# Axiata Group Berhad

## 3Q 2018 Results

**23 November 2018**

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Years of Advancing Asia

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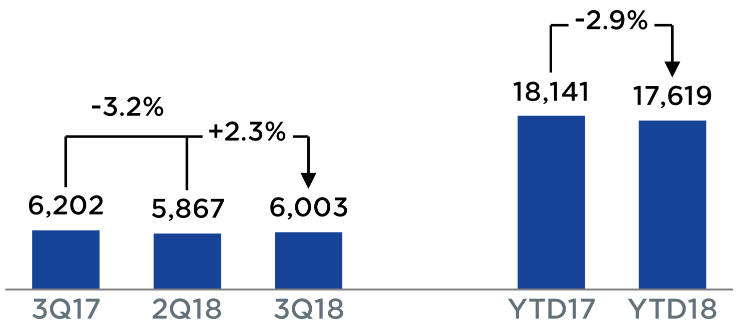
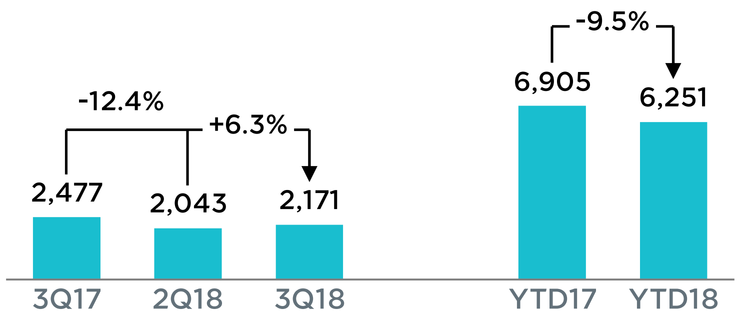
"RM" shall mean Ringgit Malaysia being the lawful currency of Malaysia. Any discrepancies between individual amounts and totals are due to rounding.

# Executive summary: Reported financials

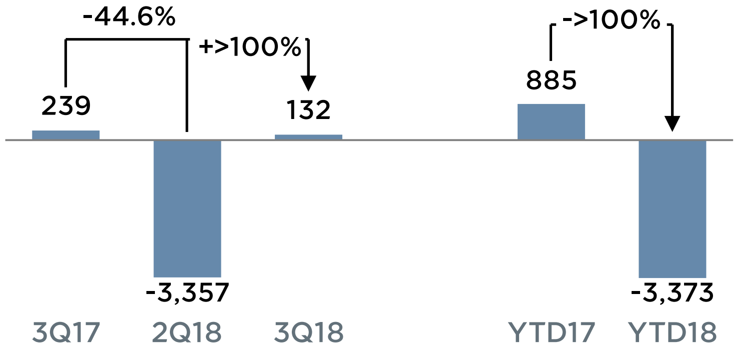
## Revenue (RMm)



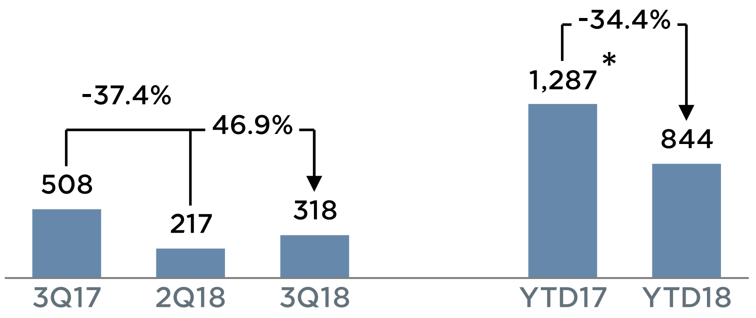

## EBITDA (RMm)




## PATAMI (RMm)




## Normalised PATAMI (RMm)



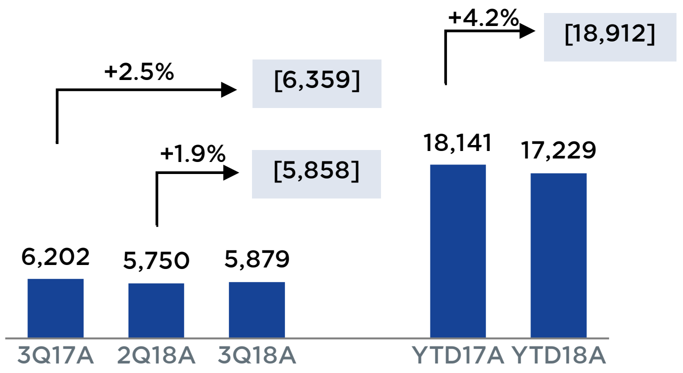

YTD18 reported financials has been affected by Idea-related transactions (ie technical impairment RM3.3bn, loss on dilution RM358m and operational losses RM176m), ~9% forex translation and forex gain/loss impact, MFRS 15 & 9, and other one-off items.

* Excluding Idea operational losses of RM291m

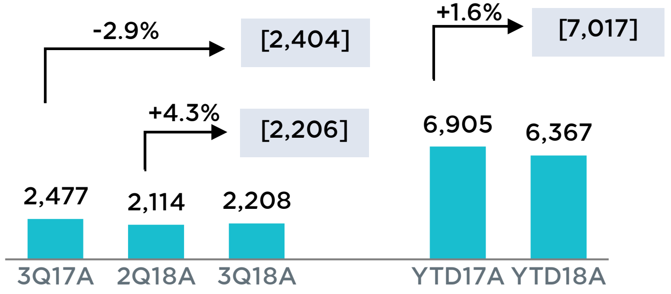
# Executive summary: Underlying performance*

## Improved QoQ performance in all parameters; YTD revenue and EBITDA expanded although normalised PATAMI dragged by D&A, interest rate hike and digital investments.

