

## MEDIA RELEASE

### **Axiata Demonstrates Healthy Underlying Performance**

*Most Operating Companies Gained Revenue Market Share*

*PAT Impacted from Dilution and Losses from Idea due to Unprecedented Disruption in India*

**Kuala Lumpur, 22 May 2018** – Axiata Group Berhad (“Axiata” or “the Group”) today announced its unaudited results for the first quarter ended 31 March 2018. Amid external challenges, the Group recorded healthy underlying business performance in line with targets. Most of its Operating Companies (OpCos) gained revenue market share in their respective countries.

#### **YEAR-ON-YEAR RESULTS (1Q 17 VS 1Q 18)**

Year-on-year (YoY), at constant currency<sup>1</sup> and excluding the newly introduced Malaysian Financial Reporting Standard (MFRS) application, Group revenue improved 5.2% from RM5.9 billion to RM6.2 billion benefiting from increased revenue market share in most OpCo markets. Over the first quarter, Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) also improved by 4.3% to RM2.25 billion compared to RM2.15 billion from the Group’s continued cost optimisation programme.

However, Profit After Tax (PAT) for the Group was impacted by share of business losses from Idea of RM124.3 million against losses of RM25.4 million in 2017 as the Indian telecommunications market continued to struggle with the devastating price war and a hyper competitive market. The Group recorded a non-cash dilution loss of RM357.6 million from non-participation of preferential new shares issued. Group losses for the quarter was RM95.1 million. Excluding the impact of Idea<sup>2</sup>, PAT for the Group would have been up by 34.6% or RM386.9 million.

At actual currency and post-MFRS application, Group revenue declined by 2.3% to RM5.7 billion from RM5.9 billion due to forex translation impact as the Malaysian Ringgit strengthened significantly against all OpCo regional currencies compared to the same period in 2017.

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<sup>1</sup> Constant Currency is used for the purpose of comparing Axiata’s 1Q 2018 performance due to Ringgit Malaysia strengthening on average of 12% year-on-year against all operating companies’ local currencies

<sup>2</sup> Idea Cellular Limited

Correspondingly, EBITDA for the Group dropped by 5.5% to RM2.0 billion as a result of lower revenue. PAT declined to register RM94.4 million of losses. Excluding Idea share of business losses of RM114.4 million and dilution losses of RM357.6 million, PAT for the Group would have increased by 31.4% to RM377.6 million.

Group-wide cost optimisation programme remains on track to deliver the targeted RM1.3 billion of savings for 2018. Balance sheet for the Group was healthy with gross debt/EBITDA at 2.23x versus 2.40x in the corresponding quarter for 2017. During the quarter, the Group generated RM160.0 million in operating cash.

### **ASEAN MARKETS<sup>3</sup>**

Celcom<sup>4</sup> demonstrated improvement in key operational drivers with service revenue increasing 2.0% YoY, to perform better than industry on the back of growth in prepaid revenue. Celcom continued to focus on high value customers as YoY ARPUs improved by RM6 for postpaid and RM4 for prepaid. Aggressive network investments lifted its 4G and 4G LTE-A population coverage to 88% and 76% respectively. Celcom saw a short term impact on margins due to change in revenue mix and additional investments to enhance network experience, but overall cost optimisation programme remained on track. Over the quarter, Celcom also substantially improved its retail Touchpoint Net Promoter Score (tNPS) from 68 to 77.

The Indonesian market performance for the quarter was significantly distorted from the national prepaid registration exercise which saw the industry mobile revenue drop by approximately 5% YoY. Within that context, XL<sup>5</sup> continued to benefit from the execution of its Transformation Agenda to gain revenue market share and YoY revenue growth of 4%. The positive trend was led by XL's focus on a strong data-led product proposition, and through the execution of its dual brand strategy and continuous network investment. Increased investment in ex-Java improved traffic and revenue growth in the region, and contributed to XL's overall strong performance.

