

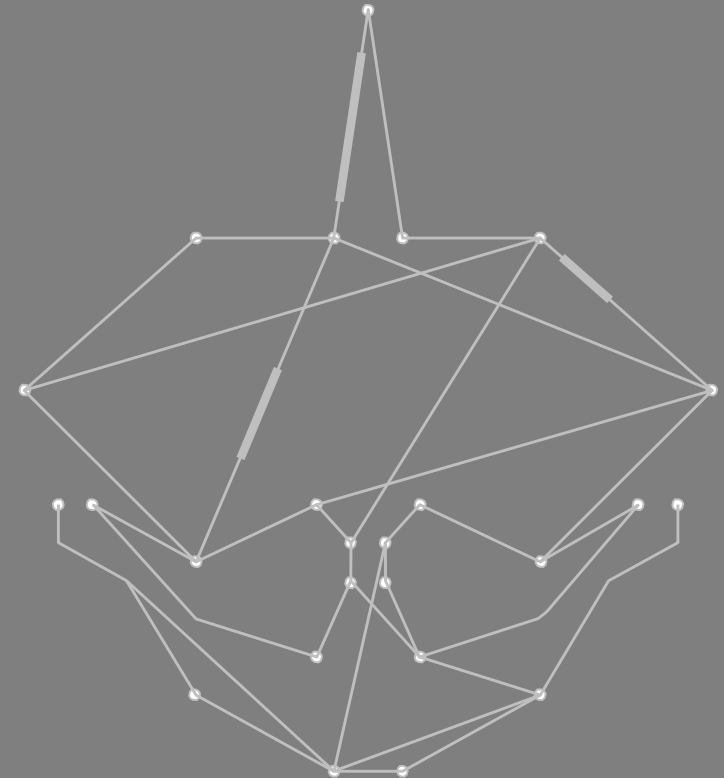
# Axiata Group Berhad

## 2Q 2018 Results

24 August 2018

*Tan Sri Jamaludin Ibrahim, President & Group CEO*

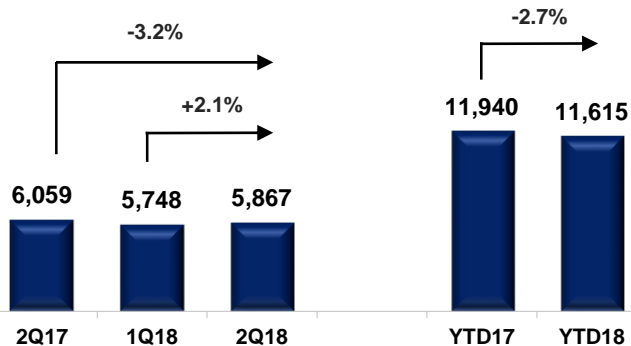
*Vivek Sood, Group CFO*



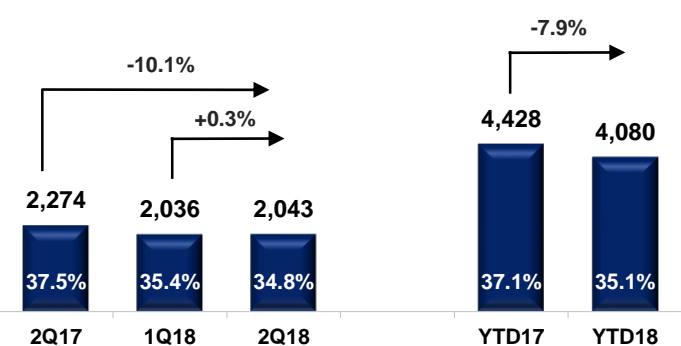
- ❖ **Idea at final stages of regulatory approval for the Vodafone-Idea merger, to become the largest telco in India, and one of the largest in the world.**
- ❖ **All opcos outperformed their respective markets, with three performing best in the industry.**
- ❖ **Validation of one of three ADS core verticals, with Sumitomo Corp. investment of USD20m in ADA (analytics.data.advertising), implying valuation of USD109m.**
- ❖ **Dividend commitment for FY18: back to FY15 level of 85% DPR.**
- ❖ **Significant disparity between reported financials and underlying performance.**



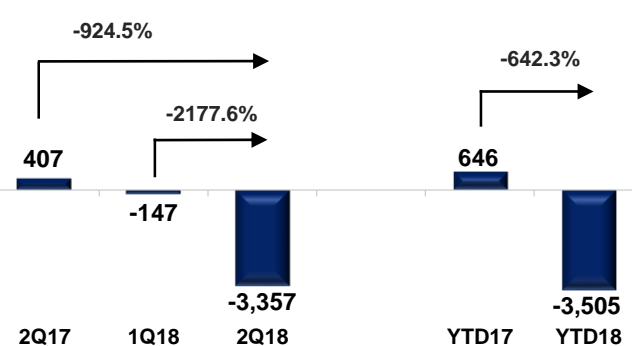
## Revenue (RMm)



## EBITDA (RMm) & Margin (%)



## PATAMI (RMm)



However, YTD18 reported financials has been affected by Idea-related transactions (ie technical impairment RM3,380m, loss on dilution RM358m and operational losses RM95m), ~10% forex translation and forex gain/loss impact, MFRS 15 & 9, and other one-off items.

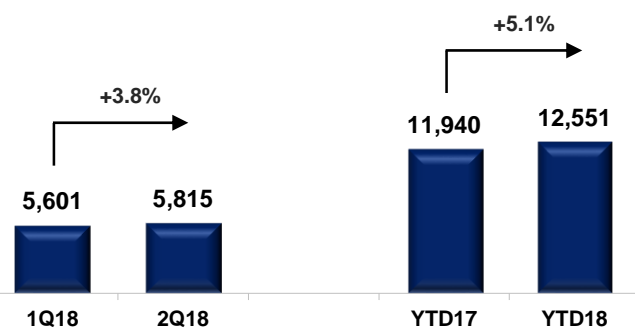




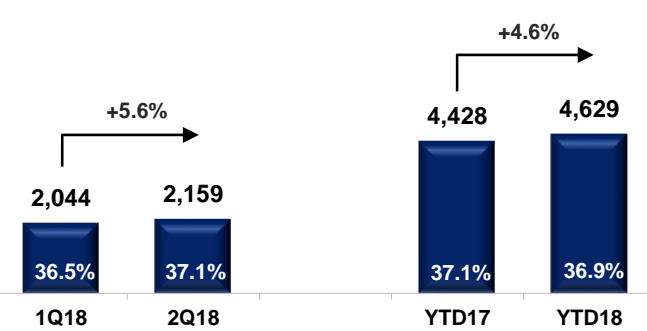
# Executive summary: Underlying performance\*

Good QoQ and YTD revenue and EBITDA growth; normalized PATAMI impacted by digital investments, higher D&A and tax credit in previous year.

