

The background of the slide is a photograph of a kite festival. In the foreground, a woman in a red and white striped shirt is taking a photo with her smartphone. In the background, other people are flying kites in a large open field under a bright sky. A large, diagonal, semi-transparent red and white graphic element cuts across the image from the top left to the bottom right.

# The Making of a Malaysian Digital Telco Champion

*Analyst & Investor Conference Call*

Dato' Izzaddin Idris / Vivek Sood

President & Group CEO / Group CFO

8 April 2021



# Axiata Aspirational Targets

Investor proposition: Axiata aspires to re-position itself as a “High Dividend” company – emphasis on cash and profit going forward, to deliver dividend per share target of >20sen by 2024.

★ Company Perspective: **Vision by 2024 – “Next Generation Digital Champion”**

**AND**

★ Investors' / Shareholders' Perspective: **5 : 10 : 20 : 20**

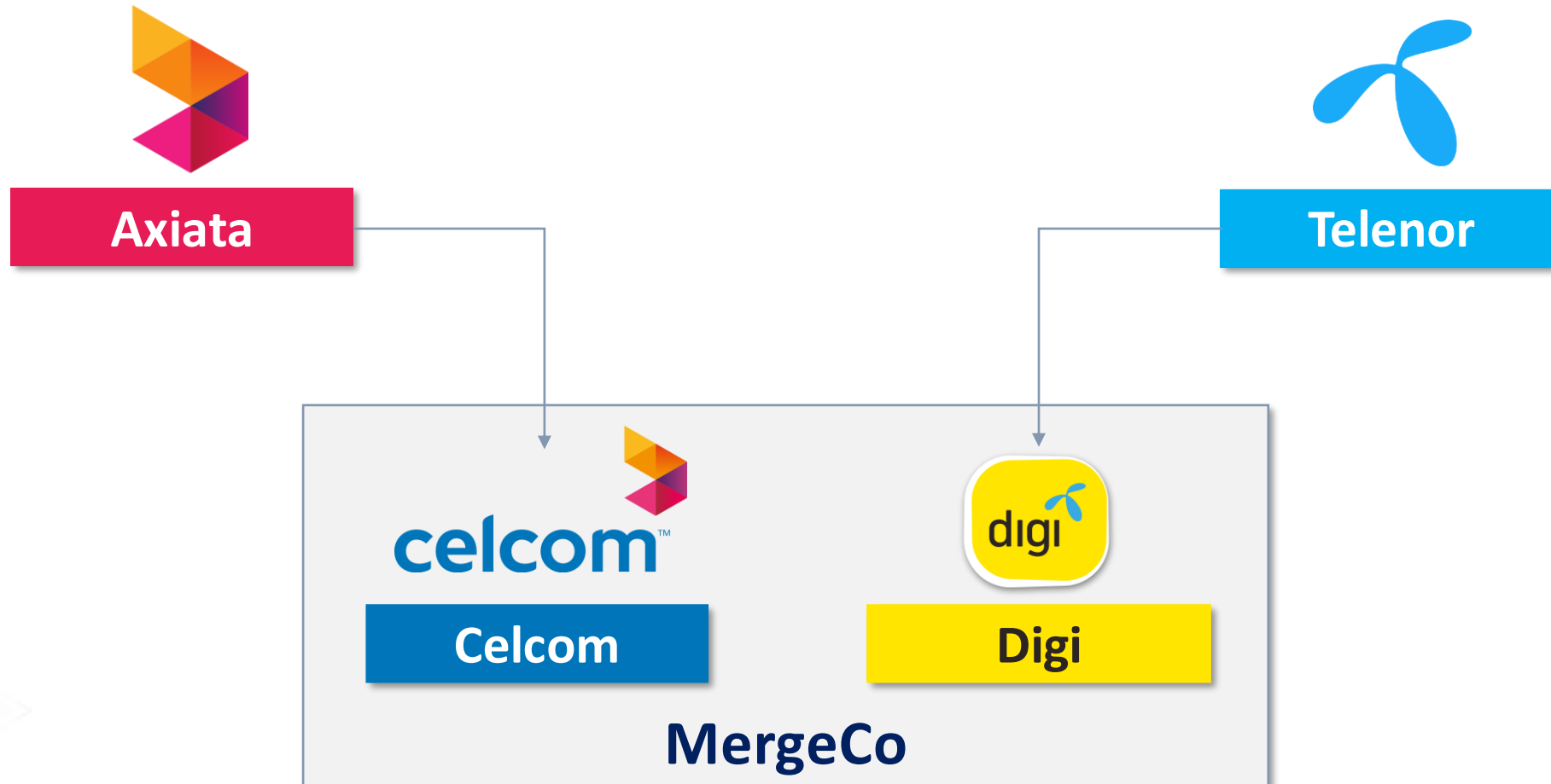
- Within **5 years** *(Best: 2023; Worst: 2025)*
- Cost / GB to be *(in US\$)* **< 10 cents / GB** *(from US\$0.34 cents in 2020)*
- EBIT Margin **> 20 %** *(from 9.0% in 2020)*
- Dividend / Share *(in RM)* **> 20 sen / share** *(from RM0.07 – RM0.10 for last 5 years)*
- **ROIC > WACC**

# Axiata 5.0: 3 Core Pillars & 10 Key Focus Areas

Focused execution to deliver high and sustainable dividend, where key focus area #9 is 'Industry Consolidation'.