Smart recorded stable performance despite price pressures and regulatory constraints. For the quarter, data revenue grew by 12.9% YoY, as data accounted for 56.9% of Smart's total revenue.

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<sup>3</sup> All Operating Companies' performance is reported on a pre-MFRS basis

<sup>4</sup> Celcom Axiata Berhad

<sup>5</sup> PT XL Axiata Tbk

## **SOUTH ASIA MARKETS**

Dialog<sup>6</sup> continued to deliver stellar performance with strong YoY increase on all financial metrics, with its first quarter YoY revenue recording growth for mobile, fixed and pay-TV operations at 14.3%, 25.9% and 8.6% respectively. Its mobile segment continued to capture market share, whilst strong growth for fixed is driven by home broadband.

The successful launch of 4G fueled service revenue growth and YoY service revenue market share gains for Robi<sup>7</sup> during the quarter. At present, Robi's 4G rollout is ahead of competition, achieving over 5000 4G sites. Service revenue, excluding device revenue, grew by 12.4% YoY and 3.4% QoQ driven by 4G launch.

Ncell<sup>8</sup> continued its good performance as strong growth in data offsets industry decline on international long distance (ILD) revenue. Data revenue grew by 34.5% YoY, accounting for 22% of total revenue. Smartphone penetration rate rose to 56% while 45.7% of Ncell subscribers consist of data subscribers. EBITDA margin has been maintained at 63% despite lower ILD revenue.

## **INFRASTRUCTURE AND DIGITAL BUSINESSES**

edotco<sup>9</sup> recorded strong underlying performance on improved portfolio and tenancy ratio. As at 1Q 18, edotco owned 16,800 towers, up 9.7% YoY and managed approximately 11,000 sites, an increase of 3.9% YoY. At the same time, tenancy ratio rose to 1.59x against 1.48x in the same quarter of last year. edotco accounted for 7.1% and 7.7% of the Group's revenue and EBITDA respectively

The Group's digital businesses, Axiata Digital<sup>10</sup> and Axiata Business Services (Xpand)<sup>11</sup>, have transitioned from portfolio assets-base to operational businesses with digital companies and business units refocusing on i) digital financial services (DFS) ii) digital advertising iii) enterprise solutions/IoT and iv) enablement platforms. Its DFS product, Boost, continues to

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<sup>6</sup> Dialog Axiata PLC

<sup>7</sup> Robi Axiata Limited

<sup>8</sup> Ncell Private Limited

<sup>9</sup> edotco Group Sdn Bhd

<sup>10</sup> Axiata Digital Services Sdn. Bhd.

<sup>11</sup> Axiata Business Services Sdn. Bhd.

build its presence and ecosystem with over 2.0 million users and close to 10,000 merchants to date. Similarly, Xpand is on track to capitalise on high growth opportunities in the enterprise segment and high growth IoT opportunities.

## **ASSOCIATES**

As the Indian market continues to face significant competitive disruption putting undue financial pressure on an already irrationally competitive market, Idea reported a full year 2018 decline in revenue, EBITDA and consolidated PAT leading to a RM114.4 million contribution of losses to Axiata for the quarter against RM25.4 million for the same period in 2017. Loss of dilution in the amount of RM357.6 million as Axiata's stake was reduced from 19.7% to 16.3% due to non-participation of new shares issued. Substantive approvals are required for the completion of the proposed merger between Idea and Vodafone India Limited.

M1 reported a first quarter YoY revenue growth of 0.5% and EBITDA decline of 2.3% and while PAT remained flat. M1 contributed a profit of RM29.2 million to the Group for the quarter compared to RM30.7 million in last year.

## **COMMENTARY**

Axiata Chairman, Tan Sri Datuk Wira Azman Hj. Mokhtar said, "Despite it being a tough start to the year with intense competition particularly in India and Indonesia, I am pleased to see that Axiata's underlying business performance remained on track and in line with target. We will continue to focus on long term objectives and strengthen our fundamentals to ensure a stronger performance for 2018."

