

# Axiata Group Berhad

## 2Q 2019 Results

29 August 2019

Tan Sri Jamaludin Ibrahim, President & Group CEO

Vivek Sood, Group CFO



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# Axiata Group Berhad

## 2Q 2019 Results

Tan Sri Jamaludin Ibrahim, President & Group CEO



## Key messages

- ❖ “Shifting Gear” towards profitability and cash focus: Gaining momentum as cost excellence programme shows tangible results with RM473m savings achieved in YTD19.
- ❖ Barring unforeseen circumstances, we are likely to exceed our FY19 Headlines KPIs for EBITDA growth of 5-8%, and ROIC of 5.2-5.6%; with ongoing capex rationalisation programme, 2019 capex likely to be below guidance of RM6.8bn.
- ❖ YTD19 five out of six OpCos maintained or gained revenue market share, and delivered highest profit growth in their respective markets.
- ❖ XL and Robi delivered strong profit growth and ROIC improvement, lifted by expansion in ex-Java and non-CCD<sup>1</sup>. XL has outperformed the market for eight quarters consecutively, and Robi is now profitable<sup>2</sup> post the Airtel merger in 1Q17.
- ❖ Despite a subdued industry environment, Celcom delivered YTD19 EBITDA, FCF and PATAMI growth of 4.7%, 5.0% and 11.7%<sup>2</sup>, respectively.
- ❖ Double digit revenue and EBITDA growth for edotco, and ADA (analytics.data.advertising) is aiming for full year profitability.
- ❖ Announced dividend of 5 sen per share.

1. Chittagong, Comilla and Dhaka  
2. Pre-MFRS 16 and at constant currency

# Axiata Group Berhad

## 2Q 2019 Results

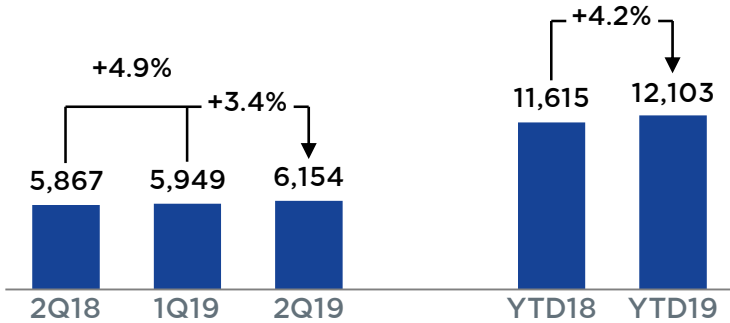
Vivek Sood, Group CFO



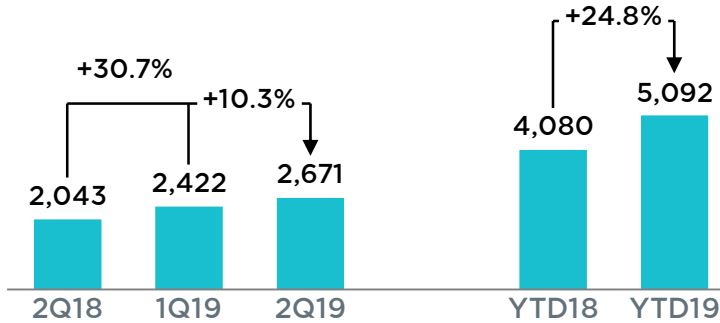
## 2Q19 reported results

YTD19 revenue grew 4.2% while EBITDA grew 24.8%. YTD19 PATAMI of RM913m lifted by one-off gains from disposal of M1, divestment of non-core digital businesses and disposal of Idea rights, as well as forex gains.

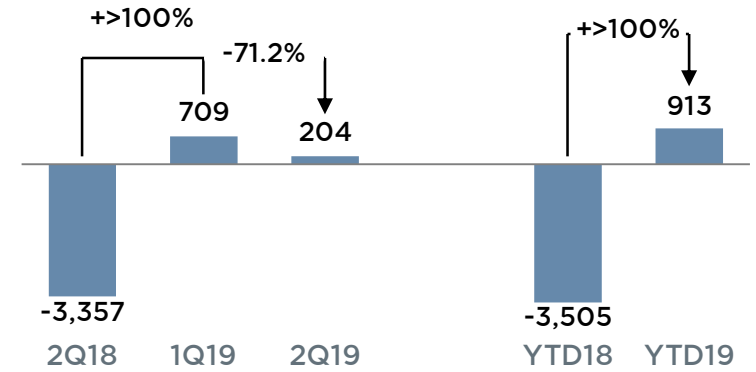
Revenue (RMm)



EBITDA (RMm)



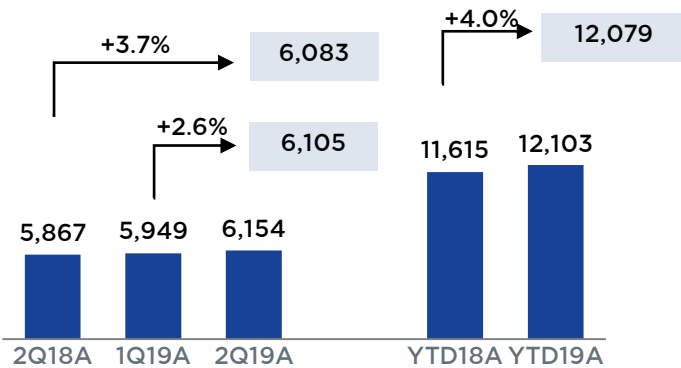
PATAMI (RMm)



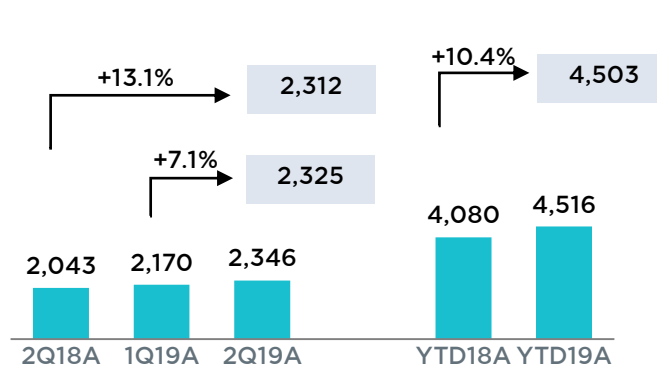
# 2Q19 underlying performance<sup>1</sup>

Strong YTD19 EBITDA growth +10.4%, with 2.2% pts improvement in EBITDA margin as costs remained flat given tangible results from cost initiatives; PATAMI dragged by absence of M1 contribution and higher taxes mainly in Bangladesh.