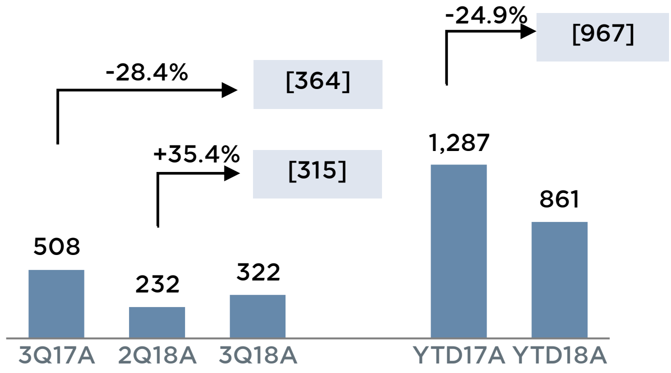
Revenue (RMm)




EBITDA (RMm)




Normalised PATAMI (RMm)

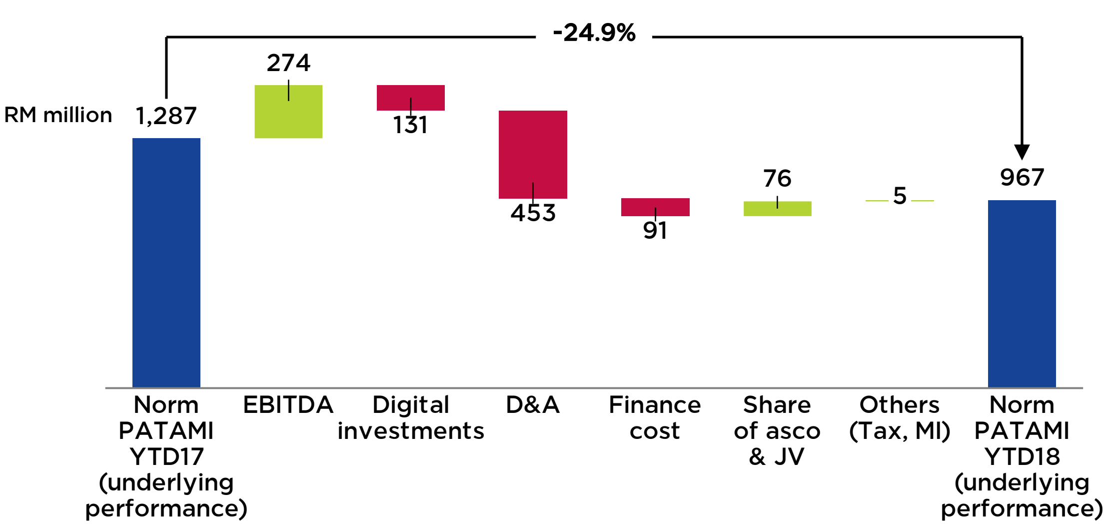


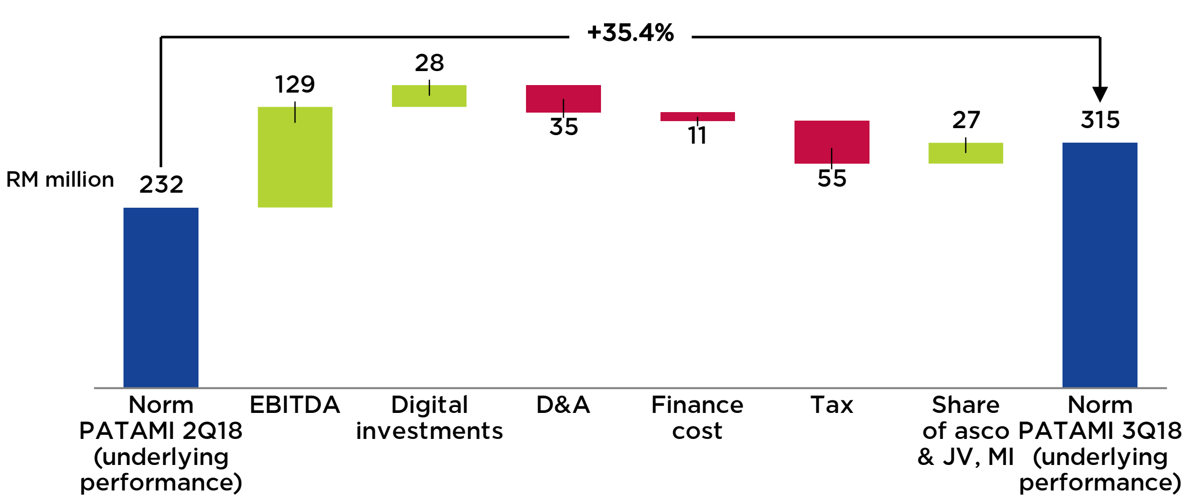

- YTD revenue growth of 4.2% on the back of revenue growth from all OpCos as they outperform the industry in all markets.
- Excluding Celcom's one-off Employee Life Plan (ELP) in 3Q18 and digital investments, YTD core telco revenue and EBITDA growth of 3.7% and 3.9%, respectively – reflective of cost optimisation programme.
- Cost initiatives on track, YTD achievement of RM1.3bn against RM1.4bn target for 2018.
- YTD normalised PATAMI –24.9% is impacted by higher D&A (RM453m - mainly Celcom, XL, Dialog), interest rate hike (RM91m – mainly Robi, XL, holdco) and digital investments (RM131m).
- Balance sheet remains healthy with gross debt/EBITDA of 2.34x in 3Q18 (forex adjusted is 2.11x). In line with internal guidelines, ~50% of debt in USD debt, of which ~50% is hedged; and 67% of debt is on fixed rate.