<b>Sustainable Growth</b>	<b>1</b>	Positioning for the "New Norms"
	<b>2</b>	OpCos Transformation
	<b>3</b>	New Growth Areas
<b>Operational Excellence</b> [as our DNA]	<b>4</b>	Cost Management
	<b>5</b>	New Engagement Model
	<b>6</b>	Digitisation & Analytics
	<b>7</b>	Stakeholder Management
	<b>8</b>	Organisation 5.0
<b>Structural Changes</b>	<b>9</b>	Industry Consolidation
	<b>10</b>	Portfolio Optimisation & Value Illumination

Today, we announced the intention to create  
**The Malaysian Digital Telco Champion**  
through a merger of Celcom & Digi



# Malaysian Digital Telco Champion

## MergeCo will be known as Celcom Digi Berhad



**Chairman**

***Dato' Izzaddin Idris***  
*(President & Group CEO, Axiata Group)*

**Deputy Chairman**

***Jørgen C. Arentz Rostrup***  
*(Exec. Vice President & Head, Telenor Asia)*

**Chief Executive Officer**

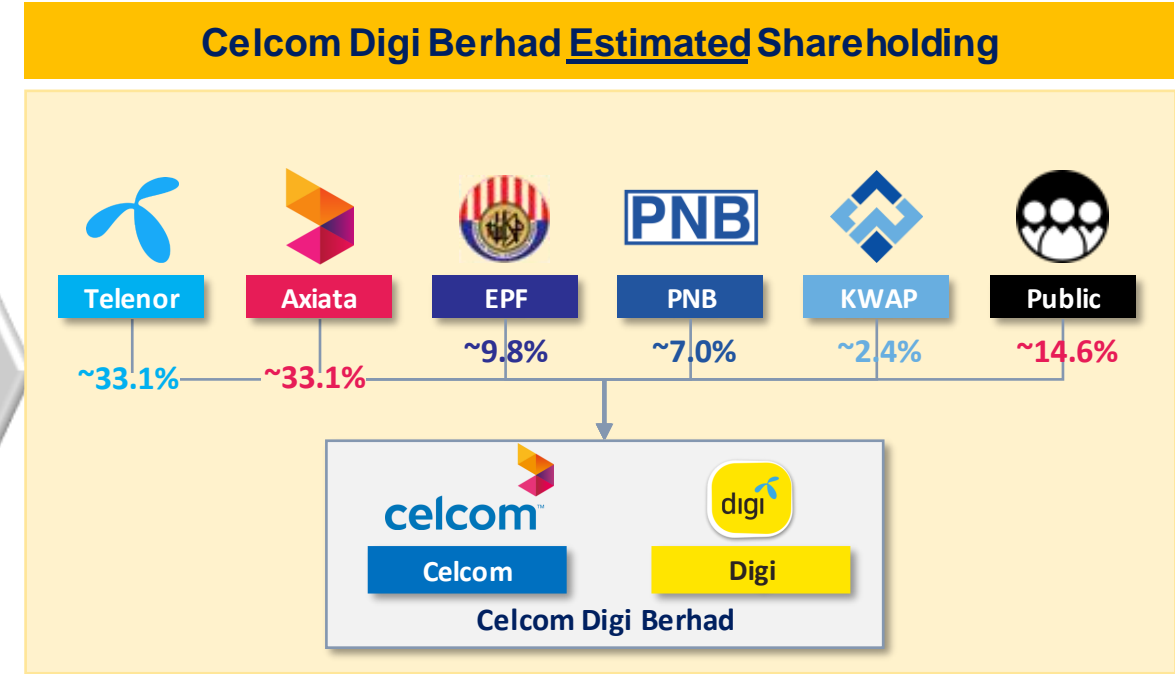
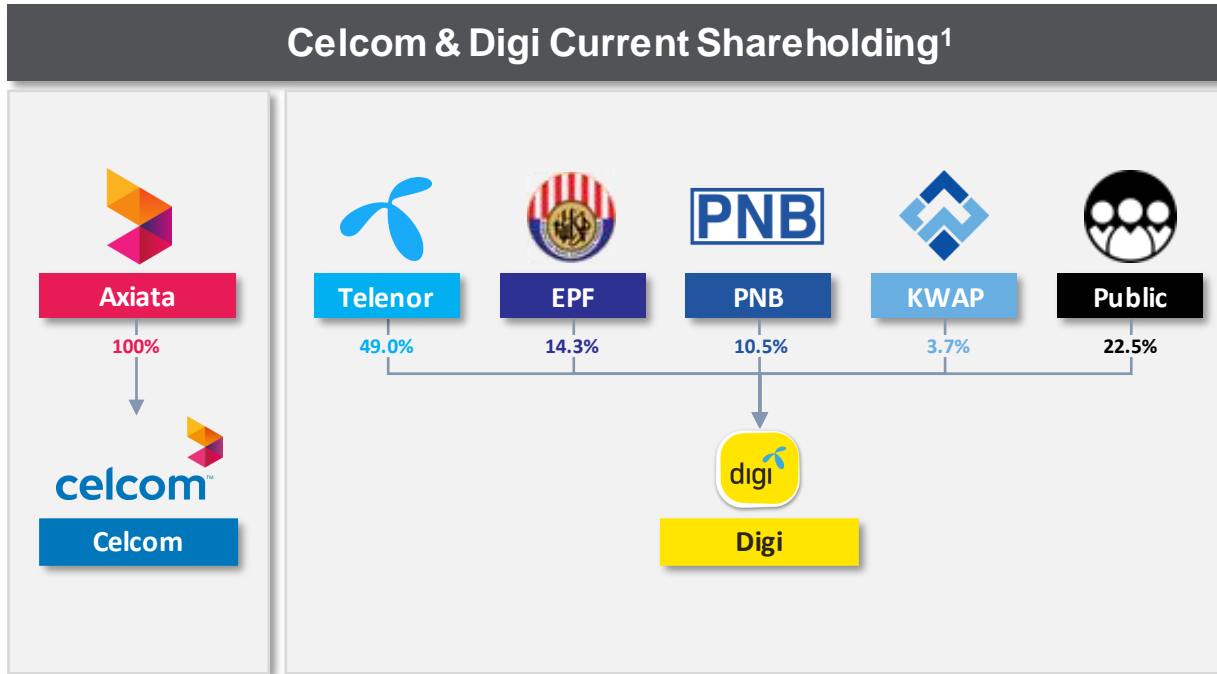
***Idham Nawawi***  
*(CEO, Celcom Axiata)*

**Deputy Chief Executive Officer**

***Albern Murty***  
*(CEO, Digi Telecommunications)*

# Shareholding structure of Celcom Digi Berhad

A Malaysian-owned and Malaysian-led telco champion



- MergeCo will be named Celcom Digi Berhad.
- Axiata together with the Malaysian Institutional funds will own more than 51% of the Celcom Digi Berhad.
- Under the terms of the merger both Axiata & Telenor will own 33.1% each of Celcom Digi Berhad.
- Axiata will also receive cash of approximately RM2.0bn, of which RM1.7bn is from Digi and RM0.3bn from Telenor.

