

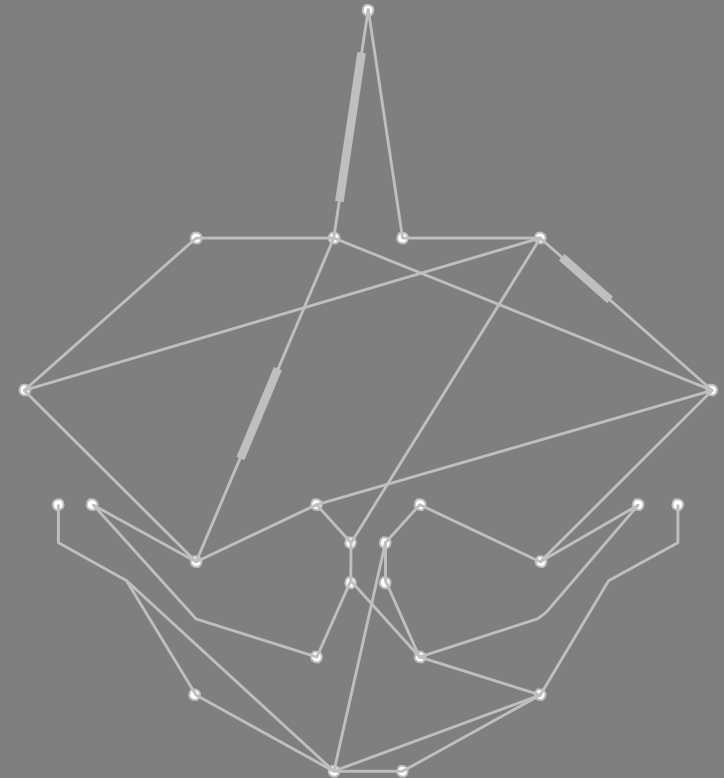
Axiata Group Berhad

2Q 2017 Results

30 August 2017

Tan Sri Jamaludin Ibrahim, President & Group CEO

Vivek Sood, Group CFO



Executive summary: Financials

Strong performance by Group with YTD revenue up by 15.7%, EBITDA up by 12.4% and PATAMI up by 16.0%; all OpCos performed well in their respective markets.



- ❖ **Strong revenue and EBITDA growth in 2Q17. YTD Normalised PATAMI impacted by higher losses from Idea (YTD17 RM135m), strategic investments for data leadership resulting in higher D&A charges and finance cost.**
 - QoQ growth : Revenue 3.0% ; EBITDA 5.6% ; PATAMI 70.4% ; Normalised PATAMI 21.6%
 - YoY growth : Revenue 14.1% ; EBITDA 10.1% ; PATAMI +>100% ; Normalised PATAMI -4.8%
 - YTD growth : Revenue 15.7% ; EBITDA 12.4% ; PATAMI 16.0% ; Normalised PATAMI -22.9%

- ❖ **At constant currency, YTD17 financial performance reflect positive impact from a weaker ringgit vs all currencies.**
 - QoQ growth : Revenue 4.8% ; EBITDA 6.9% ; PATAMI 72.4% ; Normalised PATAMI 23.2%
 - YoY growth : Revenue 8.5% ; EBITDA 4.1% ; PATAMI +>100% ; Normalised PATAMI -9.3%
 - YTD growth : Revenue 10.5% ; EBITDA 6.8% ; PATAMI 10.0% ; Normalised PATAMI -26.8%

- ❖ **Cost saving initiatives above guidance with YTD17 achievement of approximately RM580m comprising of opex and capex savings of RM241m and RM338m, respectively.**

- ❖ **Investment opportunities in data leadership for Robi and network expansion in ex-Java for XL, capex guidance for FY17 raised from RM6.4bn to RM7.1bn.**

- ❖ **On 3 August 2017, edotco completes the acquisition of Tanzanite and its portfolio of 700 towers in Pakistan at enterprise value of USD88.9m. On 30 August 2017, edotco through Tanzanite, entered into an agreement with PCML to acquire Deodar and its portfolio of 13,000 towers in Pakistan at enterprise value of USD940m.**

- ❖ **Stronger balance sheet as cash balance increased to RM7.4bn from RM6.7bn, whilst gross debt/EBITDA improved from 2.40x to 2.27x.**

- ❖ **Declared 5 sen interim dividend.**



Key Group highlights (1/6): South East Asia

Celcom: Signs of stabilisation amidst challenging market. New products, some improvement in sales & distribution and catch up on network expansion as planned.