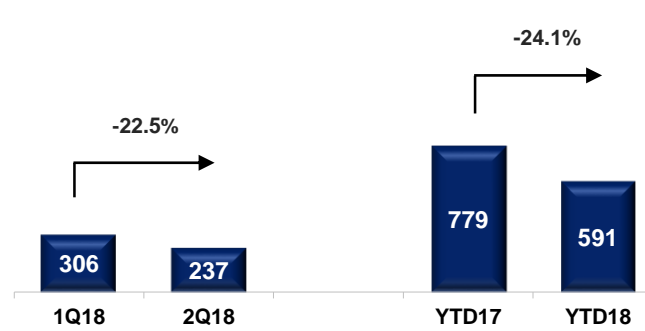
Revenue (RMm)



EBITDA (RMm) & Margin (%)



Normalised PATAMI (RMm)

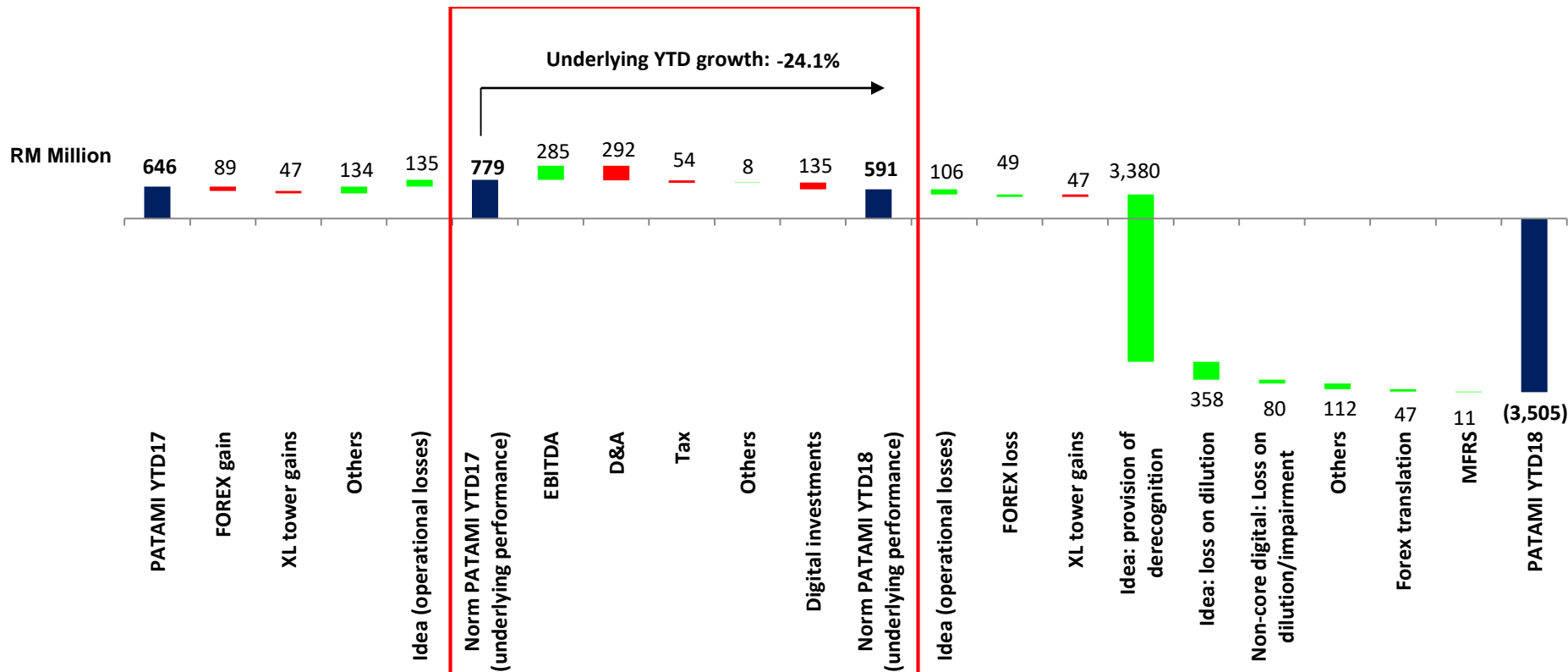


- ❖ Improved YTD18 underlying performance from all opcos, with revenue market share gains for all opcos; with Celcom, XL and Dialog performed best in industry on QoQ and YTD.
- ❖ Digital investments lifted YTD18 revenue growth by 0.3% pts, but diluted EBITDA growth by 1.7% pts.
- ❖ YTD18 normalised PATAMI -24.1% is boosted by improved EBITDA (+RM285m), offset by digital investments (-RM135m), higher D&A (-RM292m) and tax credit in previous years (-RM54m).
- ❖ Cost optimisation programme on track to deliver target of RM1.4bn for 2018 with 1H18 achievement of RM800m.
- ❖ Balance sheet remains healthy with gross debt/EBITDA of 2.29x in 2Q18 (forex adjusted is 2.07x). In line with internal guidelines, ~50% of debt in USD debt, off which ~50% is hedged; and 67% of debt is on fixed rate.
- ❖ Provision on de-recognition of Idea from associate to simple investment of RM3.4bn in 2Q18 arising from Vodafone-Idea merger; from 16<sup>th</sup> August 2018, cease equity accounting of Idea.
- ❖ Axiata Digital secures USD20m funding for its digital advertising business, from new strategic partner Sumitomo Corp.
- ❖ Mitsui exercises call option of 10% on Smart at USD92.4m, taking their stake to 20%.
- ❖ Long stop date for completion of Deodar has been extended to 14<sup>th</sup> September 2018.
- ❖ Declared 5sen interim dividend, translating into 86% DPR.

Note: \* Pre-MFRS at constant currency, ex-Idea (discontinuing operation)

# Underlying performance normalised PATAMI : YTD Jun'17 → YTD Jun'18

Normalised PATAMI impacted by digital investments, higher D&A and tax credit in previous year.