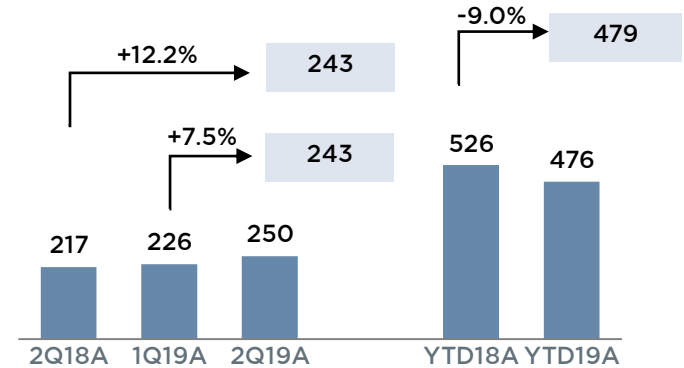
Revenue (RMm)



EBITDA (RMm)



PATAMI (RMm)



- YTD19 revenue growth of 4.0%, with positive contribution from all OpCos, except Celcom and Ncell.
- Celcom impacted by declining industry revenue.
- Ncell impacted by Telecom Service Charge (TSC) and lower ILD revenue (in line with expectations).

- Strong YTD19 EBITDA growth of 10.4%, with double-digit growth recorded at XL, Robi, Smart and edotco.
- Cost excellence of RM473m.

- YTD19 PATAMI declined by 9.0% due to:
  - absence of share of M1 profit for YTD19.
  - Tax impact from change in Bangladesh minimum tax rate.
- YTD19 normalised PATAMI is RM438m.

1. Underlying performance - pre-MFRS 16 at constant currency

Note:

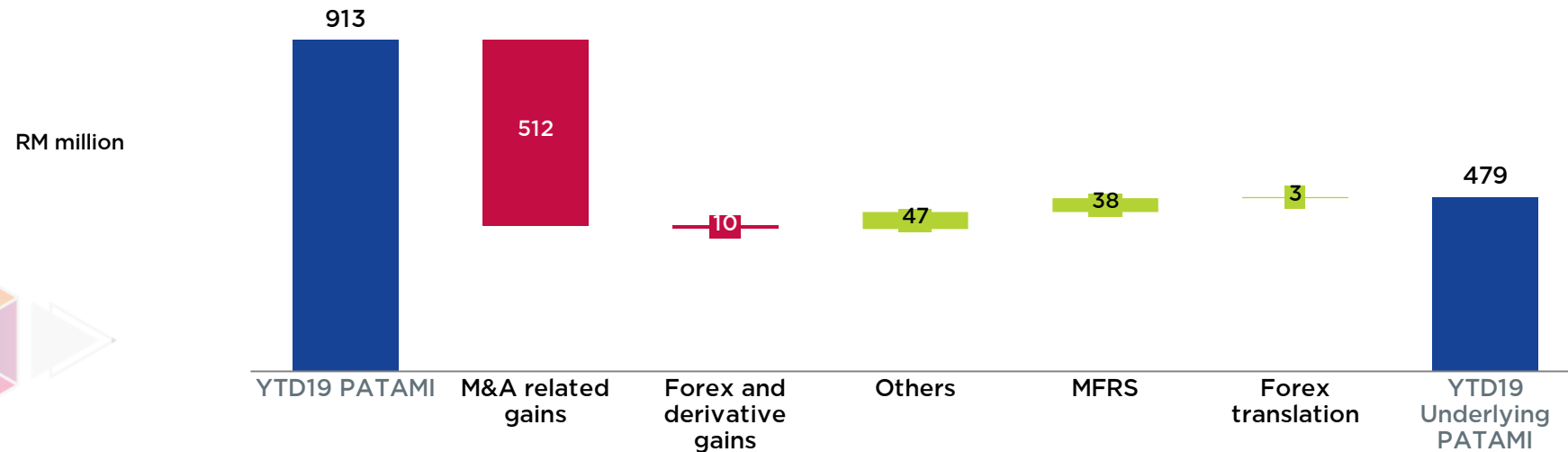
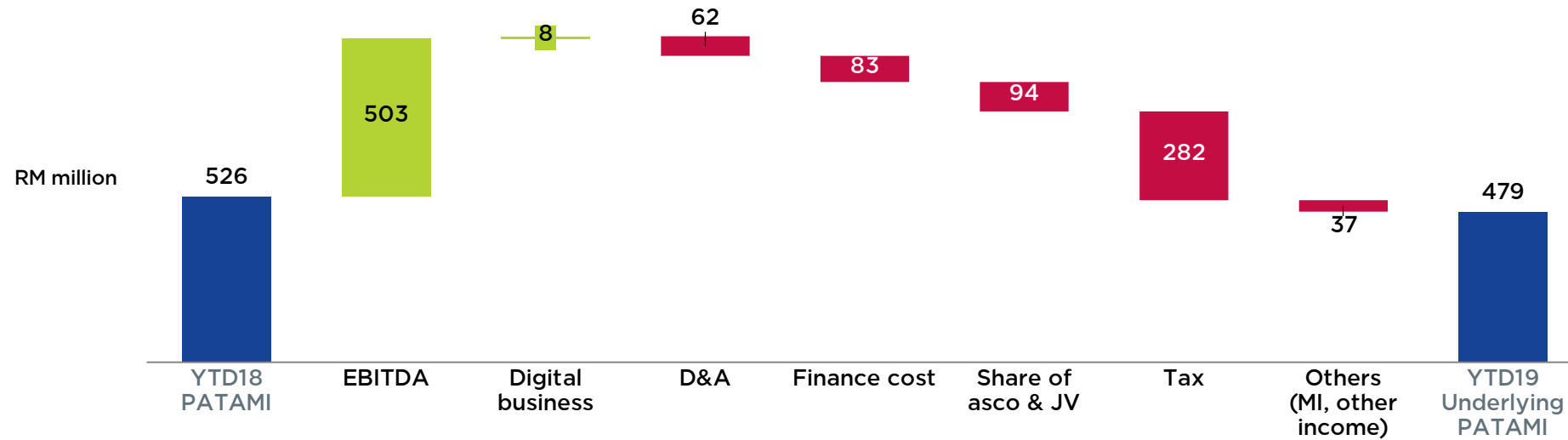
xx - pre-MFRS at actual currency