- On QoQ basis, service revenue and total revenue growth of 1.4% and 0.7%, respectively.
- Encouraging 2Q17 as festive promotions drive acquisition of higher ARPU subs ie First Gold, Gold Plus and First Platinum; YTD17 postpaid revenue growth of 8.2%.
- Some improvement in sales & distribution, with rising number of active dealers, dealer digitalization, brand building, and simplification of distribution structure.
- YTD17 cost saving and avoidance amounting to RM366m.
- YTD17 mobile data revenue grew by 28.7%, accounting for 42.3% of total revenue. Data consumption grew 23.2% QoQ to 6.2GB per month.

Key Group highlights (2/6): South East Asia

XL: 2Q17 performance reflective of initial signs of success in the Transformation Agenda.

Smart: Impressive YTD17 performance in spite of price war in 2Q17.



- On QoQ basis, XL's revenue growth is ahead of the industry for two consecutive quarters.
- In 2Q17, XL's service revenue grew 9.3% QoQ fueled by data revenue growth of 19.4% QoQ; data revenue accounts for 62.9% of service revenue.
- EBITDA grew 12.1% QoQ with margins adding 1.5pp QoQ to 36.5% driven by revenue growth and cost efficiencies.
- The dual brand strategy is reflective of XL brand gaining traction amongst white-collar workers, while Axis brand continues to grow in the youth segment.
- With improved network presence and various data-focused value propositions, XL's ex-Java revenue growth has more than double the market growth rate.



- 2Q17 EBITDA margin remains resilient at 50.1%, amidst industry price war.
- Smart's YTD17 revenue, EBITDA and PAT growth was 12.1%, 12.2% and 11.4%, respectively.
- Data subscribers grew 10.4% YTD to 3.6m; YTD17 data revenue grew by 42.2%, as data accounted for 50.0% of Smart's total revenue.

Key Group highlights (3/6): South Asia

Dialog: Strong performance in 2Q17 due to revenue growth across all units and cost rescaling initiatives

Robi: Gaining revenue market share in 2Q17, amidst good execution of Airtel integration.



- Strong 2Q17 performance despite adverse externalities, with revenue, EBITDA and PAT growth turning positive QoQ at 3.8%, 12.6% and 51.8%, respectively.
- Cost rescaling lifts EBITDA margin QoQ by 2.7pp to 35.3% in 2Q17. YTD17 cost savings of LKR1.3bn.
- YTD17 revenue growth for mobile, fixed and pay-TV operations at 4.9%, 36.4% and -4.0%, respectively. Dialog Broadband Networks' delivered second consecutive quarter of positive PAT.
- YTD17 mobile data revenue grew by 44.1%, accounting for 20.5% of Dialog's total revenue.



- In 2Q17, Robi's service revenue grew 7.8% QoQ, outperforming the industry.
- On QoQ basis, Robi's subscriber and revenue market share rise to 30.0% (+1.4pp) and 27.5% (+0.8pp), respectively.
- Robi-Airtel integration progressing well and synergies delivered as planned.
- YTD17 data revenue grew by 95.6%, accounting for 18.0% of total revenue.

Note: Growth number based on results in local currency in respective operating markets

Key Group highlights (4/6): South Asia

Ncell: Improved 2Q17 performance with the launch of 4G services.



- Ncell launched 4G services on 1 June 2017, driving data revenue growth of 10.0% QoQ. YTD17 data revenue grew by 16.9%, accounting for 17.4% of total revenue.
- Pulse rate reduction from 20sec charging block to 10sec in April muted voice revenue growth to 1.0% QoQ; YTD17 voice revenue decline by 9.9%.
- Aggressive ILD pricing in the market results in lower ILD revenue, declining 22.0% YTD.
- On QoQ basis, revenue, EBITDA and PAT growth turned positive at 5.8%, 13.2% and 7.2%, respectively.

Key Group highlights (5/6): Business units

edotco: Strong growth from expanding portfolio and higher tenancy ratio.

ADS: Continues to look for asset monetisation opportunities.



- Enters Pakistan with combined asset portfolio of ~13,700 towers through Tanzanite and the proposed acquisition of Deodar.
- As at 2Q17, edotco owns 17.7k towers (+5.9% YoY), and manages 8.6k sites (+22.2% YoY).
- Tenancy ratio rose to 1.58x (vs 1.54x in 2Q16).
- edotco's YTD17 proforma revenue growth of 8.7%.