1. Shareholding as of 26 February 2021 - estimates from publicly available information

# Rationale

## For the making of a Malaysian Digital Telco Champion

1

### **Support MyDigital aspirations**

The Government recently unveiled its MyDigital aspirations, and Celcom Digi Berhad will be in a stronger position to invest and enable this.

2

### **Commercially stronger and more resilient**

With pro-forma revenue ~RM12.4bn, PAT ~RM1.9bn and FCF ~RM3.9bn, Celcom Digi Berhad will be a credible alternative for converged service provider.

3

### **Restore long term sustainability to the industry**

Telecommunications industry faces long term structural headwinds with slower growth and lower profits, while the need to invest will increase with data demand and new technologies.

4

### **Deriving significant value creation from synergy realisation**

Via strengthening core distribution, driving operational excellence, accelerating home/convergence plan, re-engineering network operations and reigniting mobile revenue growth.

5

### **Multiple benefits for the broader Malaysian economy**

Reduced imports through network purchase efficiencies, larger platform for local talent and vendors, and ability to attract foreign fund inflows as the largest “Tech” stock, and potentially Top 5 in Bursa Malaysia.

# Support MyDigital aspirations

The Government recently unveiled its MyDigital aspirations, and Celcom Digi Berhad will be in a stronger position to invest and enable this.

## Malaysia's 5G Roadmap

### MyDigital aspirations:

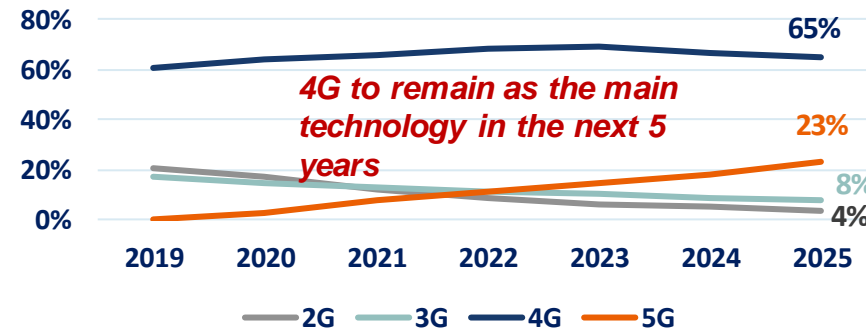
- 5G services by end-2021
- Enable applications of internet of things (IOT), artificial intelligence, machine learning
- Unlock industry competitiveness to serve the community, enterprises and government

### 5G deployment by Digital National Bhd (DNB):

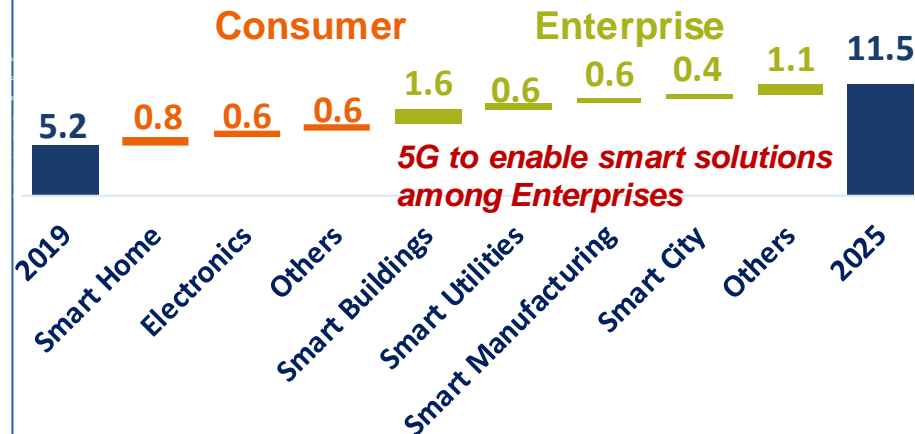
- 5G spectrum
- 5G technical network architecture