xx - Underlying performance

xx% - Underlying performance growth rate

## 2Q19 underlying performance<sup>1</sup>

YTD19 Underlying PATAMI of RM479m supported by EBITDA improvement in XL, Robi, Smart and edotco, offset by absence of M1 contribution and higher taxes mainly in Bangladesh; limited impact from MFRS and forex translation.



1. Underlying performance - pre-MFRS 16 at constant currency



# Capital expenditure and cash flow

YTD19 FCF jumped 2.1x to RM2.4bn; pre-MFRS 16 at constant currency, FCF increased 60.7% to RM1.8bn, lifted by double-digit EBITDA growth and lower capex intensity of 23% (-1% pts).

Capital expenditure (RMm)

Free Cash Flow<sup>1</sup> (RMm)

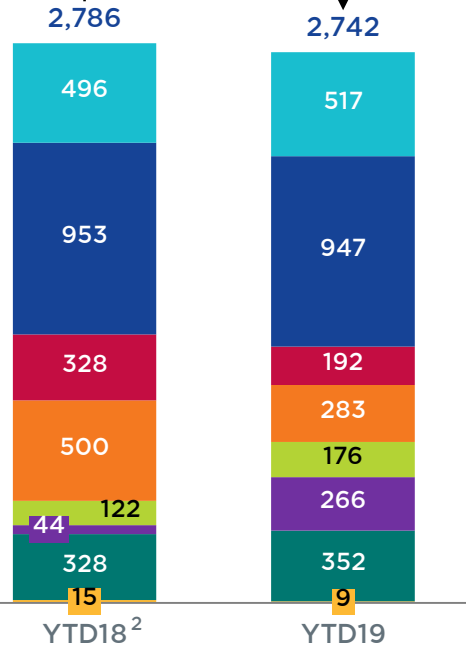
Operating Free Cash Flow<sup>1</sup> (RMm)

Capex intensity

24%

23%

-1.6%

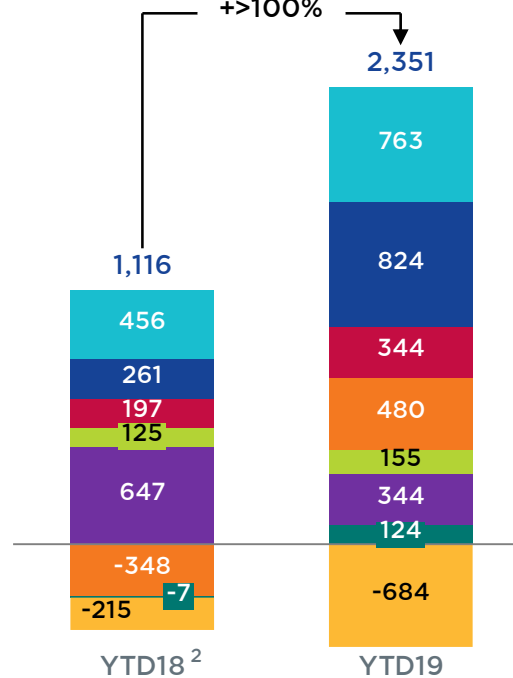


FCF yield

10%

19%

+>100%

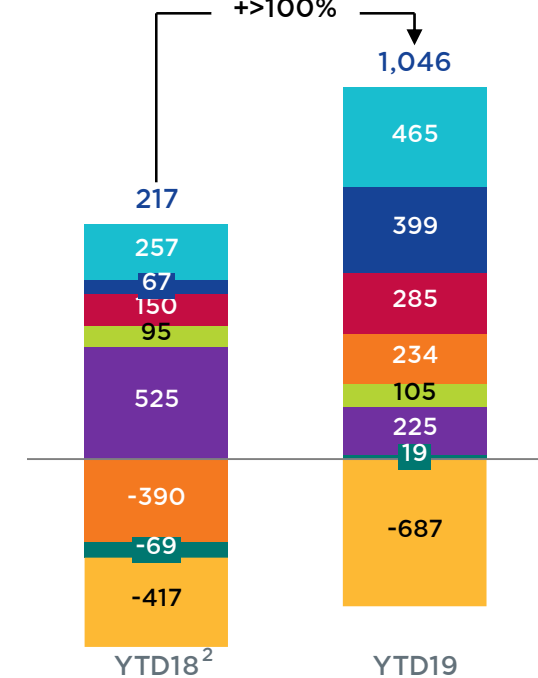


OFCF yield

2%

9%

+>100%



Note:

FCF = EBITDA-Capex

OFCF = EBITDA- Capex- Net Interest-Tax

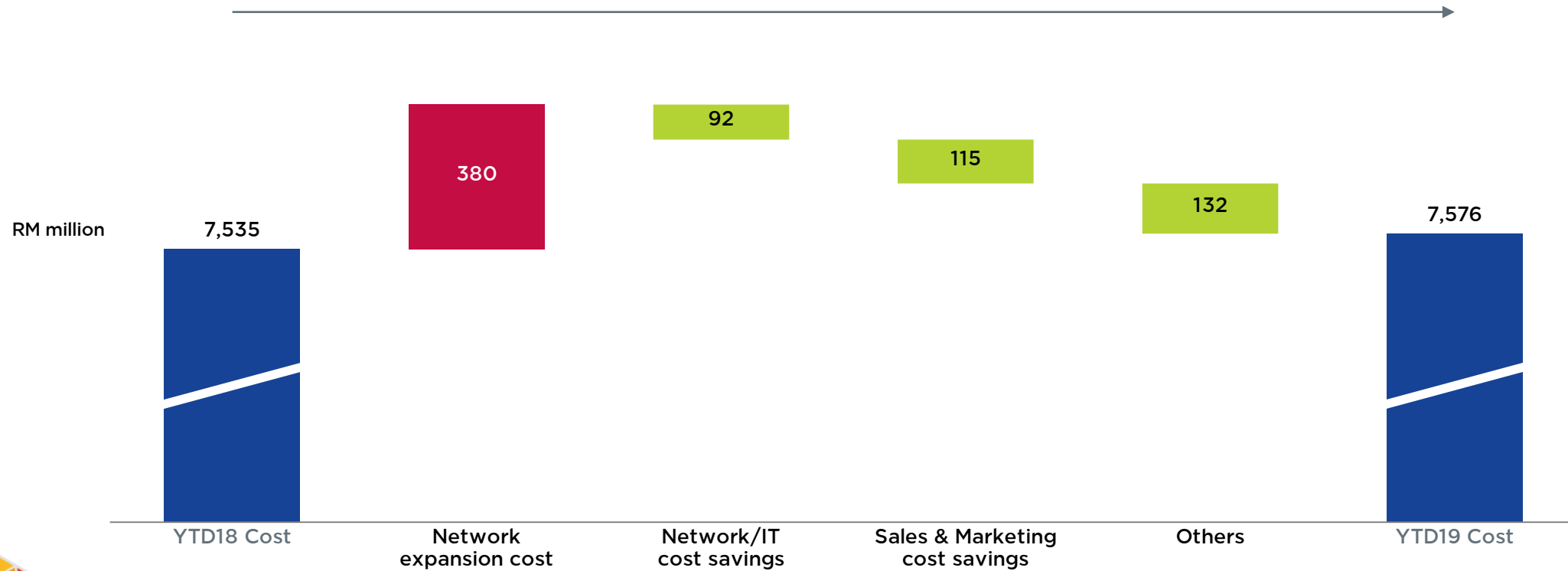
1. Includes spectrum fees in 1H18 amounting to RM177m

2. Restated

# Operational excellence<sup>1</sup>

YTD19 cost remained flat at RM7.6bn in spite of higher network expansion cost, mainly in XL due to 4G network rollout and higher managed service fees.

EBITDA growth +10.4%  
EBITDA margin +2.2% pts



1. Underlying performance - pre-MFRS 16 at constant currency

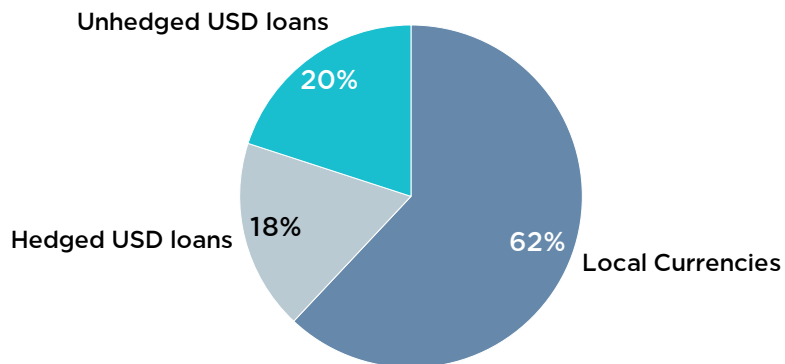
# Balance sheet

Balance sheet remains strong with gross debt/EBITDA<sup>2</sup> at 1.97x; repayment of unhedged USD debt reduces cash balance to RM5.4bn.

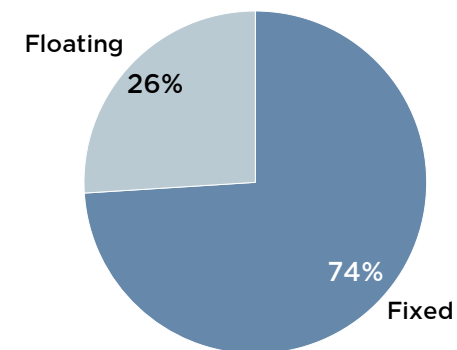
Group Borrowings – by currency

In million	Loan currency	USD	Local	Total (RM)
HoldCo and Non OpCo	USD	1,309	205	5,614
	<b>Sub-total</b>	<b>1,309</b>	<b>205</b>	<b>5,614</b>
OpCos	USD	344		1,533
	RM		5,068	5,068
	IDR		13,539,557	3,967
	BDT		19,051	933
	SLR		23,012	538
	PKR		3,838	97
	<b>Sub-total</b>	<b>344</b>		<b>12,136</b>
	<b>Total Group</b>	<b>1,653</b>		<b>17,750</b>

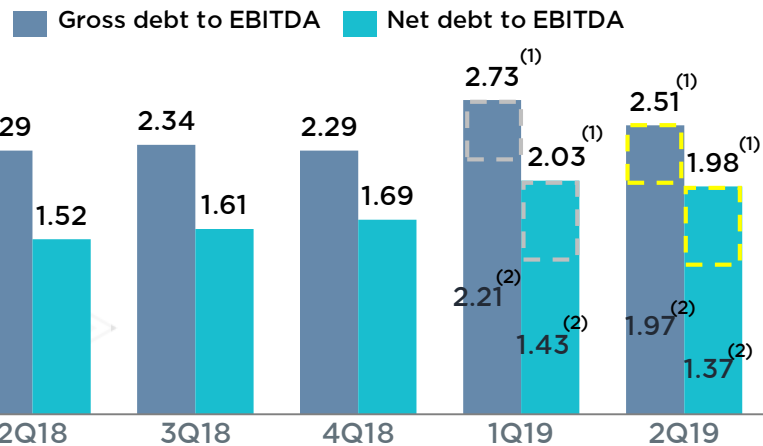
Group Borrowings – hedged/unhedged loans