- Digital financial services: Building ecosystem and rising contribution to core business.
- Continues to look for asset monetisation opportunities.



Key Group highlights (6/6): Associates and joint ventures

YTD17 negative contribution of RM135.9m, as losses from Idea accelerates in 2Q17.



India

- **Mobile services industry continues to face disruption and remains unstable. For 1QFY18, Idea reported revenue, EBITDA and consolidated PAT growth of -13.9%, -39.4% and ->100%, respectively. For Axiata's YTD17, Idea contributed a loss of RM134.6m (vs a profit of RM79.9m in YTD16) to the group.**



Singapore

- **M1 reported YTD17 revenue, EBITDA and PAT growth of 2.9%, -7.8% and -17.6%, respectively. For Axiata's YTD17, M1 contributed a profit of RM60.3m (vs a profit of RM71.0m in YTD16) to the group.**

Financials

Solid sequential growth in 2Q17 for revenue, EBITDA and normalized PATAMI, as OpCos performed better than market.

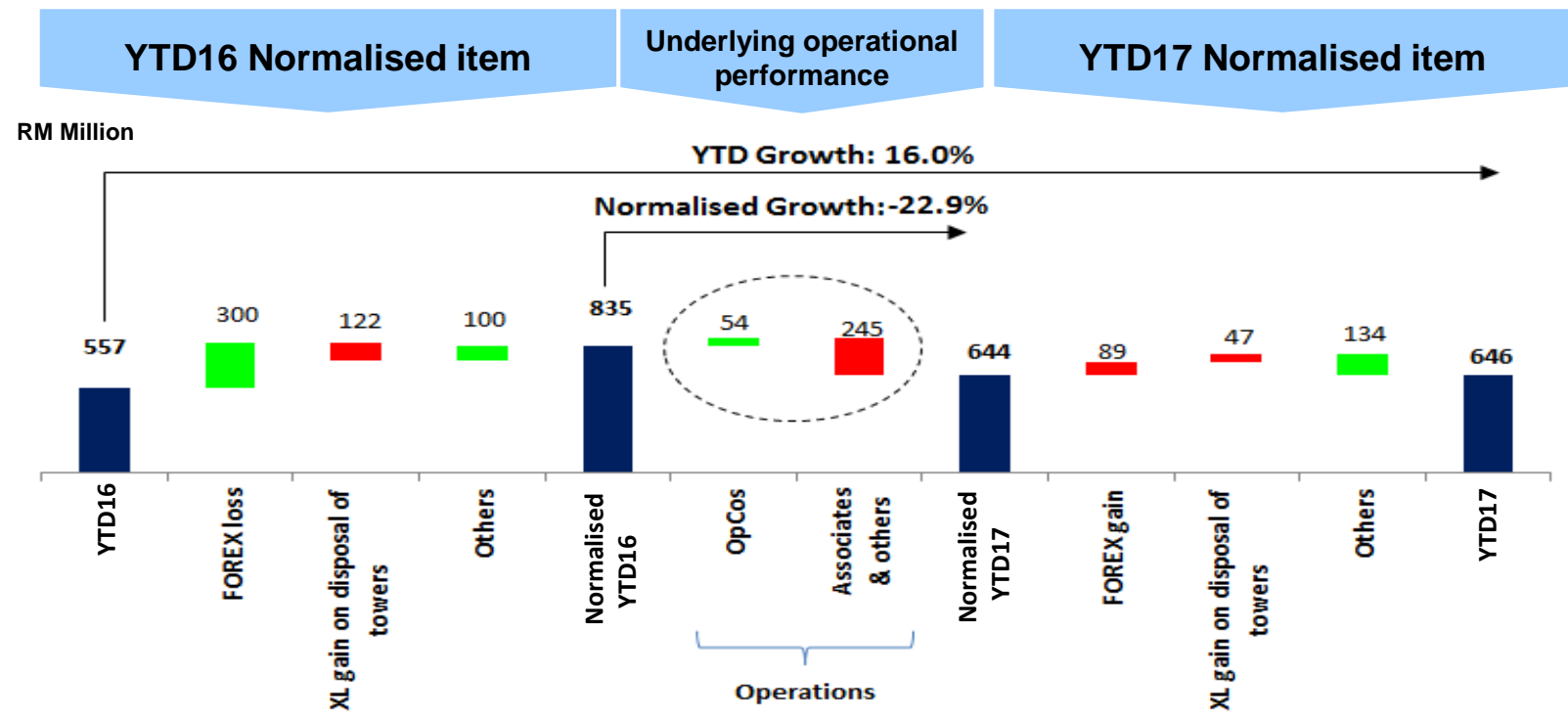
Financial highlights