Underlying YTD growth: -24.1%

Norm PATAMI (underlying performance)	YTD17
Celcom	407
XL	(27)
Dialog	111
Robi	(29)
Smart	158
Ncell	314
Others	(155)
<b>GROUP</b>	<b>779</b>

YTD Growth Rates

Norm PATAMI (underlying performance)	YTD18
Celcom	344
XL	(59)
Dialog	156
Robi	(68)
Smart	112
Ncell	311
Others	(205)
<b>GROUP</b>	<b>591</b>

# Key Group highlights (1/6)

**CELCOM: Good execution on its strategy to focus on high-value customers, as Celcom delivers ARPU increase and subscriber growth.**



- On QoQ basis, service revenue and total revenue growth of 3.0% and 2.8% respectively, which are ahead of industry largely driven by solid prepaid growth momentum.
- QoQ EBITDA growth of 6.8% largely due to lower direct expenses.
- YTD18 revenue, EBITDA and PATAMI growth was 3.6%, -1.7% and -37.8%, respectively. EBITDA impacted by change in revenue mix and higher staff cost; PATAMI decline was impacted by higher D&A charges in 1H18, and gain on disposal of 11st in 2Q17.
- Second consecutive quarter of positive net addition, pushed by improved sales distribution and simplified product offerings.
- Celcom continues to focus on high value customers (HVC) as 2Q18 ARPUs improved YoY for both postpaid (+RM5 to RM87) and prepaid (+RM4 to RM35).
- In 2Q18, 4G and 4G LTE-A population coverage are at 89% and 76%, respectively.
- Ongoing cost takeout and rationalisation of spends.



## Key Group highlights (2/6)

**XL: Positive revenue growth and gained further traction in data in 1H18, amidst challenging market dynamics and prepaid SIM registration.**



- **XL continues to benefit from its Transformation Strategy, as it delivers revenue growth ahead of industry driven by a strong data-led product proposition through its dual brand strategy, supported by continuous network investment.**
- **YTD18 revenue and EBITDA growth was 1.1% and 1.7%, respectively, both outperforming the industry; normalised PAT slipped into losses due to higher D&A charges from its 4G network expansion.**
- **YTD18 data revenue grew 20% YoY, accounting for 73% of XL's service revenue, the highest in the market. Smartphone penetration rose 10% pts YoY to 77% as XL continues to attract data-savvy customers.**
- **In the recent SIM registration process, XL achieved the highest percentage of registered SIM of ~97%.**
- **4G network now covers 380 cities, with ~25k 4G BTS stations (+4,496 in 2Q18); >50% of capex is allocated to ex-Java strategy.**



## Key Group highlights (3/6)

**DIALOG:** Market leader continues to gain revenue market share and reports double digit YTD growth.  
**ROBI:** 4G drives service revenue growth; bottomline impacted by higher finance cost.



- Strong YTD18 performance with revenue, EBITDA and PAT growth at 16.1%, 25.8% and 41.2%, respectively, driven by growth across all key business segments.
- YTD18 revenue growth for mobile, fixed and pay-TV operations at 15.8%, 24.5% and 5.6%, respectively.
- Mobile and home broadband segments continue to capture market share.
- Data revenue accounted for 34% of YTD18 mobile revenue (vs. 30% in YTD17); 2Q18 smartphone penetration rose by 6% pts YoY to 55%.



- YTD18 revenue and EBITDA growth was 2.0% and 39.0%, respectively; YTD18 losses widened to BDT2.2bn (vs proforma BDT0.8bn in YTD17), due to higher finance cost in YTD18, and recognition of tax credit and gain on disposal of edotco in YTD17.
- YTD18 service revenue grew by 9.4% driven by 4G; YTD18 service revenue market share recorded at 27.9% (+1.9% pts).
- YTD18 data revenue grew by 35.6%, accounting for 24% of total revenue (vs. 18% in YTD17).
- 4G rollout ahead of competition, achieving >6,000 4G sites to-date.



## Key Group highlights (4/6)

**NCELL:** Good performance with strong growth in data and EBITDA margin maintained at 63.0%.

**SMART:** Improved QoQ results as price war stabilises.



- Ncell's consolidated (ie mobile + ILD) YTD18 revenue, EBITDA and PAT growth was 4.9%, 0.5% and -14.8%, respectively; PAT decline largely due to one-off prior year tax assessment and provision of asset impairment in 1H18.
- YTD18 mobile revenue and EBITDA grew 12.3% and 10.2% respectively.
- YTD18 data revenue grew by 34.2%, accounting for 22% of total revenue; smartphone penetration rate rose to 58% (+11% pts YoY) and 47.3% of Ncell subscribers are data subscribers.
- As expected ILD usage continues its downtrend, translating into ILD revenue decline of 13.8% YTD. Nonetheless Ncell maintains overall EBITDA margins of 63.0% in 1H18.



- On QoQ basis, Smart's revenue grew 11.5% as price war stabilises.
- Smart's YTD18 revenue, EBITDA and PAT growth was 0.1%, -4.4% and -16.0%, respectively; EBITDA and PAT impacted by increased regulatory charges.
- YTD18 data revenue grew by 20.2%, as data accounted for 57.5% of Smart's total revenue.
- Mitsui exercises call option of 10% on Smart at USD92.4m, taking their stake to 20%.

# Key Group highlights (5/6): Business units

edotco: Continued strong operational performance across the group.

ADS & ABS: Continue to build momentum for Boost; ADA secures USD20m funding.



- For YTD18, edotco accounts for 7.4% and 7.7% of group revenue and EBITDA, respectively.
- edotco's YTD18 revenue, EBITDA and PAT growth was 12.2%, -8.2% and -8.6%, respectively, largely due to forex translation impact.
- On constant currency, edotco's YTD18 revenue, EBITDA and PAT growth was 20.1%, 1.5% and -13.0%, respectively; EBITDA was impacted by non-operational, one-off items for the quarter. As at 2Q18, edotco owns 17.3k towers (+11.1% YoY), and manages 11.2k sites (+4.1% YoY).
- 2Q18 tenancy ratio rose to 1.59x (vs 1.47x in 2Q17).
- Long stop date for completion of Deodar has been extended to 14<sup>th</sup> September 2018.

**AXIATA  
DIGITAL**

**PAND**  
an axiata company

- Boost grows user and merchant base to 2.9m and ~35k respectively
- ADA (analytics.data.advertising) secures USD20m funding for digital advertising business from new strategic partner Sumitomo Corp.
- Non-core digital business: Rationalisation of non-core portfolio of RM80m, 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): Associates and joint ventures

Positive 2Q18 contribution from Idea as it recognises tower sale gain; stable contribution from M1.



India

- For 1QFY19, Idea reported YoY revenue, EBITDA and consolidated PAT growth of -27.9%, -64.8% and >100%, respectively. For Axiata's YTD18, Idea contributed a loss of RM95m (vs loss of RM135m in YTD17) to the group.
- Provision on de-recognition of Idea from associate to simple investment of RM3.4bn in 2Q18 arising from Vodafone-Idea merger.