Tan Sri Jamaludin Ibrahim, President & Group Chief Executive Officer of Axiata added, "Our results this quarter was distorted by the adverse currency impact as the Ringgit strengthened on an average of 12% against all OpCo market currencies, and the Indian telecoms industry continues to deteriorate due to the new player. Excluding those factors, the overall underlying performance was good. All OpCos' performed better than industry in their respective markets.

"We gained significant revenue market share in Malaysia, Indonesia, Sri Lanka and Bangladesh. Celcom's turnaround performance continues to gain momentum, and overall, we see quarter-on-quarter improvements in key performance drivers. While the Indonesian market's dynamics and structural changes have impacted the entire industry, we believe it will lead to a healthier market environment ahead. We are pleased that XL was least impacted by

these changes and we look forward to better performance as it continues to execute on its Transformation Agenda.”

### Moving Forward

Jamaluddin added, “While we remain in line with expectation, our investment in Idea continues to be challenging. The current state of the industry in India has led to foreign operators either exiting the market or consolidating. Delays in the proposed merger between Idea and Vodafone India will bring further impact to Axiata. We also expect regulatory matters in Sri Lanka, Malaysia and Bangladesh as well as currency fluctuations as challenges for the year.

“In our newer business portfolios, we believe edotco’s growth and expansion will bring material gains for the Group. We will continue to invest in key digital businesses such as digital financial services and enterprise solution/IoT.”

### Performance Snapshot

<i>At Constant currency</i>	<i>1Q17</i>	<i>Pre-MFRS</i>	
		<i>1Q18</i>	
		<i>RM</i>	<i>%</i>
<i>Revenue</i>	5.9 billion	6.2 billion	5.2%
<i>EBITDA</i>	2.15 billion	2.25 billion	4.3%
<i>PAT</i>	262.0 million	-95.1 million	->100%
<i>PAT (ex. Idea impact)</i>	287.4 million	386.9 million	34.6%

<i>At Actual Currency</i>	<i>1Q17</i>	<i>Post-MFRS</i>	
		<i>1Q18</i>	
		<i>RM</i>	<i>%</i>
<i>Revenue</i>	5.9 billion	5.7 billion	-2.3%
<i>EBITDA</i>	2.2 billion	2.0 billion	-5.5%
<i>PAT</i>	262.0 million	-94.4 million	->100%
<i>PAT (ex. Idea impact)</i>	287.4 million	377.6 million	31.4%

End

## **About Axiata**

Axiata is one of the leading telecommunications groups in Asia with approximately 350 million customers in 11 countries in ASEAN and South Asia. In pursuit of its vision to be a *New Generation Digital Champion by 2021*, the Group has transformed itself from a holding entity with a portfolio of pure-play mobile assets into a Triple Core Strategy driven business with the focus on Digital Telco, Digital Businesses and Infrastructure.

Axiata has controlling stakes in market-leading mobile operators in the region including 'Celcom' in Malaysia, 'XL' in Indonesia, 'Dialog' in Sri Lanka, 'Robi' in Bangladesh, 'Smart' in Cambodia and 'Ncell' in Nepal. Further to this, the Group also holds strategic interests in 'Idea' in India and 'M1' in Singapore. Axiata is in the cusp of transforming its mobile operations into Digital Telcos through digitisation and convergence.

'edotco', the Group's infrastructure company, operates in six countries to deliver telecommunications infrastructure services, amassing of approximately 27,500 towers. It aims to be one of the top global independent tower companies and is committed to responsible and sustainable business operations.

Axiata Digital and Axiata Business Services (operating under the brand 'Xpand') are the digital businesses arms of the Group. Together, these businesses are focused on capturing the rapid growth in digital financial services, digital advertising, enterprise/IoT and platform services.

As a committed and long-term investor, Axiata provides employment to 25,000 people within its operations. In line with its sustainability goals, the Group actively supports and drives young talent development; disaster response and recovery; as well as green initiatives. Axiata's broader goal of Advancing Asia aspires to piece together the best in the region in terms of innovation, connectivity and talent.

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