<u>RM mn</u>	<u>2Q17</u>	<u>YTD</u>	<u>QoQ growth</u>	<u>YoY growth</u>	<u>YTD growth</u>	<u>YTD growth (constant currency)</u>
Revenue	6,059	11,940	3.0%	14.1%	15.7%	10.5%
EBITDA	2,274	4,428	5.6%	10.1%	12.4%	6.8%
EBITDA margin %	37.5%	37.1%	+0.9pp	-1.4pp	-1.1pp	-1.3pp
Depreciation	-1,444	-2,962	-4.9%	3.8%	15.9%	10.4%
Net finance cost	-284	-562	2.3%	1.0%	15.8%	11.4%
PAT	479	741	82.8%	+>100%	17.0%	10.3%
Normalised PAT	429	716	49.3%	6.4%	-16.9%	-21.6%
PATAMI	407	646	70.4%	+>100%	16.0%	10.0%
Normalised PATAMI	353	644	21.6%	-4.8%	-22.9%	-26.8%
ROIC %	4.5%	4.5%	+0.4pp	-1.3pp	-1.3pp	-1.4pp
ROCE %	3.9%	3.9%	+0.2pp	-1.2pp	-1.1pp	-1.2pp
Capex	1,823	2,898	69.7%	47.5%	26.6%	
% of revenue	30.1%	25.2%				
Operating Free Cash Flow*	46	717	-93.2%	-87.6%	-14.4%	
% of revenue	0.8%	6.2%				

*OFCF= EBITDA- Capex- Net Interest-Tax

Normalised Group PATAMI : YTD Jun'16 → YTD Jun'17

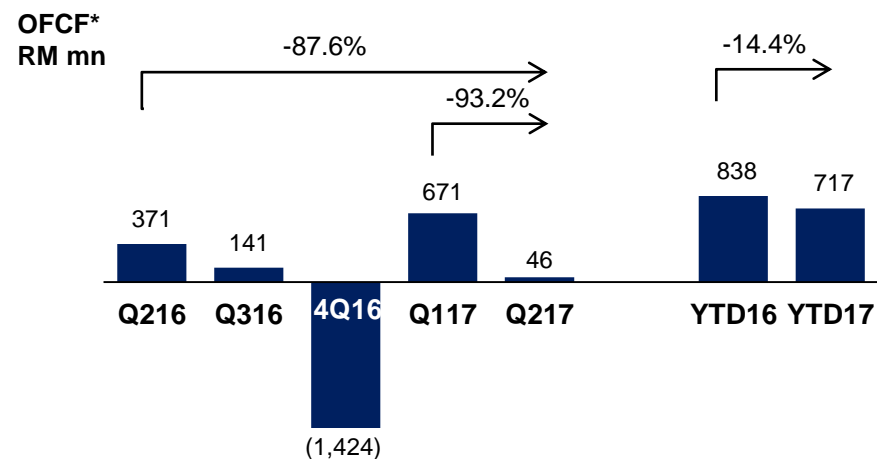
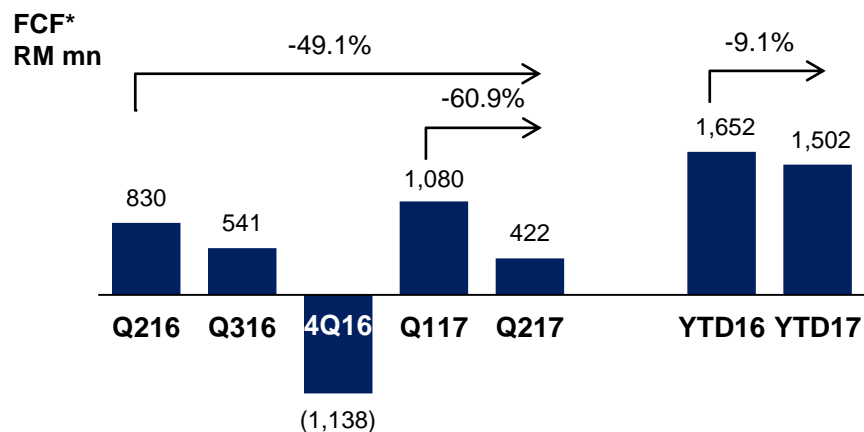
Normalised PATAMI decreased by -22.9% mainly driven by lower performance from Celcom, dilution from Robi-Airtel merger and Idea losses.