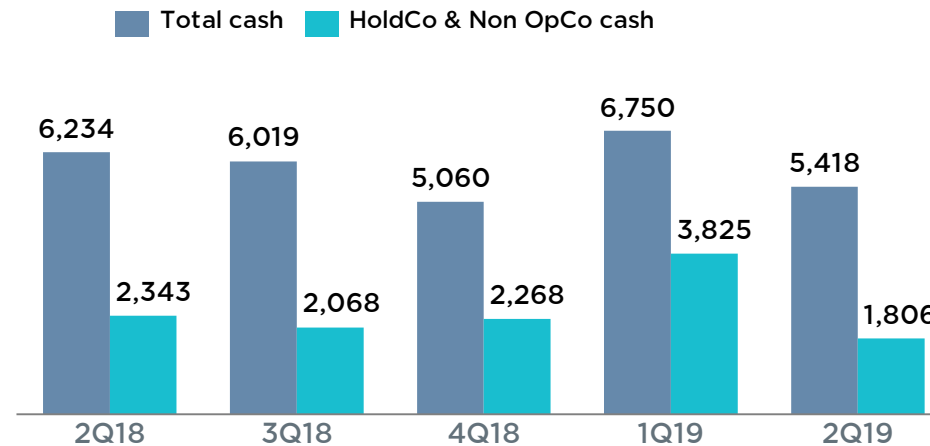
Group Borrowings – fixed/floating rates



Gross and net debt/EBITDA (x)



Cash (RMm)

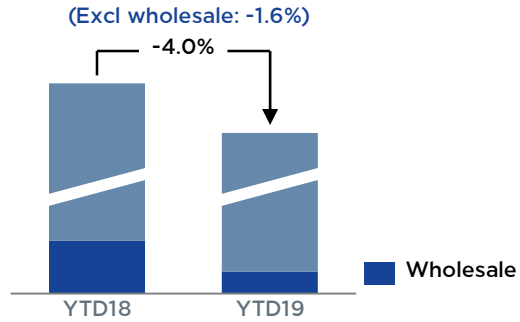


(1) Post-MFRS 16, which includes lease liabilities  
 (2) Pre-MFRS 16

1

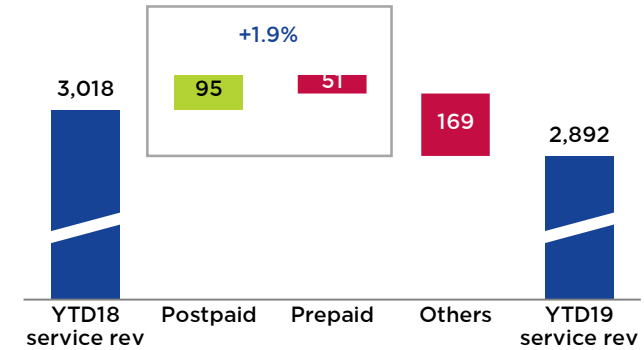
# Digital Telco: Celcom

Despite a subdued industry environment, Celcom's YTD19 FCF and PATAMI grew 5.0% and 11.7% respectively – in line with 'Shifting Gear'.

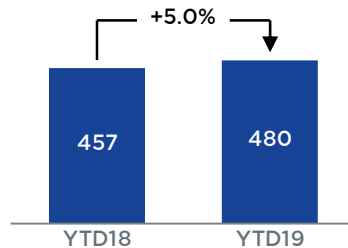
 Industry mobile service revenue<sup>1</sup> (RMm)


YTD19 industry mobile service revenue declined 4.0%, where wholesale revenue impact is 2.4% pts.

Mobile service revenue (RMm)

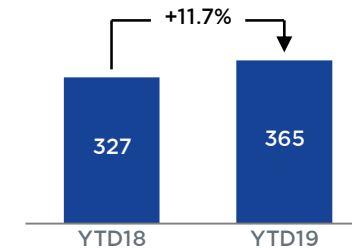


YTD19 Celcom's combined postpaid and prepaid revenue grew 1.9%.

 FCF<sup>2</sup> (RMm)


YTD19 FCF improved by 5.0%, as cost discipline supports EBITDA growth of 4.7%.

PATAMI (RMm)

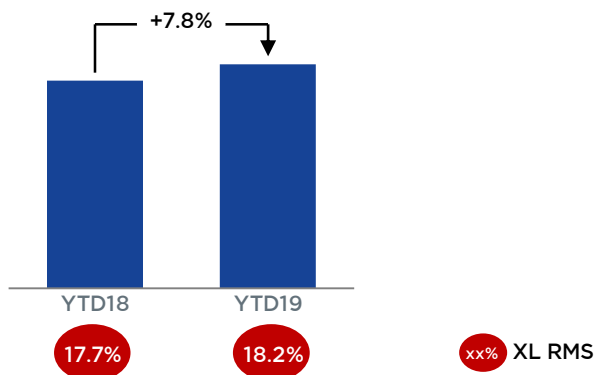


YTD19 PATAMI growth of 11.7%; 1.9% pts margin improvement.

1. Top 3 mobile players  
2. FCF = EBITDA - capex

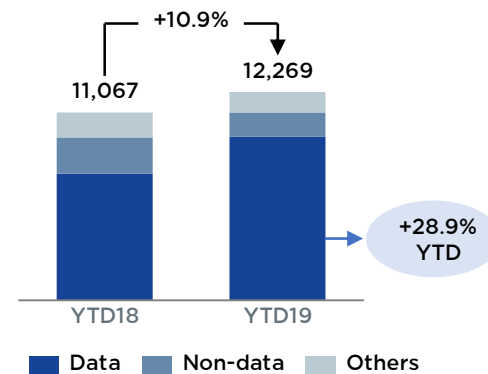
**XL gained revenue market share of 0.5% pts to 18.2%; YTD19 FCF jumped 60.0% and returned to profit of IDR282bn - in line with 'Shifting Gear'.**

Industry mobile revenue<sup>1</sup> (IDRbn)



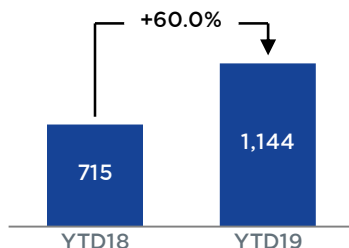
YTD19 industry growth of 7.8%; XL's revenue market share +0.5% pts to 18.2%.