*Underlying performance – pre-MFRS at constant currency, excluding Idea (discontinuing operation)
Note:
xx – pre-MFRS at actual currency    [xx] – Underlying performance    xx% – Underlying performance growth rate

# Underlying performance* normalised PATAMI

## YTD underlying growth impacted by D&A, interest rate hike and digital investments.




| Normalised (YTD movement) | EBITDA | D&A | Finance cost | Share of asco & JV |
|---|---|---|---|---|
| Celcom | (39) | 91 | (23) | 20 |
| XL | 26 | 179 | 26 | 34 |
| Dialog | 130 | 78 | 8 | 1 |
| Robi | 118 | 19 | 81 | 0 |
| Smart | (31) | 18 | (1) | 0 |
| Ncell | (11) | 16 | (11) | 0 |
| Others | 81 | 52 | 10 | 22 |
| **TOTAL** | **274** | **453** | **91** | **76** |

| Normalised (QoQ movement) | EBITDA | D&A | Finance cost | Tax |
|---|---|---|---|---|
| Celcom | 58 | 15 | (19) | (5) |
| XL | 26 | 21 | 10 | (20) |
| Dialog | 12 | 1 | 3 | 0 |
| Robi | 18 | 7 | (2) | 41 |
| Smart | 10 | 2 | 0 | 2 |
| Ncell | (22) | (9) | (1) | 1 |
| Others | 28 | (1) | 21 | 36 |
| **TOTAL** | **129** | **35** | **11** | **55** |

*Underlying performance – pre-MFRS at constant currency, excluding Idea (discontinuing operation)

# Key Group highlights (1/6)

## Celcom: Focus on HVCs continue to deliver results with improved postpaid performance; initial results from cost initiatives.

celcom
Malaysia

- YTD service revenue growth of 2.1% driven by both prepaid and postpaid segments.
- Focus on HVCs continue to deliver results as YTD postpaid ARPU +RM5 to RM88 and subscribers +67k to 2.9m.
- YTD revenue, EBITDA and PATAMI growth was 3.0%, -4.5% and -30.8%, respectively; EBITDA impacted by a one-time internal employee restructuring cost charge and the change in revenue mix; and PATAMI decreased mainly due to the one-time gain from the disposal of 11street in 2017, higher D&A charges and one-off charge on restructuring.
- Initial results from cost initiatives as YTD sales & marketing cost as percentage of revenue -1.0% pts to 6.7%, as subscriber acquisition cost is 2.7% lower.
- LTE and LTE-A coverage at 90% and 78% respectively, as at 3Q18.

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

# Key Group highlights (2/6)

## XL: Post implementation of prepaid sim registration and period of intense price competition in 1H18, sustains strong growth momentum in 3Q18.

Indonesia

- Transformation Strategy helped build a robust business, reflected in the positive performance with YTD revenue growth outperforming the industry.
- YTD data now accounts for 74% of service revenue, the highest in the industry.
- Strong data-led product proposition through a dual-brand strategy utilising both XL and Axis brands to address different market segments, has led to improved performance for both brands.
- Continuous network investments including increased focus in ex-Java, supported improved performance in both Java and ex-Java.
- Total BTS count has increased by 18.5% to 116k and XL's 4G-LTE service is now available in 387 cities with >28k 4G BTS.
- YTD revenue and EBITDA grew 0.1% and -0.6%, respectively; normalised PAT slipped into losses due to higher D&A arising from network expansion.

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

Pre-MFRS basis

# Key Group highlights (3/6)

## Dialog: Sustained double digit growth on higher contributions from all business segments.
## Robi: Mobile data leadership driven by 4G rollout.

Dialog
Sri Lanka

- Solid YTD performance with revenue, EBITDA and PAT growth at 15.6%, 18.9% and -8.6% respectively; excluding forex losses, normalised PAT growth at 21.0%.
- YTD revenue growth for mobile, fixed and pay-TV operations at 13.7%, 33.5% and 8.4% respectively.
- Mobile data revenue grew by 32% YTD and 7% QoQ, while mobile voice revenue declined marginally ie -0.4% YTD. The Floor Rate (Rs 1.50 per minute) applicable to voice tariffs was abolished by the regulator during the latter part of August.
- Fixed revenue driven by home broadband on account of network coverage expansion and aggressive market capture.
- At 3Q18, 4G mobile and fixed population coverage at 54% and 59%, respectively.

robi
Bangladesh

- YTD service revenue and EBTIDA growth was 9.1% and 31.1% respectively; service revenue growth driven by 31% growth in data revenue.
- PAT turned positive to BDT3.1bn due to gain on disposal of 20% edotco shares in 3Q18. Without the one-off gain, YTD losses is BDT2.1bn, impacted mainly by higher finance cost of BDT1.5bn.
- YTD EBITDA growth driven by lower direct cost from lower material cost and the reduction in interconnect charges effective 14th August 2018.
- The regulator introduced a unified floor rate regime whereby, floor rates applicable to on-net and off-net voice tariffs were unified at BDT0.45 going forward.