Norm. PATAMI	YTD16	YTD Growth Rates		Norm. PATAMI	YTD17
Celcom	545	-138	-25.3%	Celcom	407
XL	(70)	+43	+61.4%	XL	(27)
Dialog	129	-18	-14.0%	Dialog	111
Robi	19	-48	->100%	Robi	(29)
Smart	138	+20	+14.5%	Smart	158
Ncell	119	+195	+>100%	Ncell	314
Associates & Others	(45)	-245	->100%	Associates & Others	(290)
GROUP	835	-191	-22.9%	GROUP	644

Capital expenditure

On QoQ basis, lower FCF and OFCF due to higher capex of RM1.8bn incurred in 2Q17.



Capex (RM mn)	YTD16	YTD17
Celcom	446	377
XL	796	1,202
Dialog	239	310
Robi	582	448
Smart	145	127
Ncell	25	221
Others	58	213
Total	2,289	2,898

Note:

Numbers may not add up due to rounding

FCF=EBITDA-Capex

OFCF= EBITDA- Capex- Net Interest-Tax

* Includes Celcom spectrum payment in 4Q16 amounting to RM816.8m and Dialog spectrum payment in 2Q17 amounting to RM28.0m

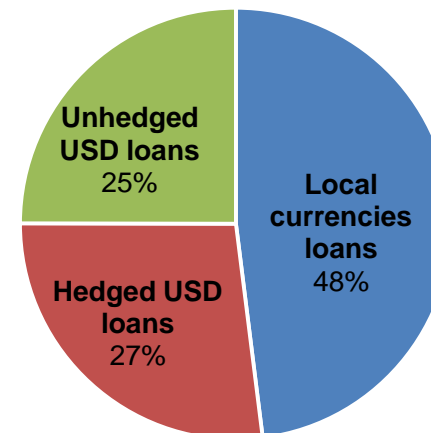
Group statements of financial position

Gross debt/EBITDA and net debt/EBITDA improves to 2.27x and 1.44x, respectively.

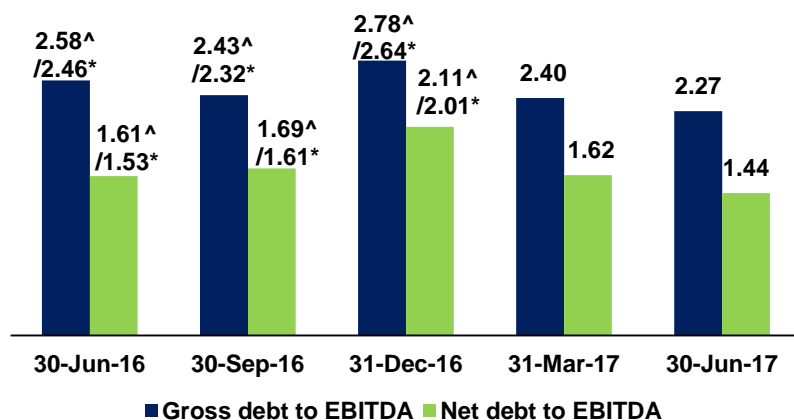
Group borrowings – by currency

In million	Loan Currency	USD	Local	Total (RM)
Hold co & Non OpCo	USD	1,722		7,400
	Sub-total	1,722		7,400
OpCos	USD	700		3,066
	RM		5,039	5,039
	IDR		9,935,600	3,199
	BDT		18,867	1,004
	SLR		11,853	332
	PKR		1,367	59
	Sub-Total		700	
Total Group		2,422		20,099

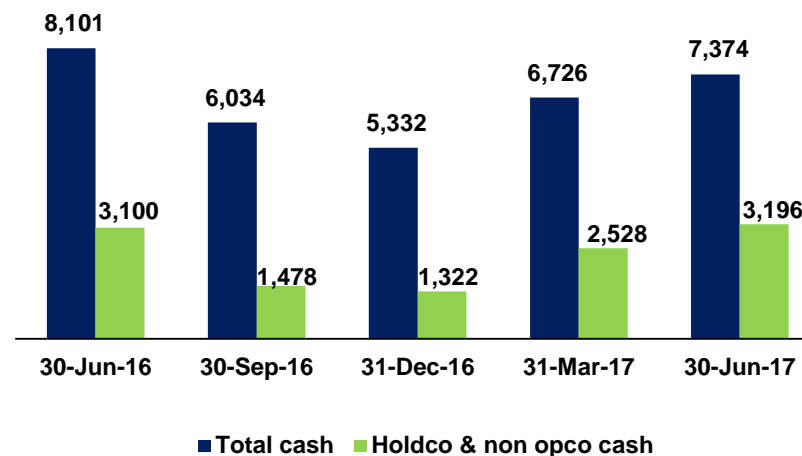
Group borrowings - hedged / unhedged loans



Gross and net debt/EBITDA (x)



Cash (RM million)



* Based on Ncell's EBITDA on an annualised basis.