## GSMA forecast for Asia Pacific

### Percentage of Mobile connections (excluding IoT)



### IOT Connections (billion)



## Celcom Digi Berhad's proposition

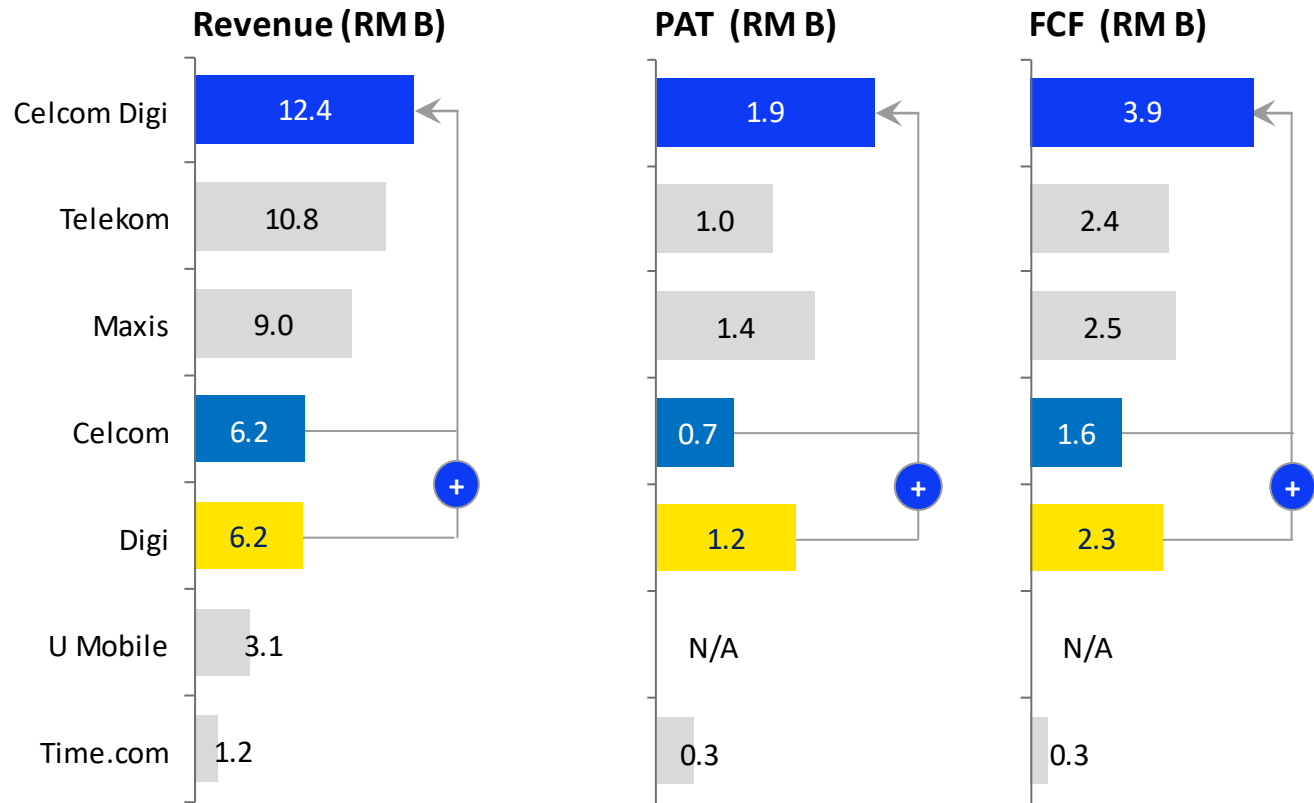
- Better spectrum efficiency & CAPEX synergy to improve 4G quality of service while transitioning to 5G (4G to remain as the main technology in the next 5 years)
  - Jointly mitigate stress on 4G network before 5G takeoff
- Greater scale to accelerate 5G penetration in Consumer segment
  - Steeper ramp-up of affordable 5G devices & 5G usage
  - Greater capacity uptake for 5G network
  - Joint-innovation of 5G features, e.g., augmented reality, virtual reality, cloud gaming
  - Stronger position for partnership with content owners
- Greater resources to innovate in the SME & Enterprise segments
  - Greater scale to invest in new capabilities
  - Stronger position to partner with global vendors
  - Joint investment in system integration to deploy smart solutions



## Commercially stronger and more resilient

With pro-forma revenue ~RM12.4bn, PAT ~RM1.9bn and FCF ~RM3.9bn, Celcom Digi Berhad will be a credible alternative for converged service provider.

### Financials<sup>1</sup>



- **No clear market leader** Healthy market competition remains
- **Celcom Digi Berhad will bring a credible converged player in the market** – increasing consumer choice for digital needs
- **Scale** would increase ability to invest in network quality in face of growing demand
- **Celcom Digi Berhad will promote quality competition** through higher quality services & continuing to host current and future MVNOs to offer choice
- **Brands to continue** post merger – consumers will continue to have choice

1. 2020 Company financials. U Mobile data as of 2019 where available

## Restore long term sustainability to the industry

Telecommunications industry faces long term structural headwinds with slower growth and lower profits, while the need to invest will increase with data demand and new technologies.

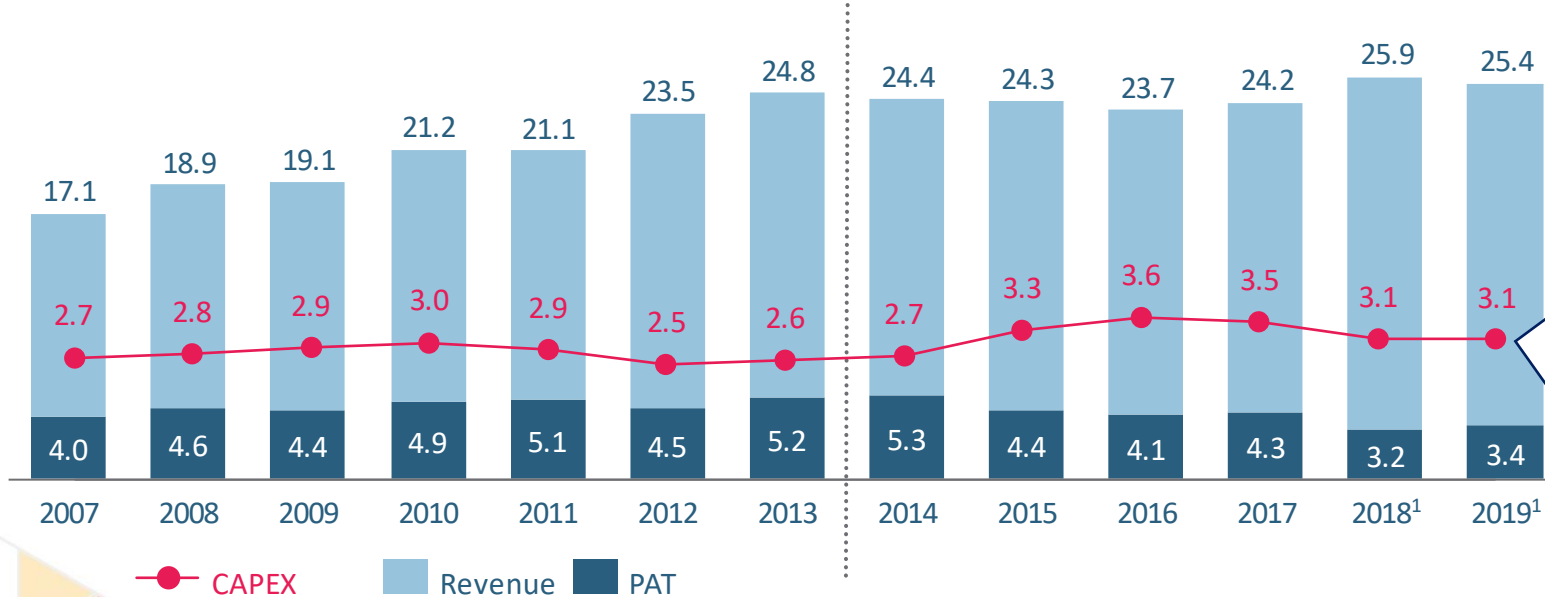
Between 2007 and 2013...