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

Pre-MFRS basis

# Key Group highlights (4/6)

## Ncell: EBITDA margin steady at 63.0% despite ILD revenue decline.
## Smart: Improved quarterly performance driven by data-led focus and easing price war.

Ncell
Nepal

- YTD revenue, EBITDA and PAT growth was 2.2%, -0.6% and -7.7% respectively. PAT decline largely attributed to increase in corporate tax rate, one-off prior year tax assessment and one-off provision for asset impairment.
- YTD EBITDA margin remained steady at 63.0% despite ILD revenue declining 15.5%.
- The increase in Telecom Service Charge (in July 2018) had a negative impact on QoQ performance resulting in mobile revenue and EBITDA declining 5.6% and 3.7% respectively. On YTD basis, mobile revenue and EBITDA grew by 8.7% and 9.2% respectively.
- Data revenue accounted for 23% of total revenue; smartphone penetration rate improved 9% pts to 58% while 46.7% of Ncell subscribers are data subscribers.

Smart
Cambodia

- YTD revenue grew 3.4% led by data which grew 22% and now accounts to close to 60% of total revenue. The price war has relatively eased.
- YTD EBITDA grew 0.7% whilst PAT declined 9.5% partly due to higher regulatory cost from increased revenue share.
- QoQ revenue, EBITDA and PAT grew 2.6%, 8.0% and 8.6% respectively on the back of data-led offerings.

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

Pre-MFRS basis

# Key Group highlights (5/6)

## edotco: Strong operational momentum especially in Malaysia, Bangladesh and Myanmar. Digital businesses: Boost continues to grow user and merchant base.

enabling connectivity

- For YTD, edotco accounts for 7.5% and 8.0% of group revenue and EBITDA, respectively.
- edotco's YTD revenue, EBITDA and PAT growth was 13.5%, -1.1% and 18.3% respectively; QoQ performance partially lifted by recent acquisition in Kedah.
- As at 3Q18, edotco owns 17.8k towers (+8.5% YoY), and manages 11.3k sites (+4.3% YoY).
- 3Q18 tenancy ratio rose to 1.62x (vs 1.50x in 3Q17).

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an axiata company

- Boost continues to grow its user and merchant base to 3.28m and >50k respectively.
- YTD core digital investments of RM207m.
- Rationalisation of non-core portfolio of RM90m, comprising loss in dilution in 11st and impairment in Unlockd.

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

# Key Group highlights (6/6)
## M1: Stable YTD contribution.
## Vodafone Idea: Cease to be equity accounted since 16 August.

Singapore

- M1 reported YTD revenue, EBITDA and PAT growth of 4.1%, -1.5% and -1.4%, respectively.
- YTD M1 contributed a profit of RM90m to Axiata's normalised PATAMI, which is similar to YTD17 contribution.