[^] Based on Ncell's EBITDA of 8.5 months in FY16 (actual).

FY17 headline KPIs: In line

Rising capex to RM7.1bn for FY17.

	Headline KPIs (based on Bloomberg* estimate for 2017 forex)	Guidance	Headline KPIs (based on constant currency)	Guidance
Revenue growth	9% - 11%	In line	8% - 10%	In line
EBITDA growth	7% - 9%	In line	6% - 8%	In line
ROIC	4.5% - 5.0%	In line	4.5% - 5.0%	In line
ROCE	4.0% - 4.5%	In line	4.0% - 4.5%	In line
Capex **	RM6.6bn		RM6.4bn	

*1 USD = RM4.30
** Capex is not a headline KPI

Opportunities

- ❖ Celcom 'Refresh' and XL 'Transformation Agenda'.
- ❖ edotco's organic and inorganic growth.
- ❖ Strengthening data leadership in selected markets in Bangladesh.
- ❖ Opportunistic expansion into ex-Java region for XL.

Risks

- ❖ Currency volatility and increasingly stringent foreign exchange control requirements in Malaysia.
- ❖ Tax and regulatory uncertainties in Malaysia (spectrum allocation), Nepal (ILD interconnection), and Bangladesh (pricing of the 4G license / technology neutrality).
- ❖ Further deterioration in competitive landscape, especially in India.

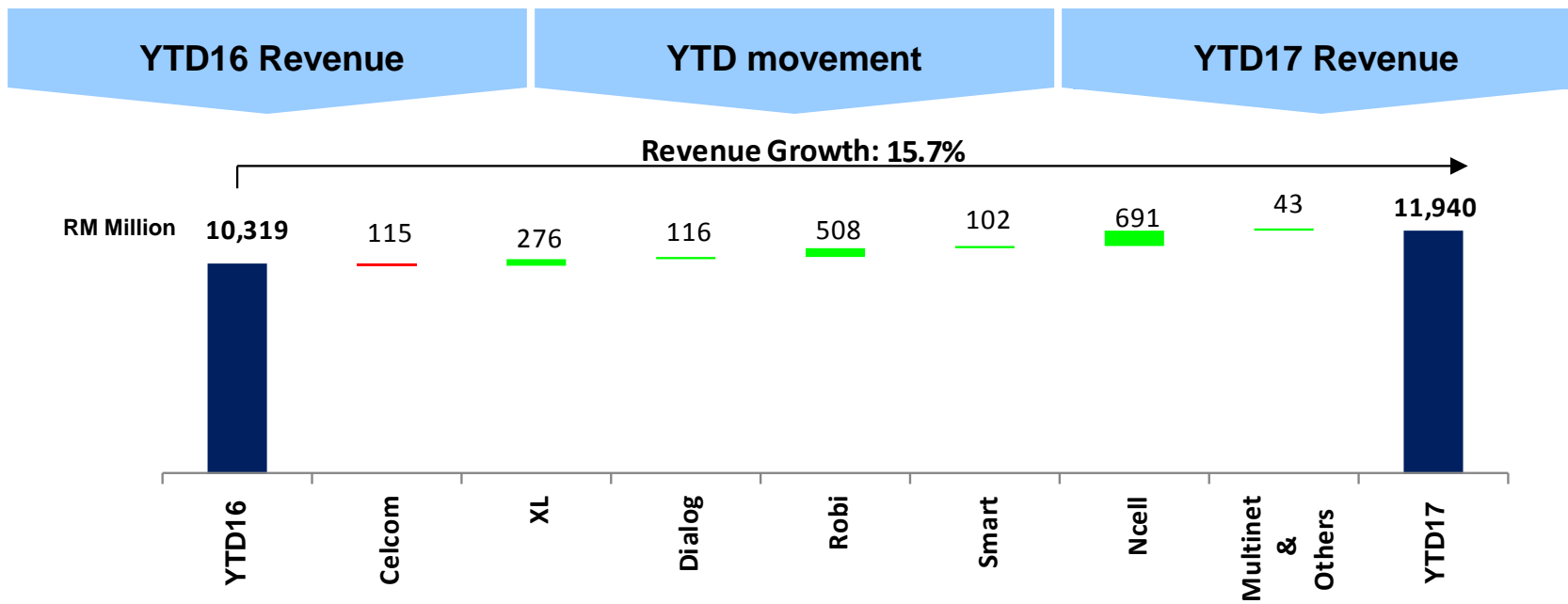


Appendix



Group revenue: YTD16 → YTD17

YTD17 revenue growth of 15.7% lifted by Ncell and Airtel consolidation, and stronger performance from XL, Dialog and Smart.