Mobile Industry CAGR	Rev: +6.3%	PAT: +4.4%
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But from 2014 till 2019...

Mobile Industry CAGR	Rev: 0.4%	PAT: (6.7%)
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**Capex requirements will continue to increase in the future**

- Data traffic *has DOUBLED* every year pre-COVID – Expect to accelerate even faster in *New Norm*.
- JENDELA estimated to cost around RM 21B, with ~60% from industry.
- 5G and 4IR will intensify digitalization and will require significant investments.
- New use cases & solutions require extensive R&D and new capabilities – *Celcom Digi Berhad will create a world class Innovation Centre to enable MyDigital aspirations.*

**Celcom Digi Berhad will help restore long term sustainability and capacity to the communications industry**

1. 2018 and 2019 figures based on post-MFRS. Note: Industry revenue & PAT are based on top 4 players i.e., Celcom, Maxis, Digi & U Mobile; industry capex is based on top-3 players (Celcom, Maxis, Digi)  
Source: Company disclosures, Capital IQ, MCMC, press

## Deriving significant value creation from synergy realisation

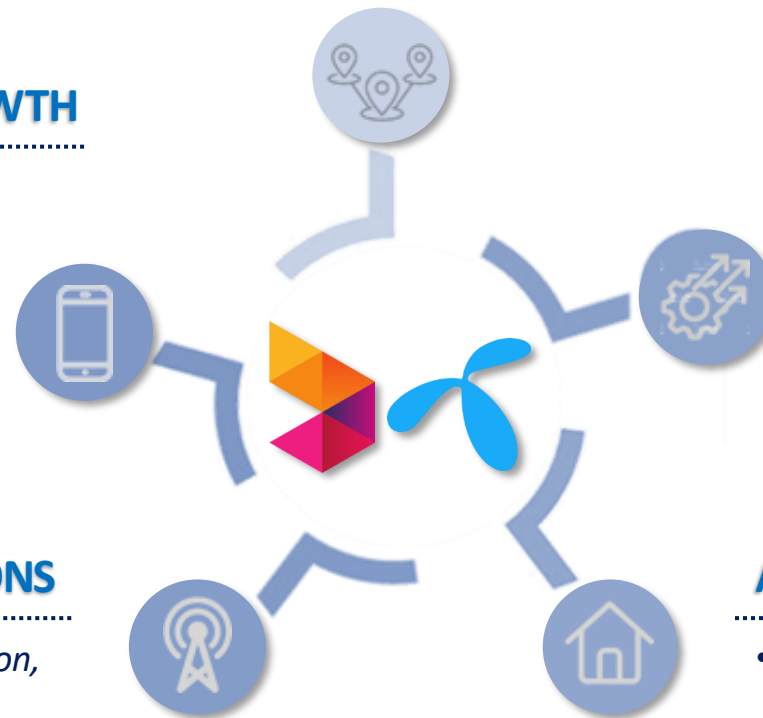
Via strengthening core distribution, driving operational excellence, accelerating home/convergence play, re-engineering network operations and reigniting mobile revenue growth.

### STRENGTHENING CORE DISTRIBUTION

Opportunity for **reduction in distribution cost**  
(e.g. overlapping store location, etc.)

### REIGNITING MOBILE REVENUE GROWTH

- **Dual brand strategy** – effectively target different segments (cross- / up-sell)
- **Improved cost structure** to allow for better product pricing



### DRIVING OPERATIONAL EXCELLENCE

- Capitalizing on Axiata's & Telenor's processes to **accelerate operational efficiency & digitization**
- **Opex savings** from integrating business operations (IT, sales & marketing, etc.)

### RE-ENGINEERING NETWORK OPERATIONS

- Provide **best in class network** (reducing duplication, improved network operations)
- **Extracting procurement synergies**, leveraging on Axiata's & Telenor's scale & capabilities

### ACCELERATING HOME / CONVERGENCE PLAY

- Leverage on improved financial capabilities to **aggressively grow the segment.**

## Multiple benefits for the broader Malaysian economy

Reduced imports through network purchase efficiencies, larger platform for local talent and vendors, and ability to attract foreign fund inflows as the largest “Tech” stock, and potentially Top 5 in Bursa Malaysia.