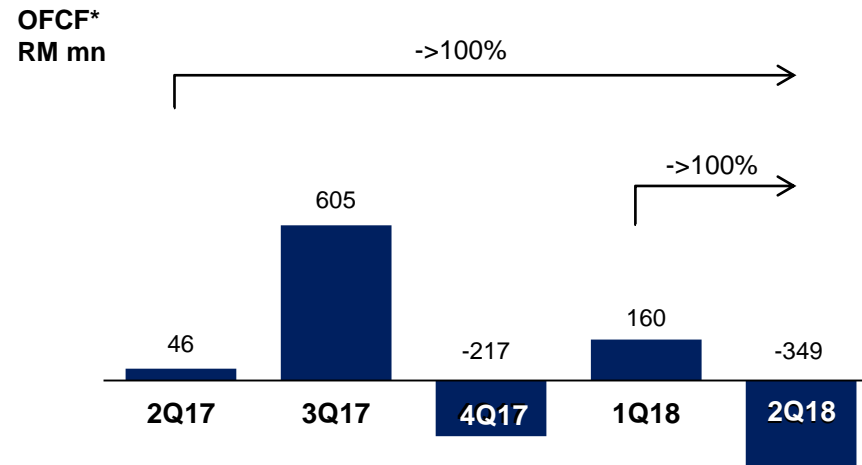
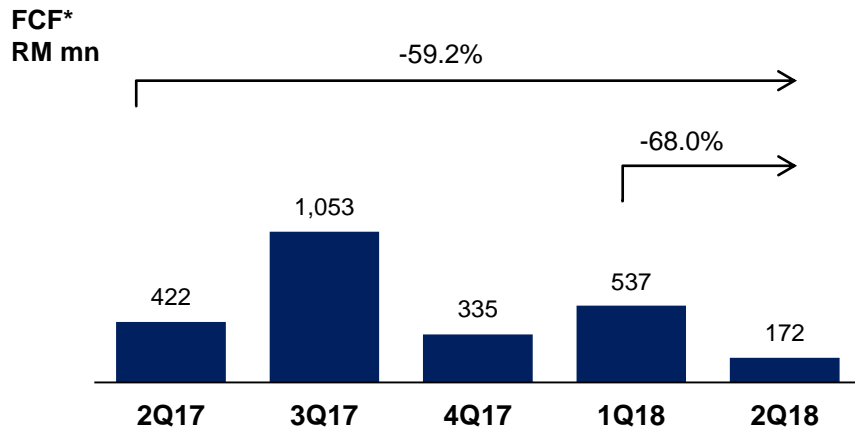
Singapore

- M1 reported YTD18 revenue, EBITDA and PAT growth of 1.1%, -0.5% and 0.7%, respectively. For Axiata's YTD18, M1 contributed a profit of RM60m to the group, similar to YTD17 contribution.

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

# Capital expenditure

Lower QoQ FCF and OFCF driven by capex investment for data leadership strategy.



Capex (RM mn)	YTD17	YTD18
Celcom	377	496
XL	1,202	1,360
Dialog	310	328
Robi	448	500
Smart	127	122
Ncell	221	44
Others	213	343
<b>Total</b>	<b>2,898</b>	<b>3,193</b>
<b>Capex intensity</b>	<b>24%</b>	<b>27%</b>

Note:

Numbers may not add up due to rounding

FCF=EBITDA-Capex

OCF= EBITDA- Capex- Net Interest-Tax

\* Includes spectrum fees in 2Q17/3Q17/4Q17/1Q18/2Q18 amounting to RM28.0m/RM6.3m/RM40.7m/RM171.2m/RM6.3m respectively

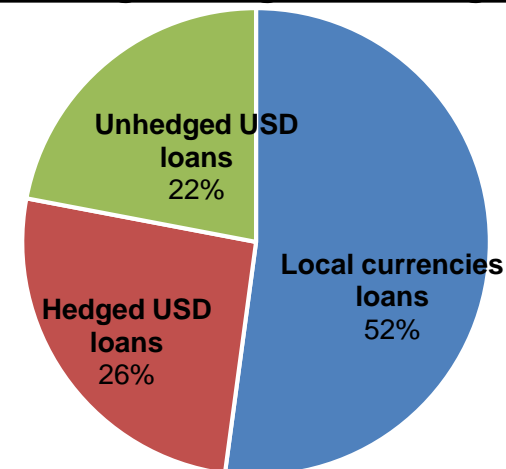
# Group statements of financial position

Healthy balance sheet with gross debt/EBITDA at 2.29x. In line with internal guidelines, ~50% of debt in USD, off which ~50% is hedged; and 67% of debt is on fixed rate.

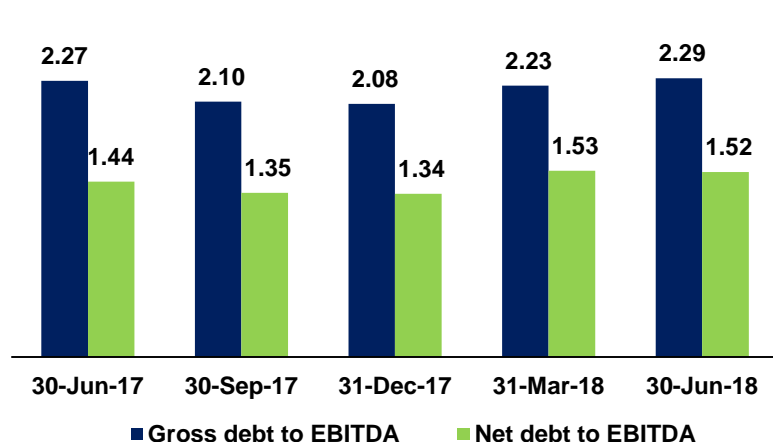
## Group borrowings – by currency

In million	Loan Currency	USD	Local	Total (RM)
Hold co & Non OpCo	USD	1,557		6,289
	<b>Sub-total</b>	<b>1,557</b>		<b>6,289</b>
OpCos	USD	657		2,741
	RM		5,049	5,049
	IDR		8,981,974	2,533
	BDT		33,885	1,631
	SLR		15,849	404
	PKR		744	25
	<b>Sub-Total</b>	<b>657</b>		<b>12,383</b>
	<b>Total Group</b>	<b>2,214</b>		<b>18,672</b>

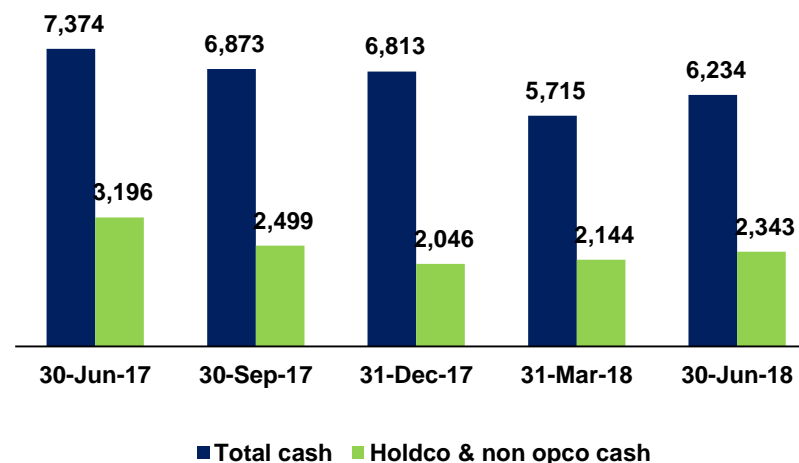
## Group borrowings - hedged / unhedged loans



## Gross and net debt/EBITDA (x)



## Cash (RM million)



# FY18 headline KPIs

Delay in completion for Deodar acquisition and non-cash technical impairment of Idea will impact FY18 headline KPIs.