Revenue (IDRbn)



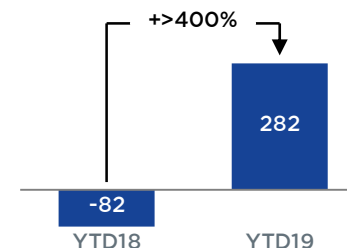
YTD19 XL revenue growth of 10.9%, driven by strong data growth of 28.9%.

FCF<sup>2</sup> (IDRbn)



Strong YTD19 FCF growth of 60.0%, as cost efficiencies drive 19.2% improvement in EBITDA.

PATAMI (IDRbn)



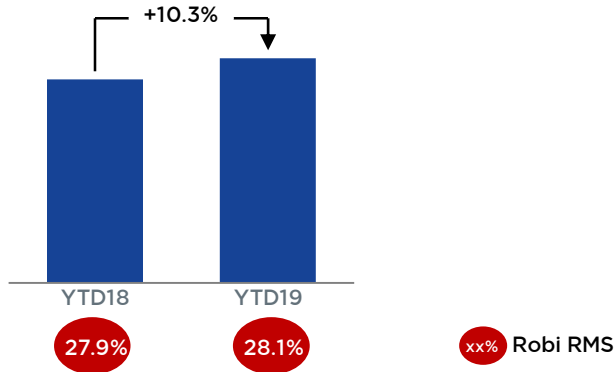
Return to profit with YTD19 PATAMI of IDR282bn, versus losses of IDR82bn in YTD18.

1. Top 3 mobile players  
2. FCF = EBITDA - capex

# 1 Digital Telco: Robi

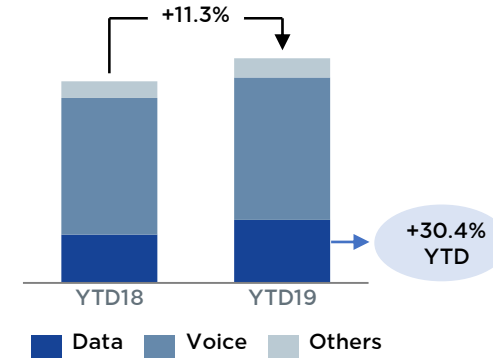
Robi gained revenue market share of 0.2% pts to 28.1%; YTD19 FCF and PAT turned positive despite change in Bangladesh tax ruling impacting the latter in 2Q19 - in line with 'Shifting Gear'.

Industry service revenue<sup>1</sup> (BDTm)



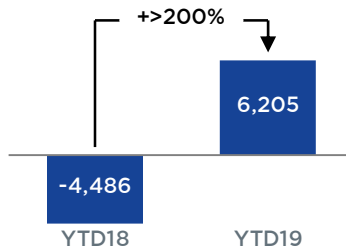
YTD19 industry growth of 10.3%; Robi's revenue market share +0.2% pts to 28.1%.

Service revenue (BDTm)



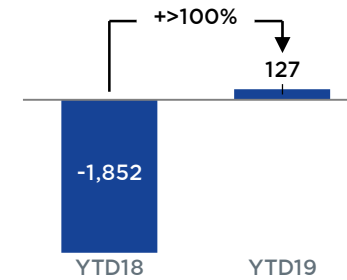
YTD19 Robi service revenue growth of 11.3%, driven by strong data growth of 30.4%.

FCF<sup>2</sup> (BDTm)



YTD19 FCF turned positive to BDT6.2bn, as EBITDA surged 70.5% on high operating leverage.

PATAMI (BDTm)



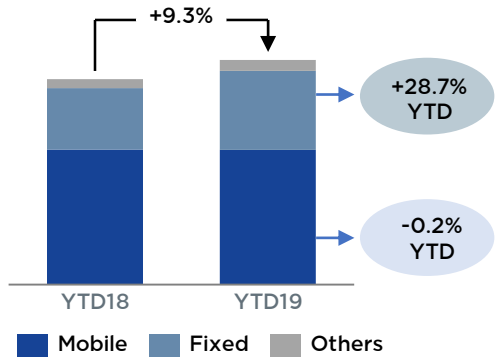
Return to profit with YTD19 PATAMI of BDT127m versus losses of BDT1.9bn in YTD18. 2Q19 PATAMI -90.0% QoQ, impacted by change in tax ruling.

1. Top 3 mobile players  
2. FCF = EBITDA - capex

# 1 Digital Telco: Dialog

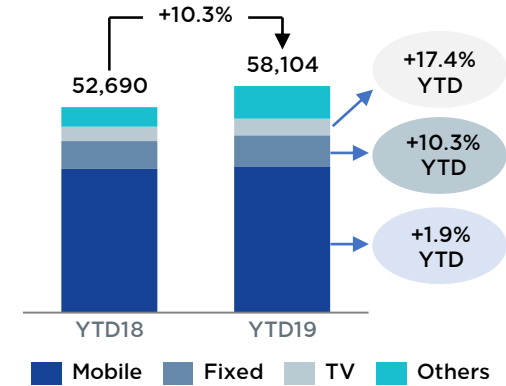
Industry revenue growth of 9.3%, driven by fixed segment. Dialog delivered strong YTD19 results with 10.3% revenue growth; sequential performance impacted by Easter Sunday incidents and intense competition.

Industry revenue<sup>1</sup> (SLRm)



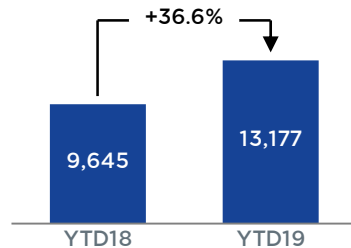
YTD19 industry growth of 9.3%, driven by fixed segment +28.7%; mobile sector growth has been muted post the removal of floor rates and elevated price competition.

Revenue (SLRm)



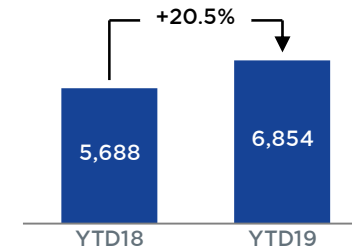
YTD19 Dialog revenue growth of 10.3%, led by TV (+17.4%), fixed (+10.3%) and mobile (+1.9%).