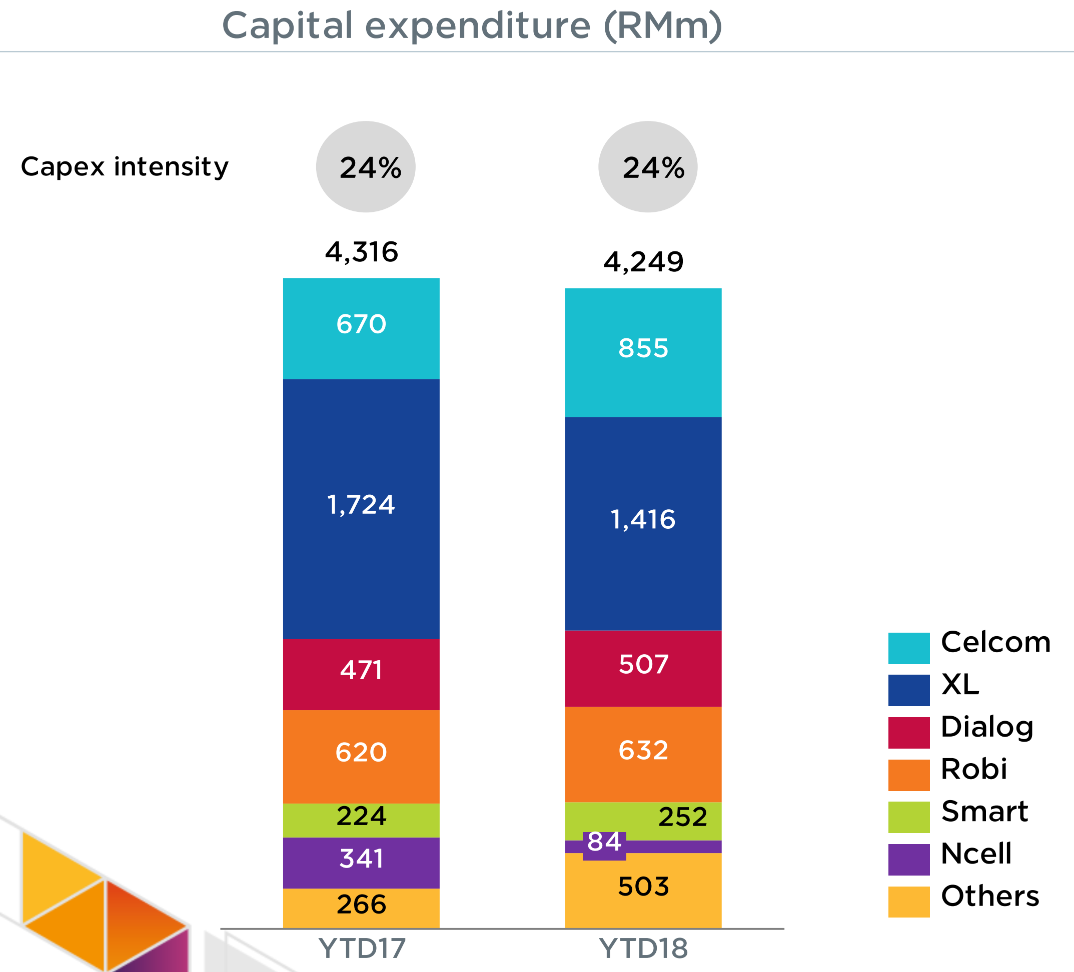
India

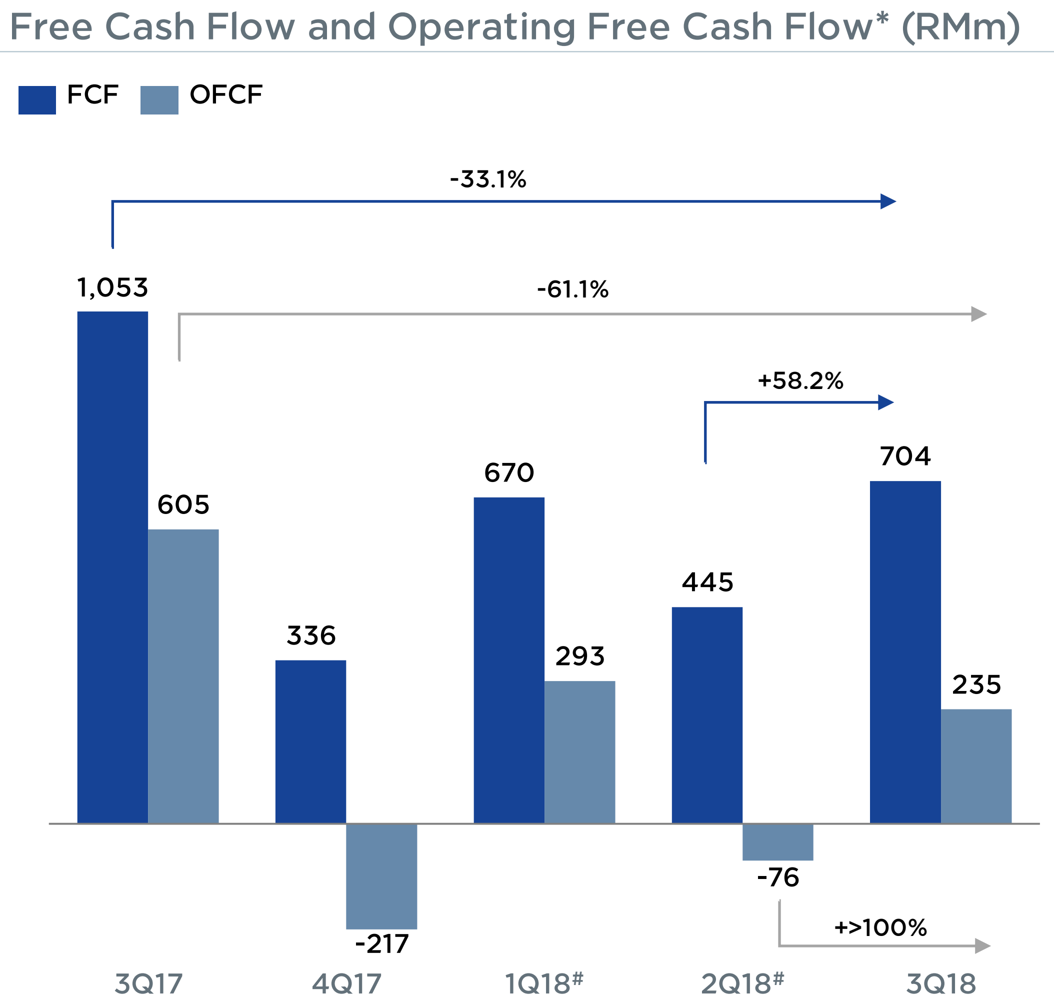
- Vodafone Idea de-recognised from associate to simple investment on 16 August 2018; Idea's YTD share of losses stood at RM176m, vs. losses of RM291m in YTD17. Going forward, fair value movement will be taken through balance sheet.
- For 2QFY19, Vodafone Idea reported proforma QoQ revenue and EBITDA growth of -7.1% and -28.7%, respectively.



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

# Capital expenditure
## QoQ improvement for FCF and OFCF, due to higher EBITDA and lower capex.




Note:
FCF = EBITDA-Capex
OFCF = EBITDA- Capex- Net Interest-Tax
* Includes spectrum fees in 2Q17/3Q17/4Q17/1Q18/2Q18/3Q18 amounting to RM28.0m/RM6.3m/RM40.7m/RM171.2m/RM6.3m/RM4.2m respectively
# Restated

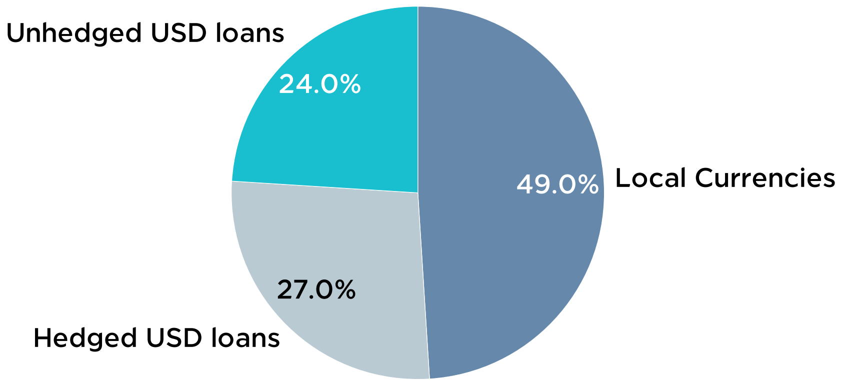
# Group statements of financial position

## Balance sheet remains healthy with gross debt/EBITDA of 2.34x in 3Q18 (forex adjusted is 2.11x). In line with internal guidelines, ~50% of debt in USD debt, of which ~50% is hedged; and 67% of debt is on fixed rate.