	FY18 Headline KPIs (based on Bloomberg* estimate for 2018 forex)	Guidance	FY18 Headline KPIs (based on constant currency)	FY18 Headline KPIs ex-Deodar (based on constant currency)	Guidance
<b>Revenue growth</b>	Flat	<b>Below</b>	6.3%	2.8%	<b>In line</b>
<b>EBITDA growth</b>	Flat	<b>Below</b>	5.8%	1.7%	<b>Below</b>
<b>ROIC</b>	4.8-5.2%	<b>In line</b>	5.0-5.5%	5.0-5.5%	<b>Below</b>
<b>ROCE</b>	4.1-4.6%	<b>In line</b>	4.5-5.0%	4.3-4.8%	<b>In line</b>
<b>Capex **</b>	RM6.9bn	<b>RM6.7bn</b>	RM7.4bn	RM7.2bn	<b>RM7.0bn</b>

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 amortization
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

## **Key opportunities:**

- ❖ Improved competitive landscape in Indonesia and Cambodia.
- ❖ Growth momentum in Sri Lanka and Nepal.

## **Key risks:**

- ❖ Currency and interest rate volatility especially in Sri Lanka, Bangladesh and Indonesia.
- ❖ Regulatory uncertainty in Malaysia ie SST.
- ❖ Weak enforcement of prepaid SIM registration in Indonesia.
- ❖ Rationalisation of non-core digital portfolio.