FCF<sup>2</sup> (SLRm)



YTD19 FCF growth of 36.6%, lifted by higher EBITDA and calibrated network rollout.

PATAMI (SLRm)



YTD19 PATAMI grew by 20.5%; excluding non-cash translational forex gain/loss, PATAMI declined 12.4%.

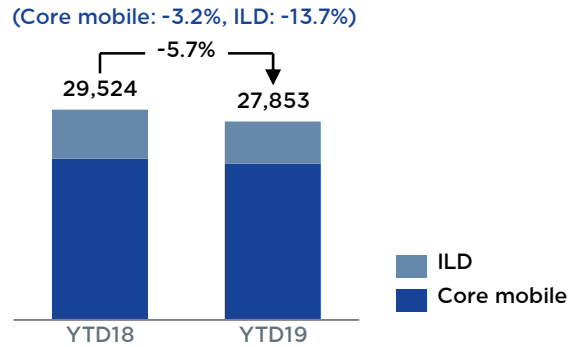
1. Top 2 players  
2. FCF = EBITDA - capex

1

# Digital Telco: Ncell and Smart

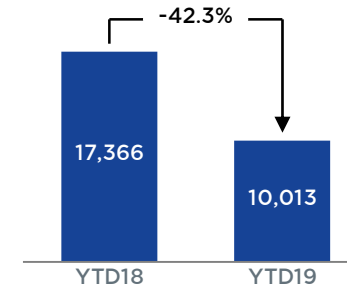
Ncell: Core mobile revenue impacted by Telecom Service Charge.  
Smart: Strong YTD19 performance.

Ncell revenue (NPRm)



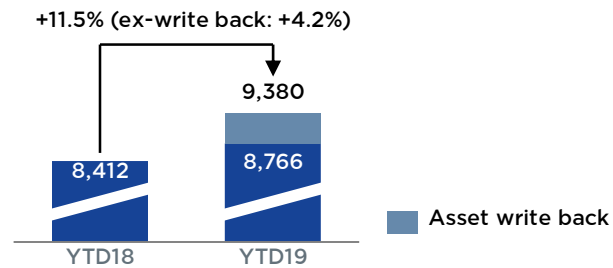
YTD19 core mobile revenue declined 3.2% due to the impact of Telecom Service Charge (TSC) since July 2018; YTD19 ILD revenue fell 13.7%.

Ncell FCF<sup>1</sup> (NPRm)



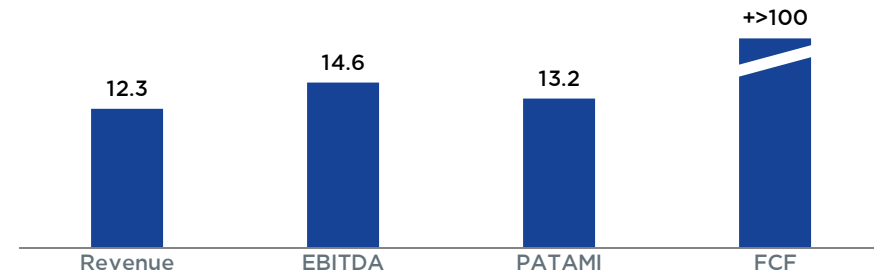
YTD19 FCF declined by 42.3% due to calibrated network rollout.

Ncell PATAMI (NPRm)



YTD19 PATAMI grew by 11.5% due to asset write back in 1Q19; excluding that YTD19 PATAMI grew by 4.2%.

Smart YTD19 growth (%)



Strong YTD19 performance with double-digit growth across all metrics.

1. FCF = EBITDA - capex



## Digital Businesses: Boost, ADA and Apigate

ADA is aiming for full year profitability.



- 1.7x YoY growth in users to 4.4m.
- 4.0x YoY growth in merchants to nearly 92k.
- 29x YoY growth in gross transaction value (GTV).



- New client wins in 2Q19 around the region include Citibank, Petronas, Tokio Marine, Estee Lauder, Trax, Kowa, ClassPass and Tourism Malaysia.
- Achieved outstanding business outcomes for clients ie Yoodo, Boost and Kalbe.
- Aiming for full year profitability.



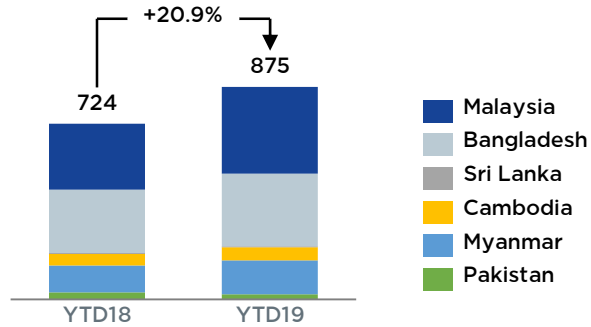
- >300 connected merchants.
- 88% YoY growth in GTV.

3

# Infrastructure: edotco

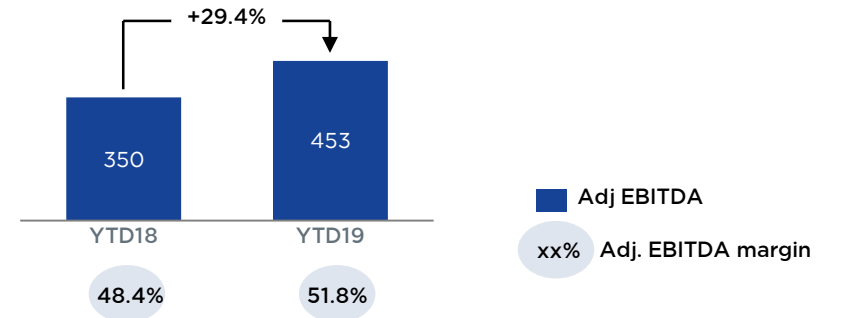
Strong growth across all footprints further driven with M&A initiatives.

Revenue (RMm)



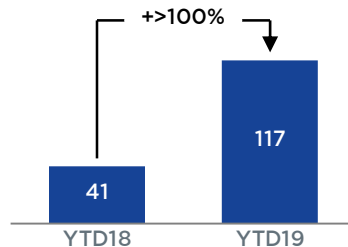
YTD19 revenue growth of 20.9%, with positive contribution across all footprint except Pakistan.