### Reduced imports via limiting spending on foreign components

**Reduction in amount of network related CAPEX spend** – primarily on foreign suppliers (Huawei, Ericsson, ZTE etc.)

**Better terms and scale effects in procurement** of network related purchases

**Translates to improved tax contribution through better profitability**

### The largest "Tech" stock, and amongst the Top 5 in Bursa Malaysia

Celcom Digi Berhad will invite significant foreign investor interest, and have potential for further market re-rating given market leadership

### Platform for local talent, supplier and startup community

**Talent factory for local** management and digital talent

- Main "Applied University" in Malaysia

Supporting **local distributors and suppliers**

- Vendor Development Programme (“VDP”) will continue and potentially with larger volume

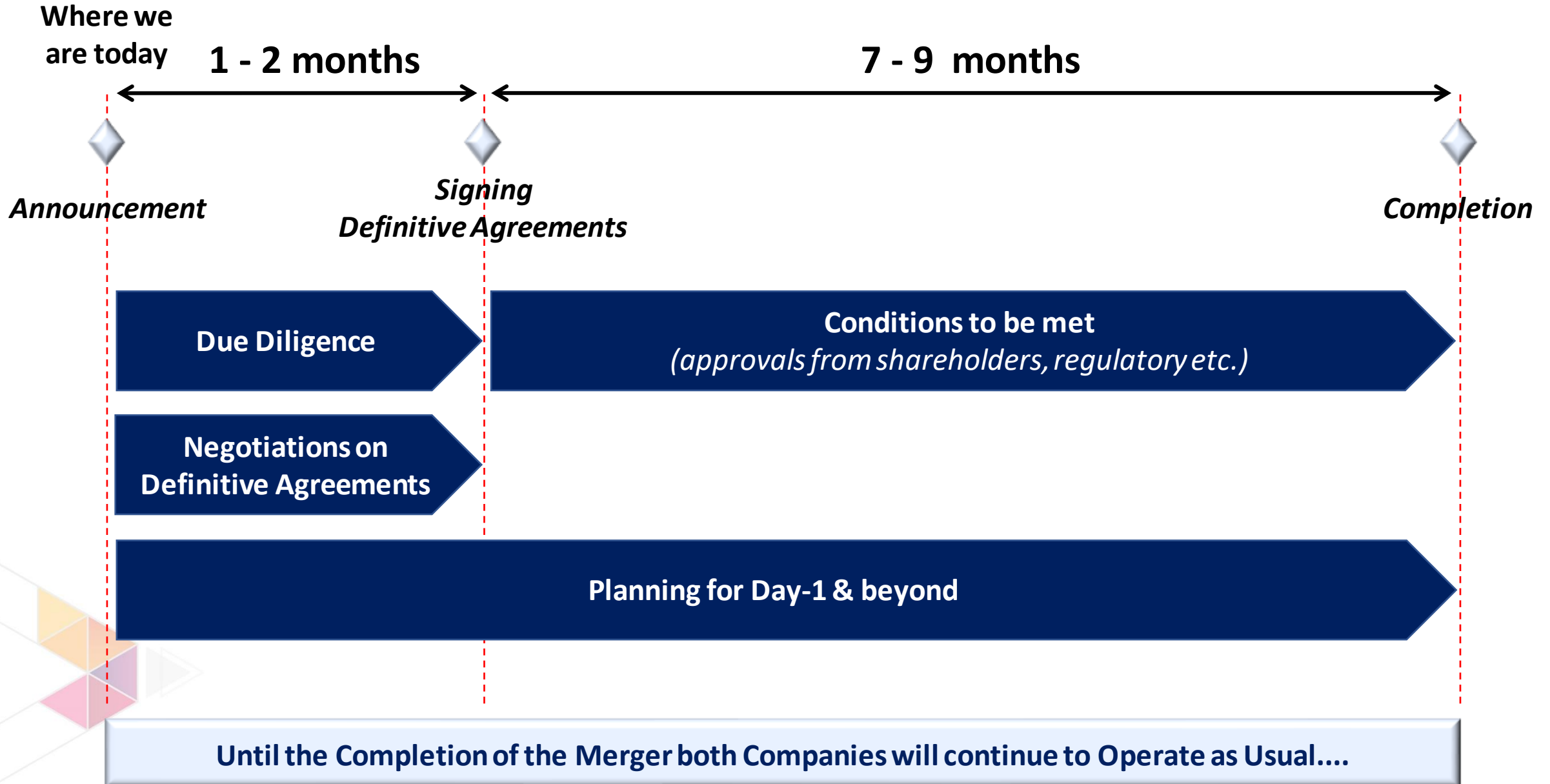
Driving growth in the local startup and venture capital ecosystem

- Malaysian Digital Entrepreneurs Fund (ADIF) will continue and expand
- Partnerships with local startups in areas such as data analytics, digital advertising and IoT related services



# What is next?

## Expected timeline to completion



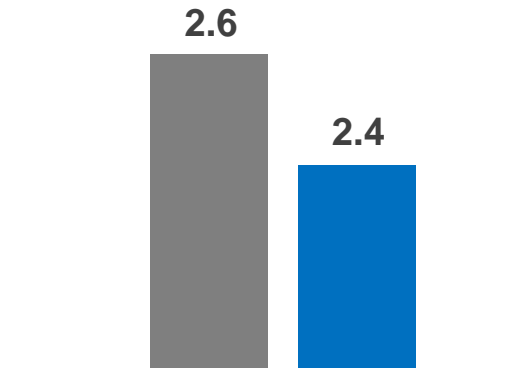
# Axiata: Proforma 2020 to illustrate impact of proposed merger, pre-synergies

De-consolidation of Celcom lowers Axiata's proforma 2020 N.PATAMI; however gross debt/EBITDA ratio improves ~20bps to 2.4x, providing headroom for investment opportunities ahead.