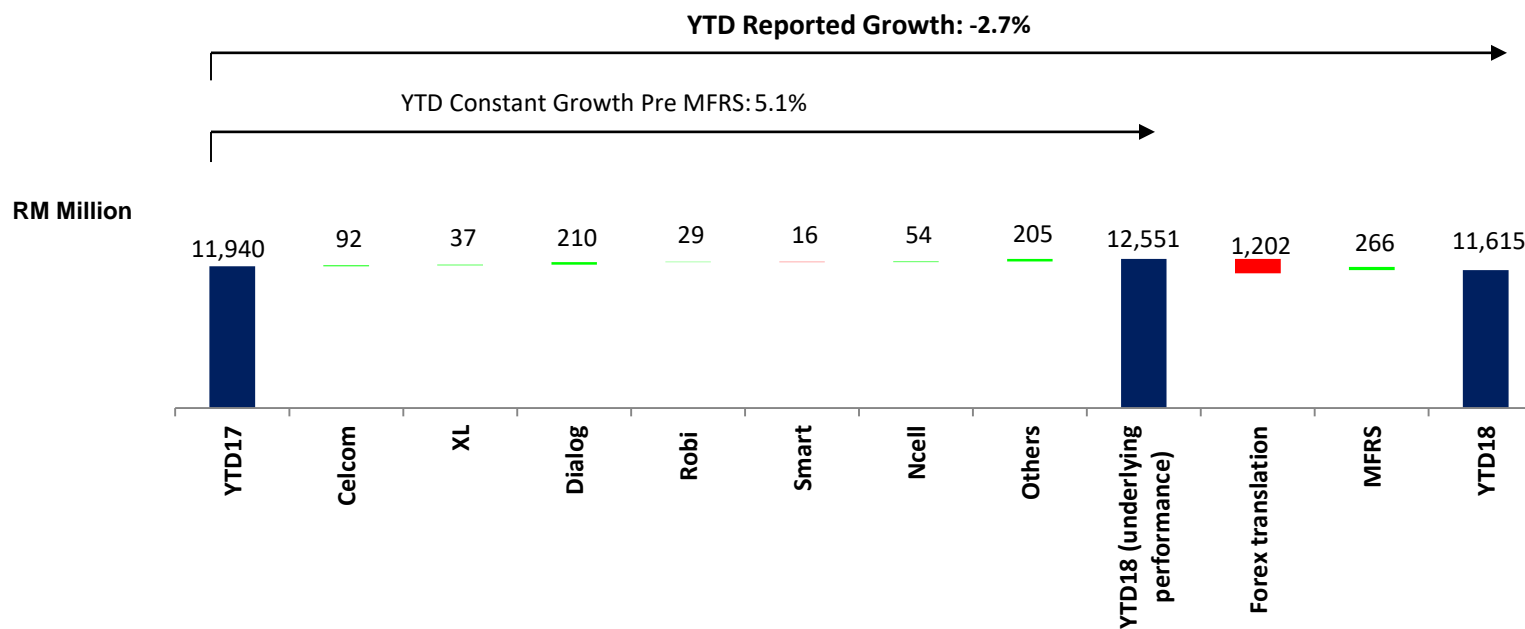
# Appendix





# Group revenue: YTD17 → YTD18

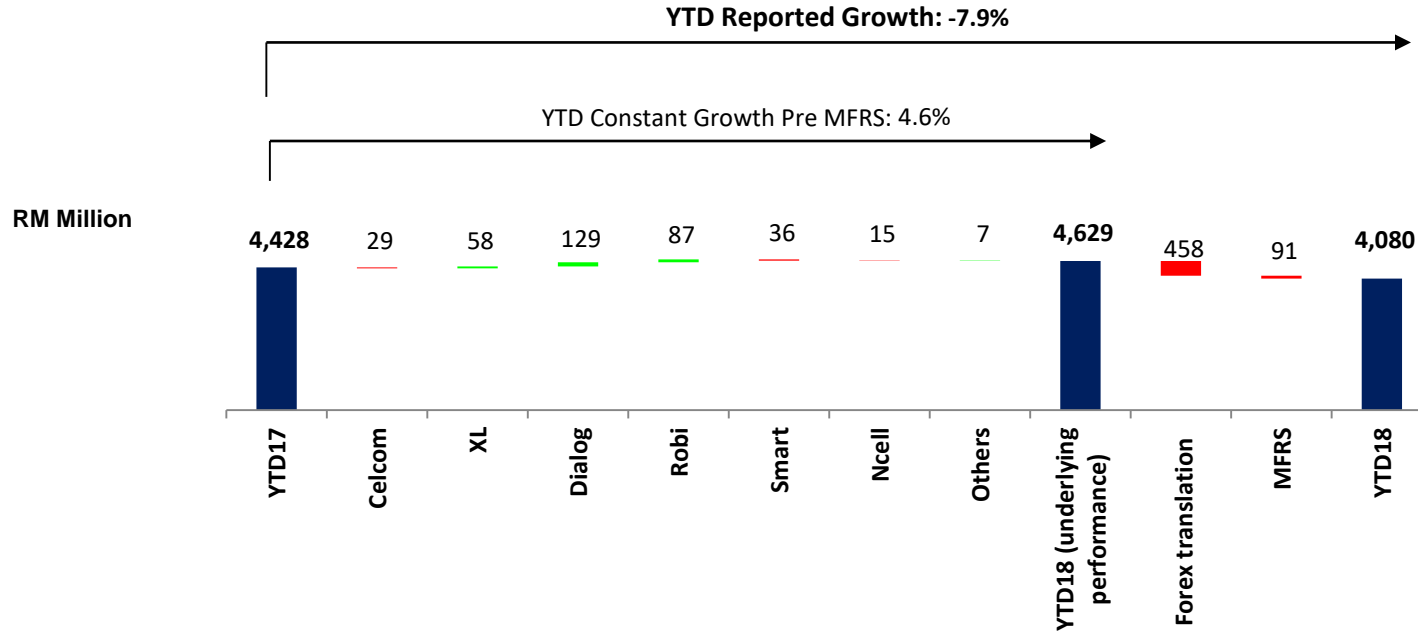
YTD18 revenue decline of 2.7% mainly due to forex translation impact, offsetting good underlying performance from all OpCos except Smart.



Revenue	YTD17	YTD Growth Rates		Revenue (underlying performance)	YTD18
Celcom	3,226	+92	2.9%	Celcom	3,318
XL	3,597	+37	1.0%	XL	3,634
Dialog	1,307	+210	16.0%	Dialog	1,517
Robi	1,776	+29	1.7%	Robi	1,805
Smart	615	-16	-2.7%	Smart	599
Ncell	1,175	+54	4.6%	Ncell	1,229
Others	244	+205	84.0%	Others	449
<b>GROUP</b>	<b>11,940</b>	<b>+611</b>	<b>5.1%</b>	<b>GROUP</b>	<b>12,551</b>

# Group EBITDA: YTD17 → YTD18

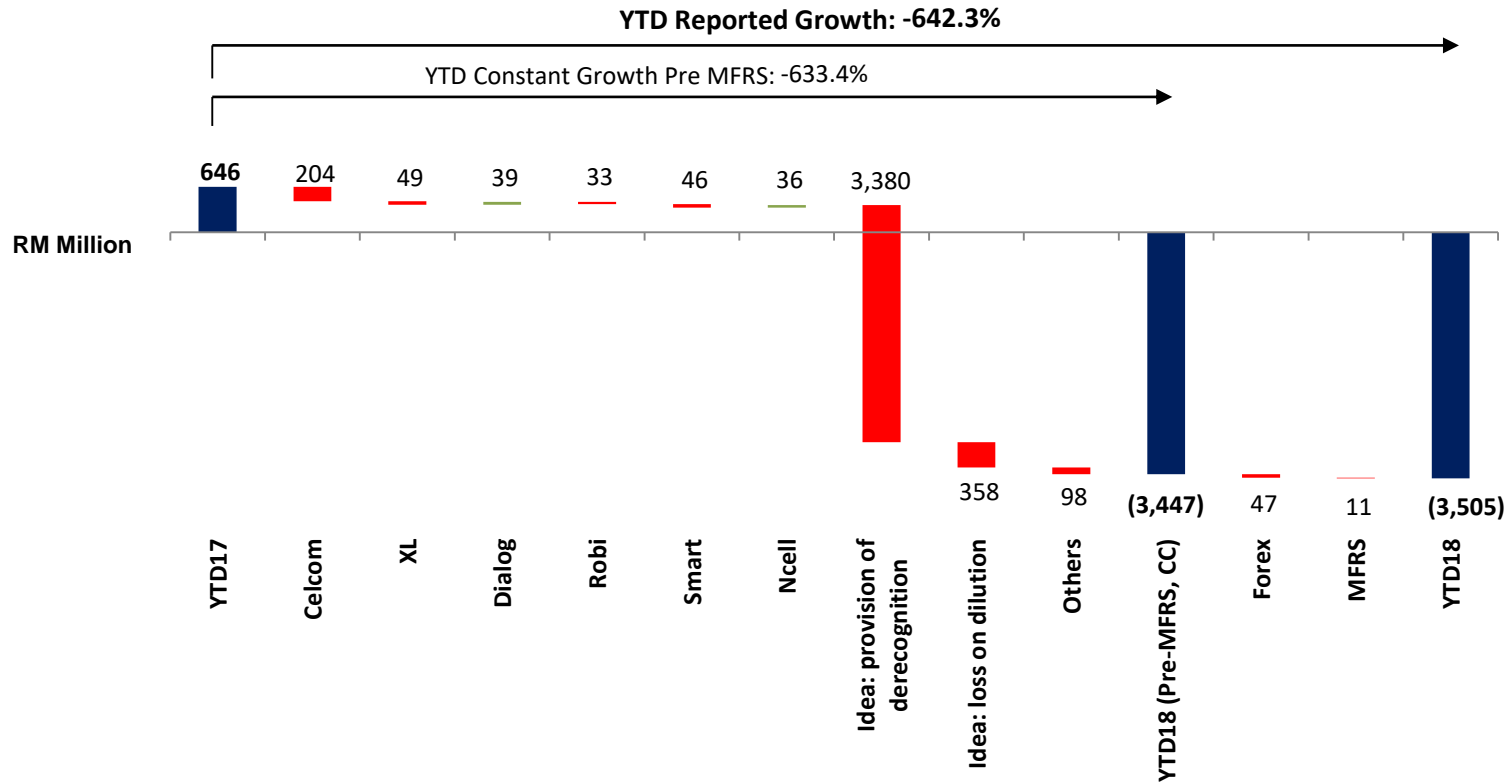
YTD18 EBITDA declined by 7.9% due to forex translation, MFRS, digital investments, and lower contribution from Smart, Celcom and Ncell.