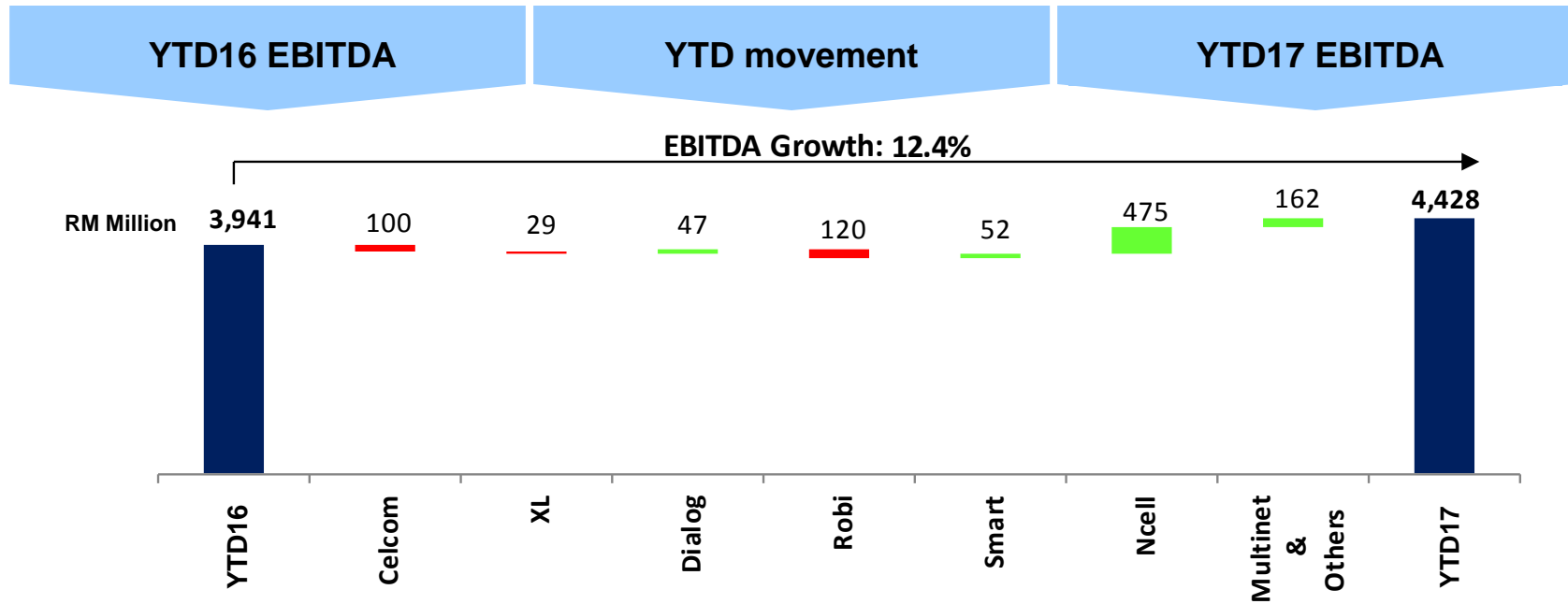


Revenue	YTD16	YTD Growth Rates		Revenue	YTD17
Celcom	3,341	-115	-3.4%	Celcom	3,226
XL	3,321	+276	+8.3%	XL	3,597
Dialog	1,191	+116	+9.8%	Dialog	1,307
Robi	1,268	+508	+40.0%	Robi	1,776
Smart	513	+102	+19.9%	Smart	615
Ncell	484	+691	+>100%	Ncell	1,175
Multinet & Others	201	+43	+21.4%	Multinet & Others	244
GROUP	10,319	+1,621	+15.7%	GROUP	11,940