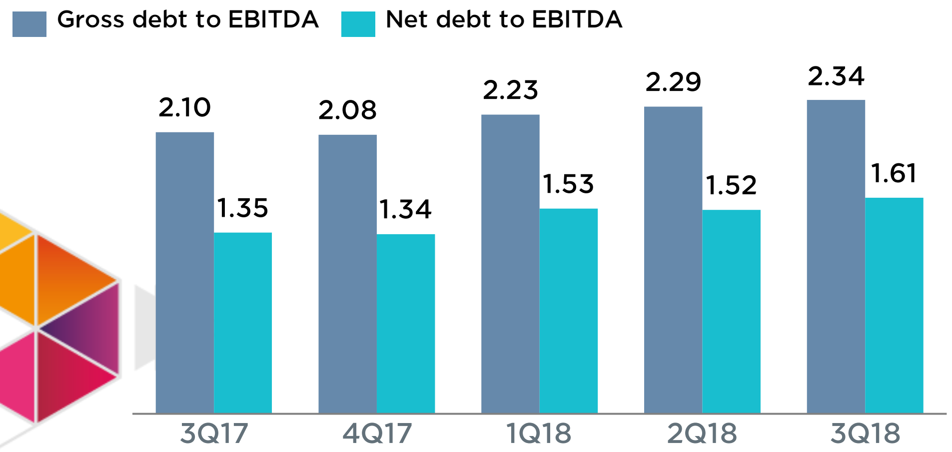
### Group Borrowings – by currency

| In million | Loan currency | USD | Local | Total (RM) |
|---|---|---|---|---|
| HoldCo and Non OpCo | USD | 1,610 | - | 6,665 |
| | **Sub-total** | **1,610** | **-** | **6,665** |
| OpCos | USD | 776 | | 3,291 |
| | RM | | 5,011 | 5,011 |
| | IDR | | 10,481,062 | 2,914 |
| | BDT | | 23,592 | 1,163 |
| | SLR | | 15,984 | 392 |
| | PKR | | 1,145 | 38 |
| | **Sub-total** | **776** | | **12,808** |
| | **Total Group** | **2,386** | | **19,473** |

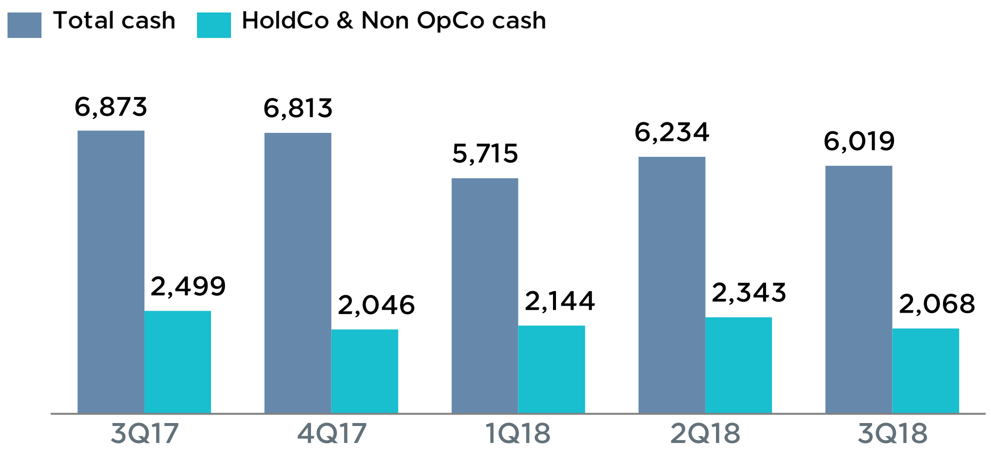
### Group Borrowings – hedged/unhedged loans




### Gross and net debt/EBITDA (x)




### Cash (RMm)



# FY18 Headline KPIs

## In line, based on adjusted headline KPIs.

| | FY18 Headline KPIs (based on Bloomberg* estimate for 2018 forex) | Guidance | FY18 Headline KPIs (based on constant currency) | FY18 Adjusted Headline KPIs ex-Deodar (based on constant currency) | Guidance |
|---|---|---|---|---|---|
| Revenue growth | Flat | Below | 6.3% | 2.8% | **In line** |
| EBITDA growth | Flat | Below | 5.8% | 1.7% | **Below**<br>*In line, adjusted for Celcom's ELP* |
| ROIC | 4.8-5.2% | In line | 5.0-5.5% | 5.0-5.5% | **Below**<br>*In line, adjusted for Idea op losses* |
| ROCE | 4.1-4.6% | In line | 4.5-5.0% | 4.3-4.8% | **In line** |
| Capex ** | RM6.9bn | RM6.3bn | RM7.4bn | RM7.2bn | **RM6.9bn** |