EBITDA	YTD17	YTD Growth Rates		EBITDA (underlying performance)	YTD18
Celcom	1,102	-29	-2.7%	Celcom	1,073
XL	1,339	+58	4.3%	XL	1,397
Dialog	444	+129	29.1%	Dialog	573
Robi	297	+87	29.6%	Robi	384
Smart	311	-36	-11.3%	Smart	275
Ncell	785	-15	-1.9%	Ncell	770
Others	150	+7	4.7%	Others	157
<b>GROUP</b>	<b>4,428</b>	<b>+202</b>	<b>4.6%</b>	<b>GROUP</b>	<b>4,629</b>

# Group PATAMI: YTD17 → YTD18

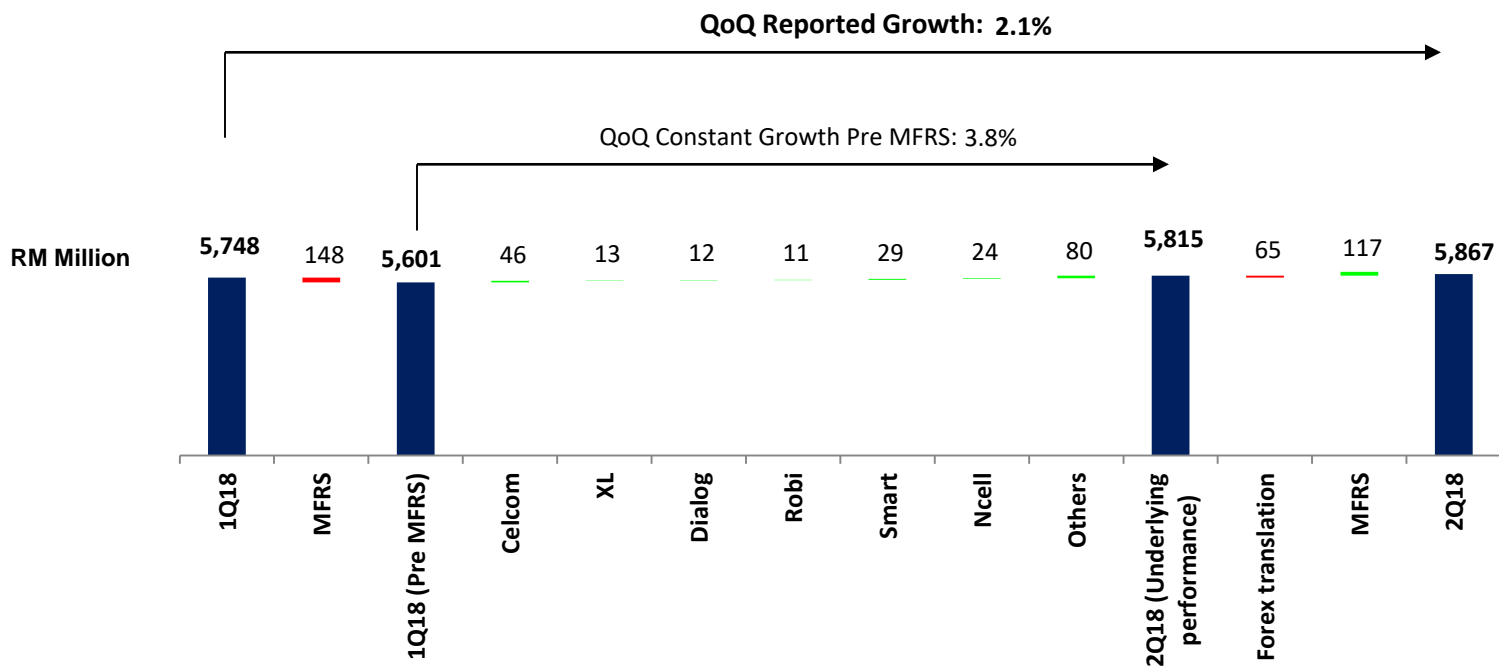
YTD18 PATAMI turned negative to RM3.5bn, largely due to Idea loss on dilution and provision for de-recognition from associate to simple investment.



PATAMI	YTD17	YTD Growth Rates		PATAMI (Pre-MFRS, CC)	YTD18
Celcom	547	-204	-37.2%	Celcom	343
XL	30	-49	-164.2%	XL	(19)
Dialog	94	+39	41.4%	Dialog	133
Robi	(37)	-33	-91.4%	Robi	(70)
Smart	158	-46	-29.1%	Smart	112
Ncell	292	+36	12.1%	Ncell	328
Others	(438)	-3,836	-876.9%	Others	(4,274)
<b>GROUP</b>	<b>646</b>	<b>-4,093</b>	<b>-633.4%</b>	<b>GROUP</b>	<b>(3,447)</b>

# Group revenue: 1Q18 → 2Q18

QoQ revenue growth of 2.1% lifted by improved performance from all opcos and MFRS impact.

