY Growth Rates		EBITDA (underlying performance)	1Q19
Celcom	457	(21)	-4.4%	Celcom	436
XL	603	79	13.0%	XL	682
Dialog	253	36	14.6%	Dialog	289
Robi	183	68	37.5%	Robi	251
Smart	119	18	15.5%	Smart	137
Ncell	343	(17)	-4.8%	Ncell	326
edotco	157	40	25.7%	edotco	197
Others	(79)	(46)	-64.7%	Others	(125)
<b>GROUP</b>	<b>2,036</b>	<b>157</b>	<b>7.7%</b>	<b>GROUP</b>	<b>2,193</b>

# Group normalised PATAMI : 1Q18 → 1Q19

1Q19 normalised PATAMI declined 32.5% due to the absence of M1's share of profit, and lower contribution from Celcom and Ncell.



Norm PATAMI	1Q18	YoY Growth Rates		Norm PATAMI (underlying performance)	1Q19
Celcom	171	(30)	-17.8%	Celcom	141
XL	(18)	10	56.9%	XL	(8)
Dialog	71	-	0.2%	Dialog	71
Robi	(33)	38	113.7%	Robi	5
Smart	49	(1)	-0.1%	Smart	48
Ncell	140	(11)	-7.5%	Ncell	129
edotco	26	2	7.4%	edotco	28
Others	(96)	(83)	-86.8%	Others	(179)
<b>GROUP</b>	<b>310</b>	<b>(75)</b>	<b>-24.0%</b>	<b>GROUP</b>	<b>235</b>



# Thank You

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