Headline KPIs take into consideration:
1. No material change in competitive landscape in the mobile market of the Group's major operating countries
2. No material regulatory changes impacting the operating companies ("OpCos")
3. No material change in currency volatility, liquidity shortages and interest rates in the South Asia and South East Asia regions in particular
4. No material change in CAPEX spending in OpCos; KPIs reflected increase in CAPEX which will consequently affect depreciation and amortisation
5. Incorporated investment/ short term losses from Digital business and Enterprise
6. Excluded potential merger/acquisition and divestment impacts except for edotco venture in Pakistan ("Deodar"), expected to be completed in Q2'18
7. No material change from global and domestic economy as well as consumer spending

*1 USD = RM3.90
**Capex is not a headline KPI
FY18 Headline KPIs are based on pre-MFRS basis

# Thank You

Q&A

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# Appendix

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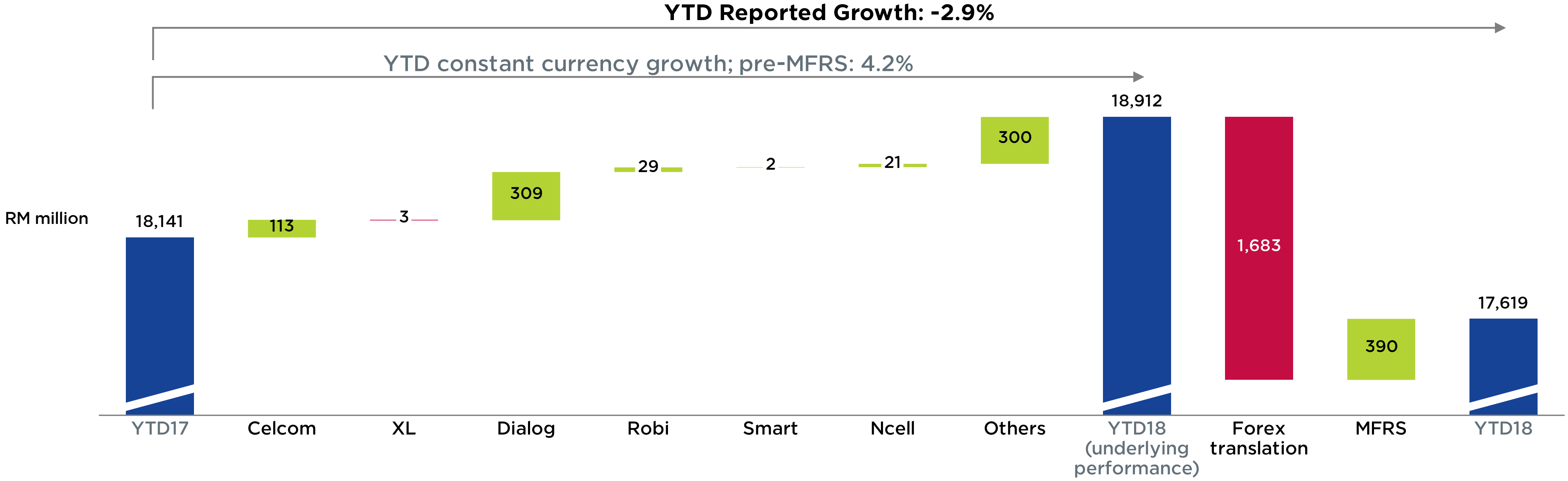
# Group revenue: YTD17 → YTD18

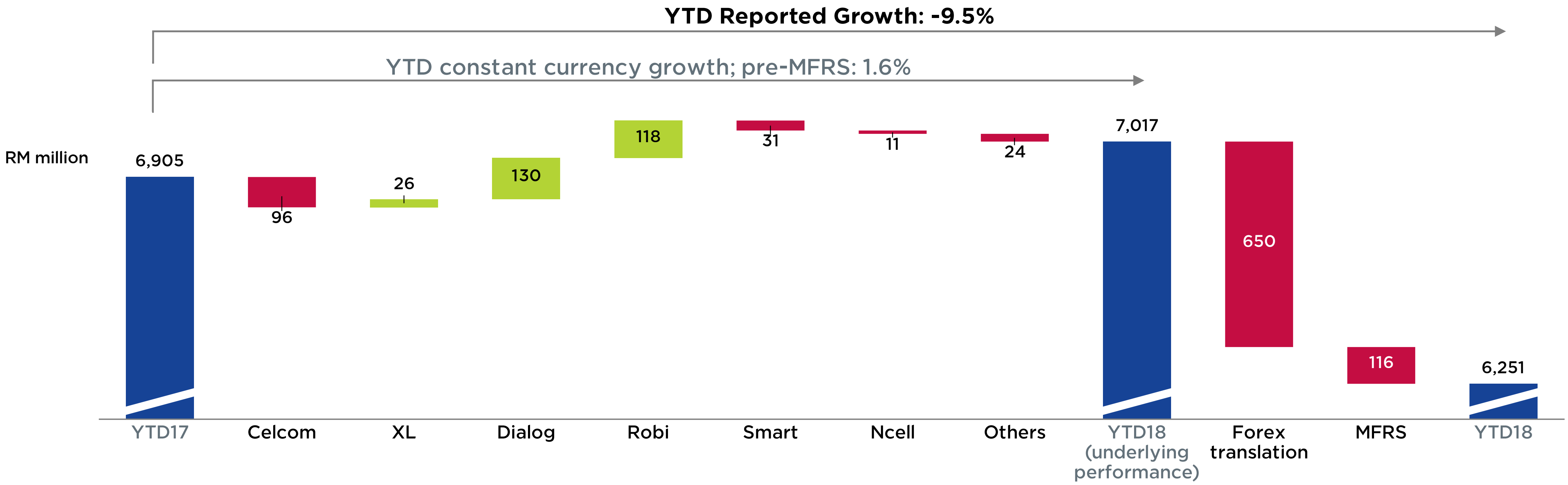
## YTD revenue decline of 2.9% mainly due to forex translation impact, offsetting good performance from all OpCos.