Group EBITDA: YTD16 → YTD17

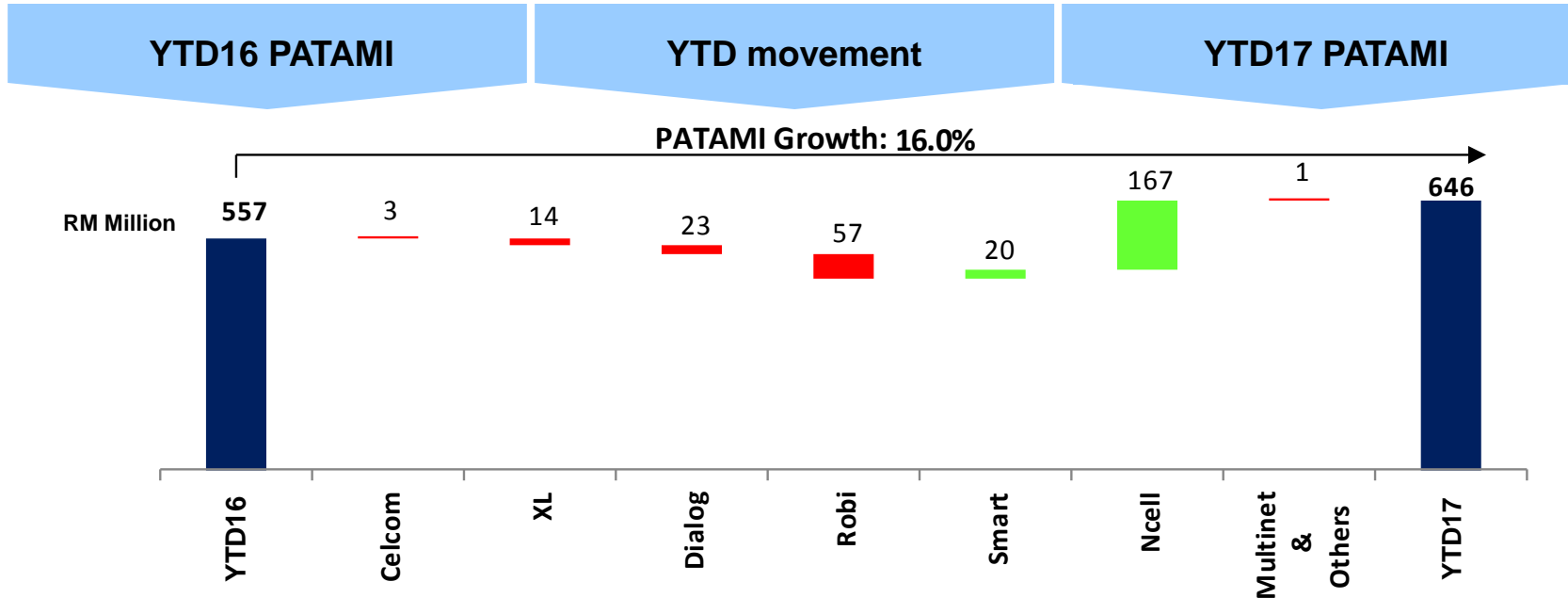
YTD17 EBITDA growth of 12.4% lifted by Ncell consolidation, higher contribution from Dialog, Smart and edotco.



EBITDA	YTD16	YTD Growth Rates		EBITDA	YTD17
Celcom	1,202	-100	-8.3%	Celcom	1,102
XL	1,368	-29	-2.1%	XL	1,339
Dialog	397	+47	+11.8%	Dialog	444
Robi	417	-120	-28.8%	Robi	297
Smart	259	+52	+20.1%	Smart	311
Ncell	310	+475	+>100%	Ncell	785
Multinet & Others	(12)	+162	+>100%	Multinet & Others	150
GROUP	3,941	+487	+12.4%	GROUP	4,428

Group PATAMI: YTD16 → YTD17

YTD17 PATAMI growth of 16.0% lifted by Ncell consolidation, partially offset by higher D&A, higher finance cost and losses from Idea.



PATAMI	YTD16	YTD Growth Rates		PATAMI	YTD17
Celcom	550	-3	-0.5%	Celcom	547
XL	44	-14	-32.7%	XL	30
Dialog	117	-23	-19.5%	Dialog	94
Robi	20	-57	->100%	Robi	(37)
Smart	138	+20	+14.0%	Smart	158
Ncell	125	+167	+>100%	Ncell	292
Multinet & Others	(437)	-1	-0.2%	Multinet & Others	(438)
GROUP	557	+89	+16.0%	GROUP	646



Thank You

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