Norm PATAMI (RMbn)



Gross debt/EBITDA<sup>1</sup> (x)

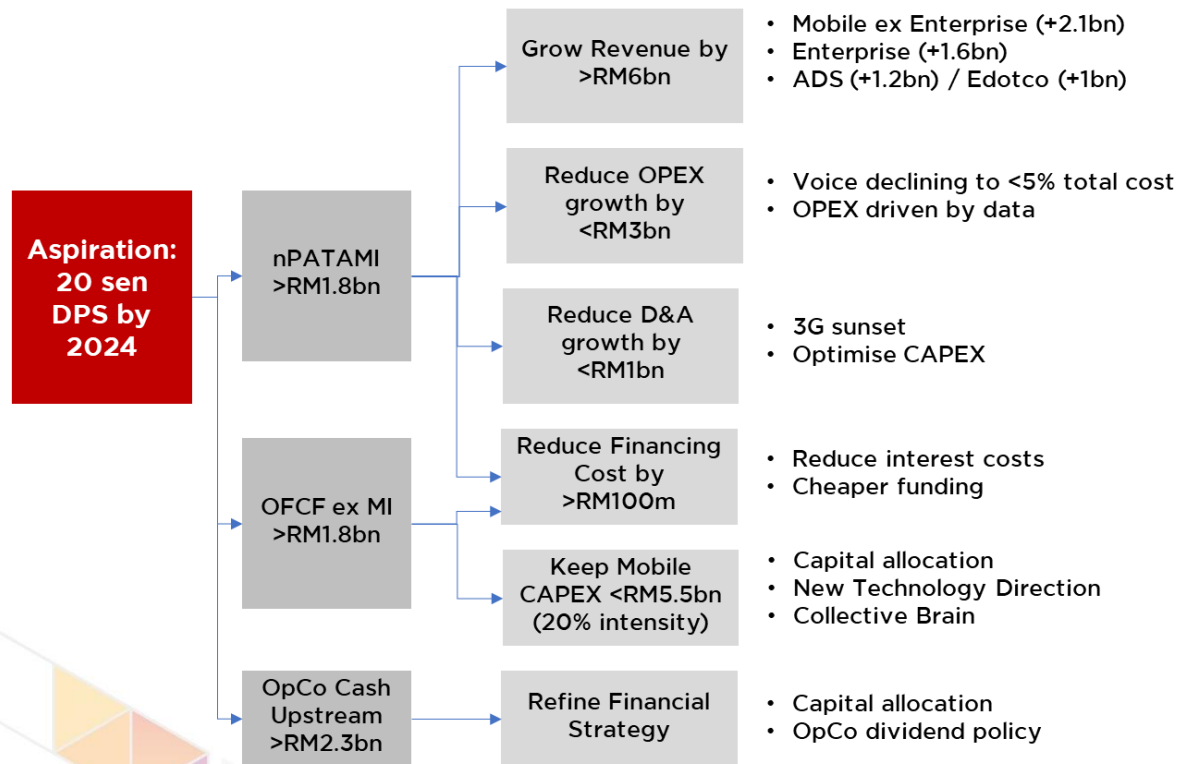


■ 2020 ■ 2020 Proforma

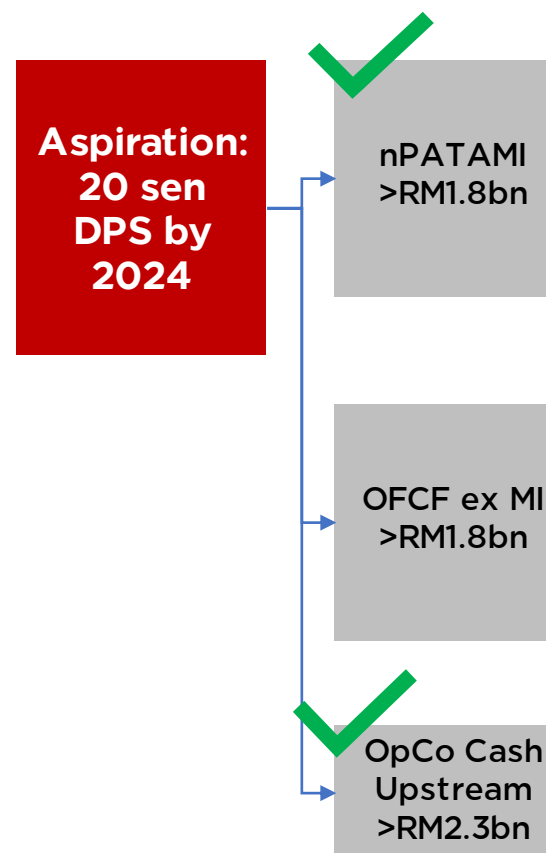
# Axiata: Financial impact from proposed merger, pre-synergies

De-consolidation of Celcom will not derail Axiata's 2024 aspiration of 'Normalised PATAMI >RM1.8bn' and 'OpCo cash upstream >RM2.3bn'.