| Revenue | YTD17 | YTD Growth Rates | | Revenue (underlying performance) | YTD18 |
|---|---|---|---|---|---|
| Celcom | 4,879 | 113 | 2.3% | Celcom | 4,992 |
| XL | 5,510 | (3) | -0.1% | XL | 5,507 |
| Dialog | 1,982 | 309 | 15.6% | Dialog | 2,291 |
| Robi | 2,697 | 29 | 1.1% | Robi | 2,726 |
| Smart | 911 | 2 | 0.3% | Smart | 913 |
| Ncell | 1,773 | 21 | 1.2% | Ncell | 1,794 |
| Others | 389 | 300 | 77% | Others | 689 |
| **GROUP** | **18,141** | **771** | **4.2%** | **GROUP** | **18,912** |

# Group EBITDA: YTD17 → YTD18

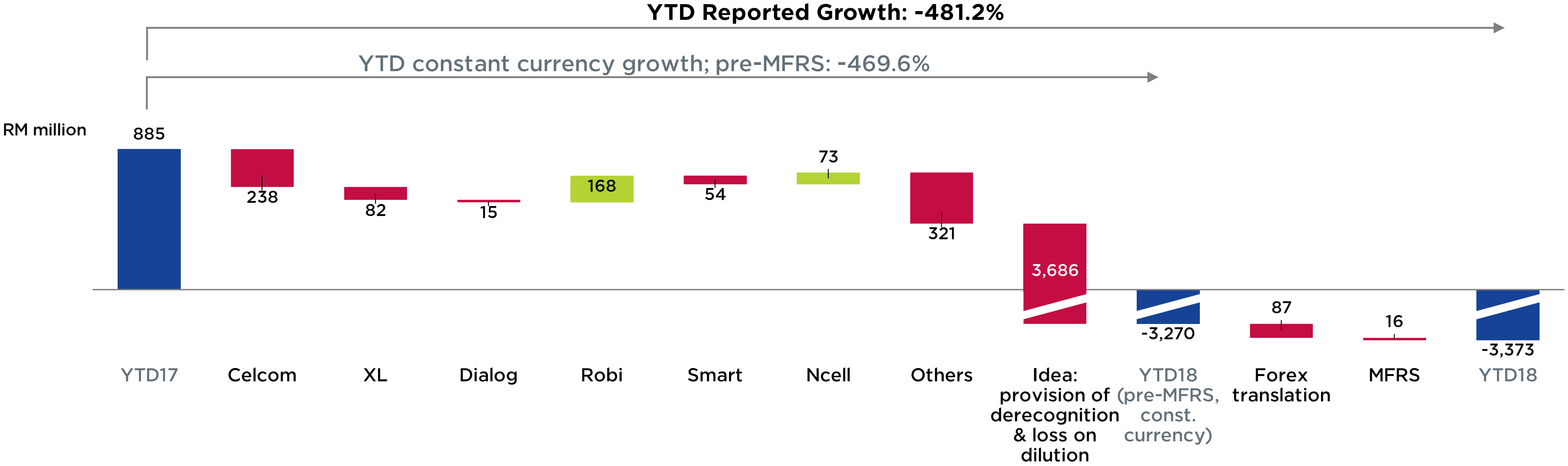
## YTD EBITDA decline of 9.5% due to forex translation and MFRS impact, digital investments and lower contribution from Celcom, Smart and Ncell.




| EBITDA | YTD17 | YTD Growth Rates | | EBITDA (underlying performance) | YTD18 |
|---|---|---|---|---|---|
| Celcom | 1,722 | (96) | -5.6% | Celcom | 1,626 |
| XL | 2,091 | 26 | 1.3% | XL | 2,117 |
| Dialog | 707 | 130 | 18.4% | Dialog | 837 |
| Robi | 503 | 118 | 23.4% | Robi | 621 |
| Smart | 456 | (31) | -6.8% | Smart | 425 |
| Ncell | 1,149 | (11) | -1.0% | Ncell | 1,138 |
| Others | 277 | (24) | -8.6% | Others | 253 |
| **GROUP** | **6,905** | **112** | **1.6%** | **GROUP** | **7,017** |

# Group PATAMI : YTD17 → YTD18

## YTD PATAMI turned negative to RM3.4bn, mainly due to Idea loss on dilution and provision for de-recognition from associate to simple investment.




| PATAMI | YTD17 | YTD Growth Rates | | PATAMI (pre-MFRS, const. currency) | YTD18 |
|---|---|---|---|---|---|
| Celcom | 786 | (238) | -30.3% | Celcom | 548 |
| XL | 49 | (82) | -167.4% | XL | (33) |
| Dialog | 181 | (15) | -8.5% | Dialog | 166 |
| Robi | (54) | 168 | 312.7% | Robi | 114 |
| Smart | 221 | (54) | -24.5% | Smart | 167 |
| Ncell | 419 | 73 | 17.5% | Ncell | 492 |
| Others | (717) | (4,007) | -558.2% | Others | (4,724) |
| **GROUP** | **885** | **(4,155)** | **-469.6%** | **GROUP** | **(3,270)** |

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