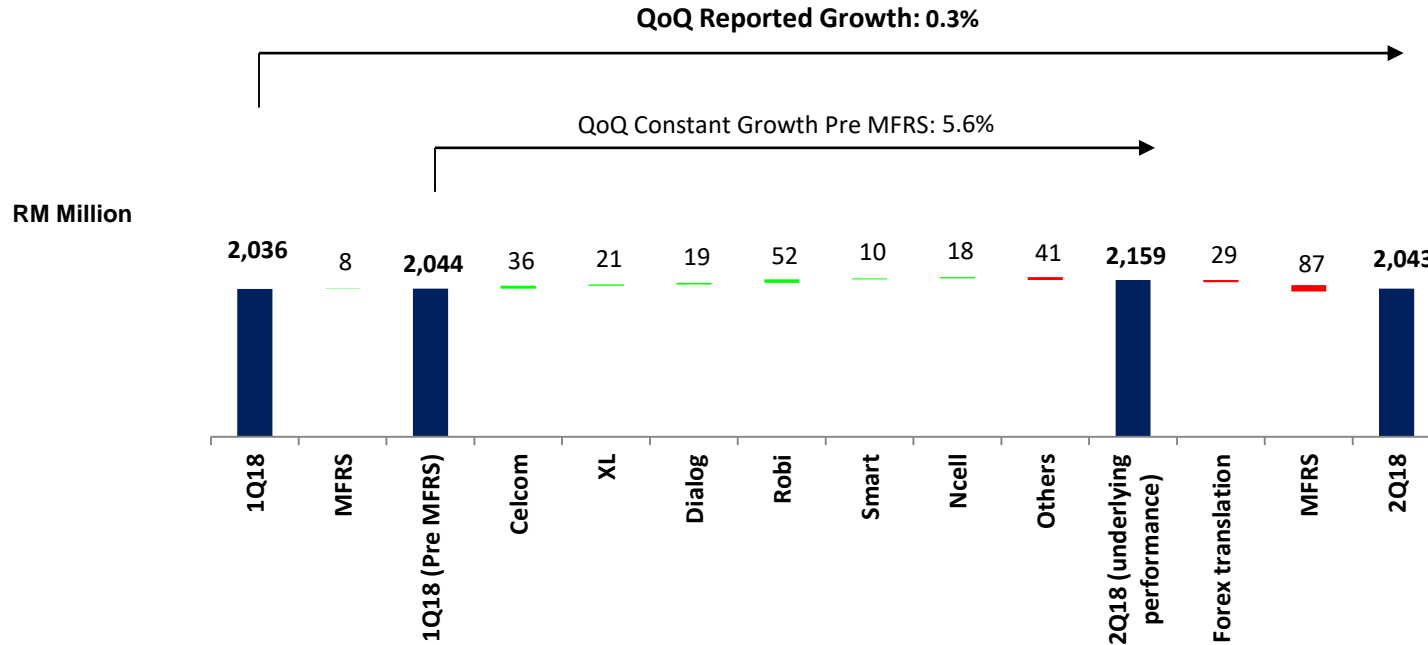


Revenue (Pre-MFRS)	1Q18	QoQ Growth Rates		Revenue (underlying performance)	2Q18
Celcom	1,636	+46	2.8%	Celcom	1,682
XL	1,590	+13	0.8%	XL	1,603
Dialog	659	+12	1.9%	Dialog	671
Robi	770	+11	1.4%	Robi	780
Smart	253	+29	11.5%	Smart	282
Ncell	550	+24	4.3%	Ncell	574
Others	143	+80	56.3%	Others	223
<b>GROUP</b>	<b>5,601</b>	<b>+215</b>	<b>3.8%</b>	<b>GROUP</b>	<b>5,815</b>



# Group EBITDA: 1Q18 → 2Q18

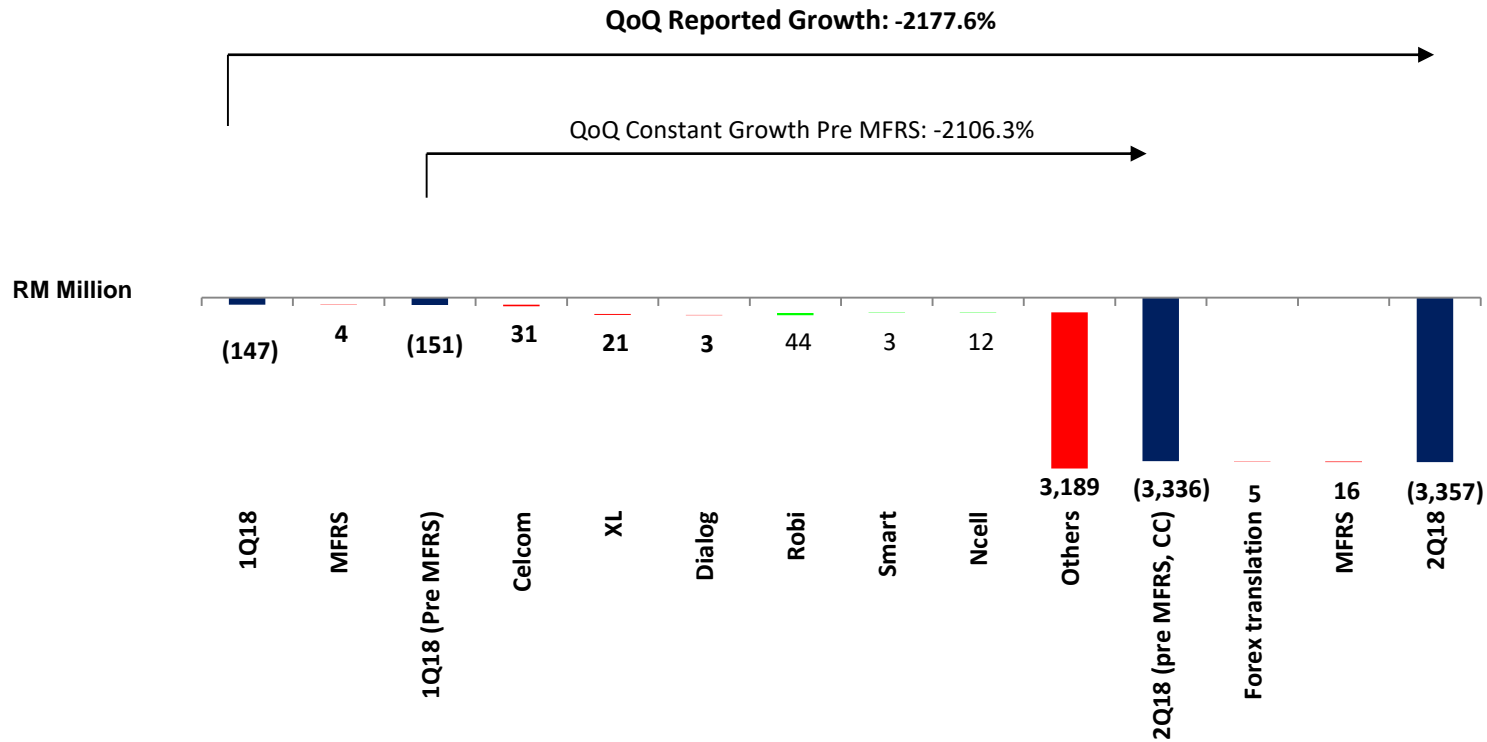
QoQ EBITDA growth of 0.3% due to improved performance from all opcos, offset by forex translation and MFRS.



EBITDA (Pre-MFRS)	1Q18	QoQ Growth Rates		EBITDA (underlying performance)	2Q18
Celcom	518	+36	6.8%	Celcom	554
XL	603	+21	3.5%	XL	624
Dialog	242	+19	7.7%	Dialog	261
Robi	139	+52	37.6%	Robi	191
Smart	118	+10	7.8%	Smart	128
Ncell	343	+18	5.5%	Ncell	361
Others	81	-41	-50.6%	Others	40
<b>GROUP</b>	<b>2,044</b>	<b>+115</b>	<b>5.6%</b>	<b>GROUP</b>	<b>2,159</b>

# Group PATAMI: 1Q18 → 2Q18

2Q18 PATAMI of -RM3.4bn, largely due to Idea provision for de-recognition from associate to simple investment.



PATAMI (Pre-MFRS)	1Q18	QoQ Growth Rates		PATAMI (Pre-MFRS, CC)	2Q18
Celcom	187	-31	-16.7%	Celcom	156
XL	2	-21	-922.6%	XL	(19)
Dialog	60	-3	-5.1%	Dialog	57
Robi	(52)	+44	84.8%	Robi	(8)
Smart	48	+3	6.1%	Smart	51
Ncell	144	+12	8.8%	Ncell	156
Others	(540)	-3,188	-590.3%	Others	(3,728)
<b>GROUP</b>	<b>(151)</b>	<b>-3,185</b>	<b>-2106.3%</b>	<b>GROUP</b>	<b>(3,336)</b>

**Thank You**

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**Axiata Group Berhad**