## Pre Proposed Merger (Recap from Axiata Analyst & Investor Day 2020)

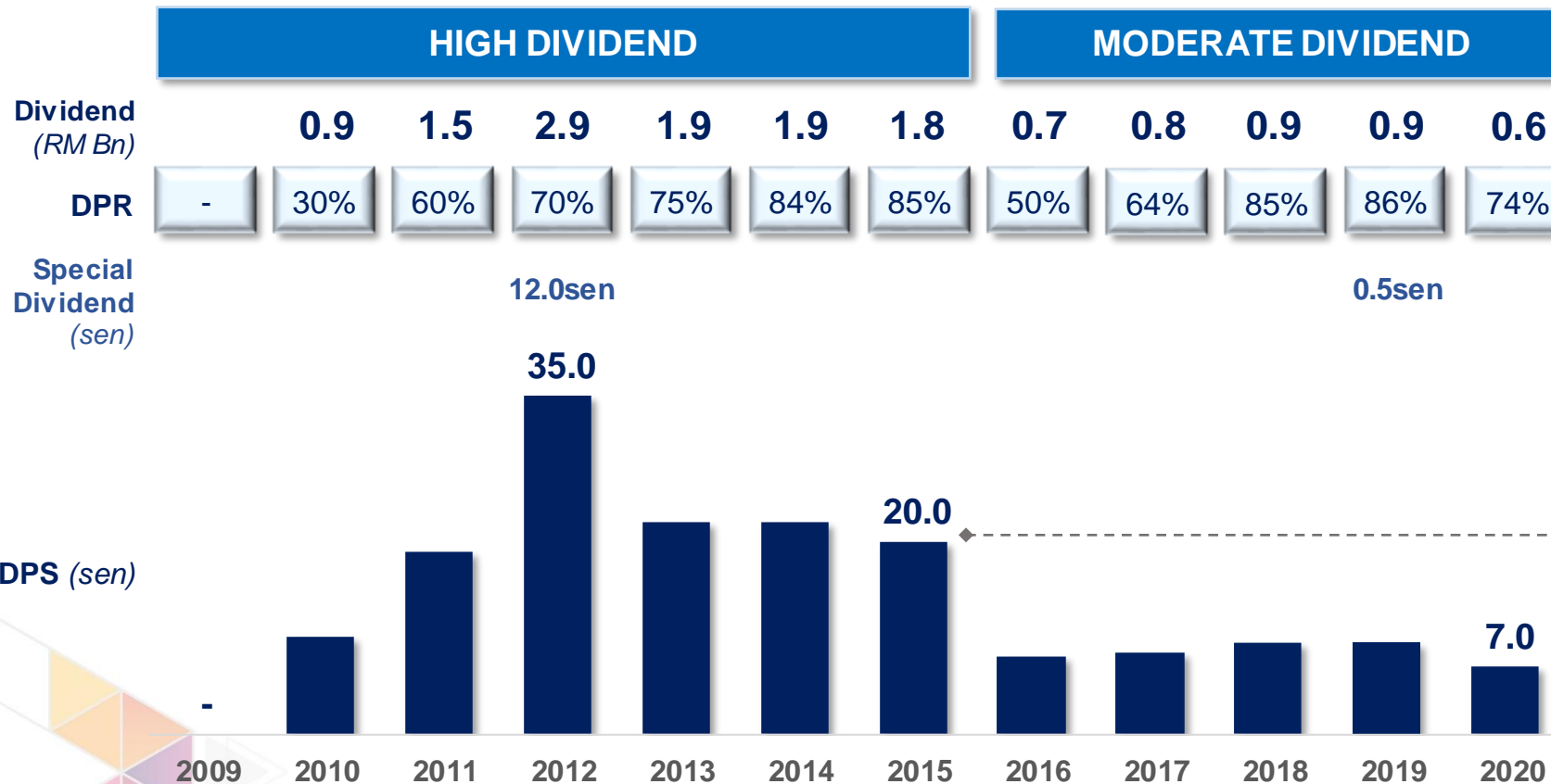


## Post Proposed Merger

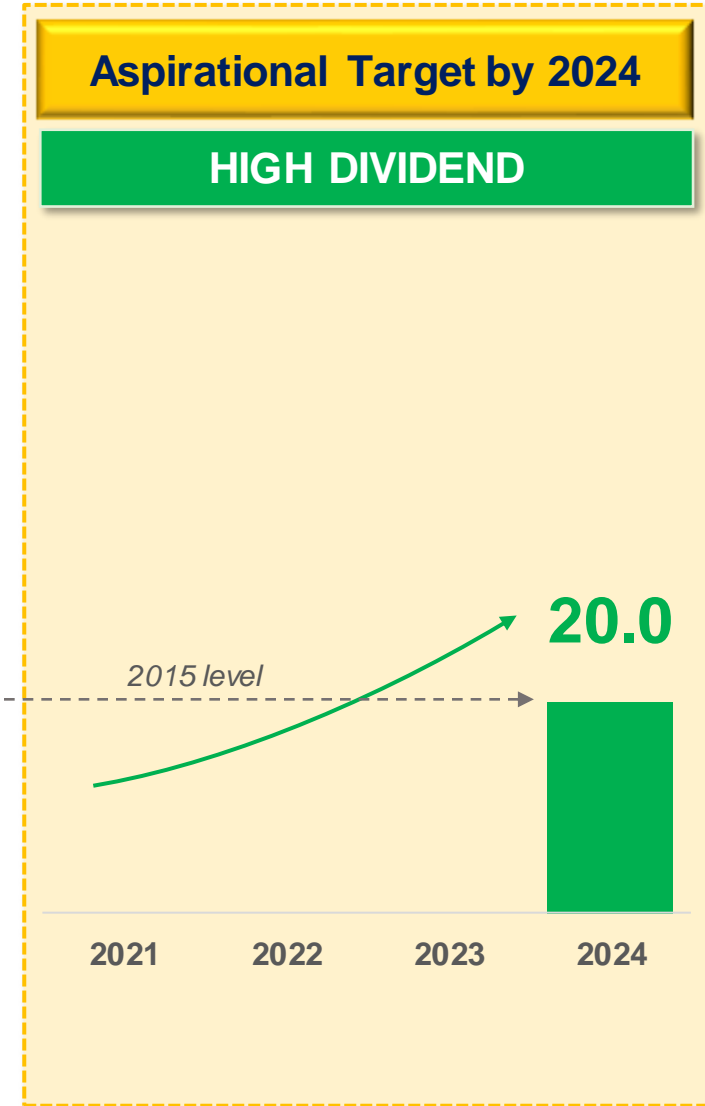


# Conclusion

Proposed merger is in line with Axiata's investor proposition as a "High Dividend" company with a dividend per share target of >20sen by 2024.



**Total Dividend Declared: RM14.8 billion (including special dividend)**





# IMPORTANT NOTICE

There is no certainty that these discussions will result in any binding agreement or obligations on the Parties to proceed with any acquisition, merger or divestment.

While several issues and matters have yet to be determined and agreed upon, given the mutual due diligence to be undertaken shortly, Axiata has opted for an early voluntary disclosure to provide transparency to our shareholders as discussions progress.

# Thank You

[www.axiata.com](http://www.axiata.com)

Axiata Group Berhad