Adj.<sup>1</sup> EBITDA (RMm) and Margin (%)



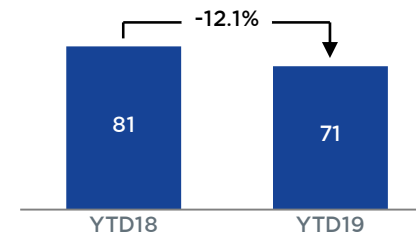
YTD19 adjusted EBITDA growth of 29.4%; margin +3.4% pts to 51.8% driven by higher number of towers and stable tenancy ratio of 1.6x.

FCF<sup>2</sup> (RMm)



YTD19 FCF increased 2.9x, driven by the improvement in EBITDA.

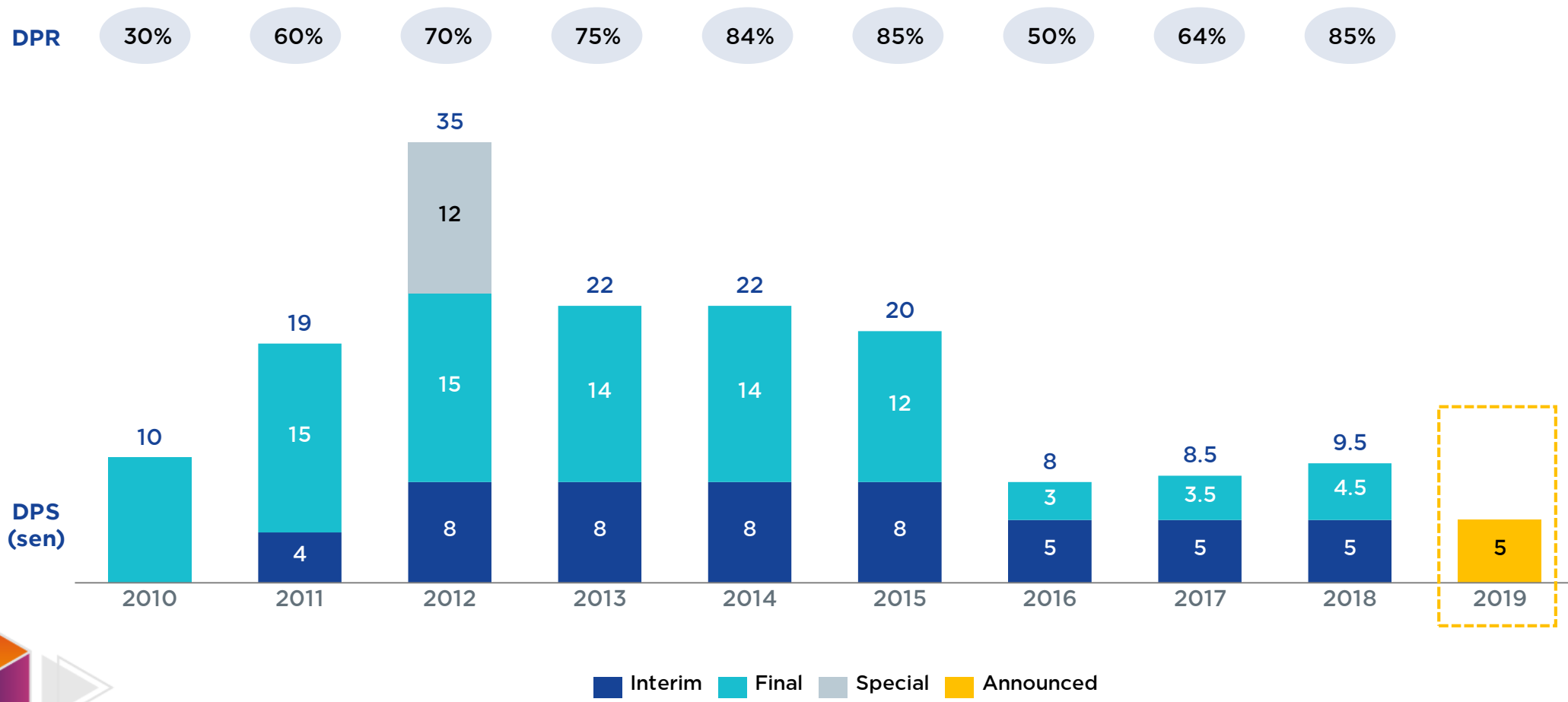
PATAMI (RMm)



YTD19 PATAMI declined by 12.1%, due to impact of higher minority interest and impairment provision.

1. Adjusted for non-recurring items such as business development and M&A related costs, and share-based payment expenses  
 2. FCF = Adjusted EBITDA - capex

# Announced dividend of 5 sen per share



## FY19 Headline KPIs

EBITDA growth and ROIC likely to exceed and capex likely to be below guidance.

	FY19 Headline KPIs (pre-MFRS 16 @ constant currency)	Guidance
Revenue growth	3 - 4%	In line
EBITDA growth	5 - 8%	Likely above
ROIC	5.2 - 5.6%	Likely above
Capex <sup>1</sup>	RM6.8bn	Likely below

Note: Constant currency is based on the FY18 average forex rate (e.g. 1 USD = RM4.034)  
ROIC is defined as EBIT - tax + Share of Associates / Average Invested Capital (excluding cash)

1. Capex is not a Headline KPI

# Key risks and opportunities

## RISKS

- Unfavourable regulatory environment, particularly in Nepal, Bangladesh and Sri Lanka.
- Sustained adverse macro conditions post terror attacks in Sri Lanka.
- Celcom turnaround, amidst a declining industry.
- Capital gains tax in Ncell.

## OPPORTUNITIES

- Sustained growth in Indonesia and Bangladesh.
- Boost: Realisation from gross transaction value (GTV) to revenue.
- Higher tenancies in Infrastructure and building on continuous momentum.
- Structural cost takeout.





# Appendix



## MFRS 16 impact

RM576m EBITDA uplift and RM38m negative impact on PATAMI.

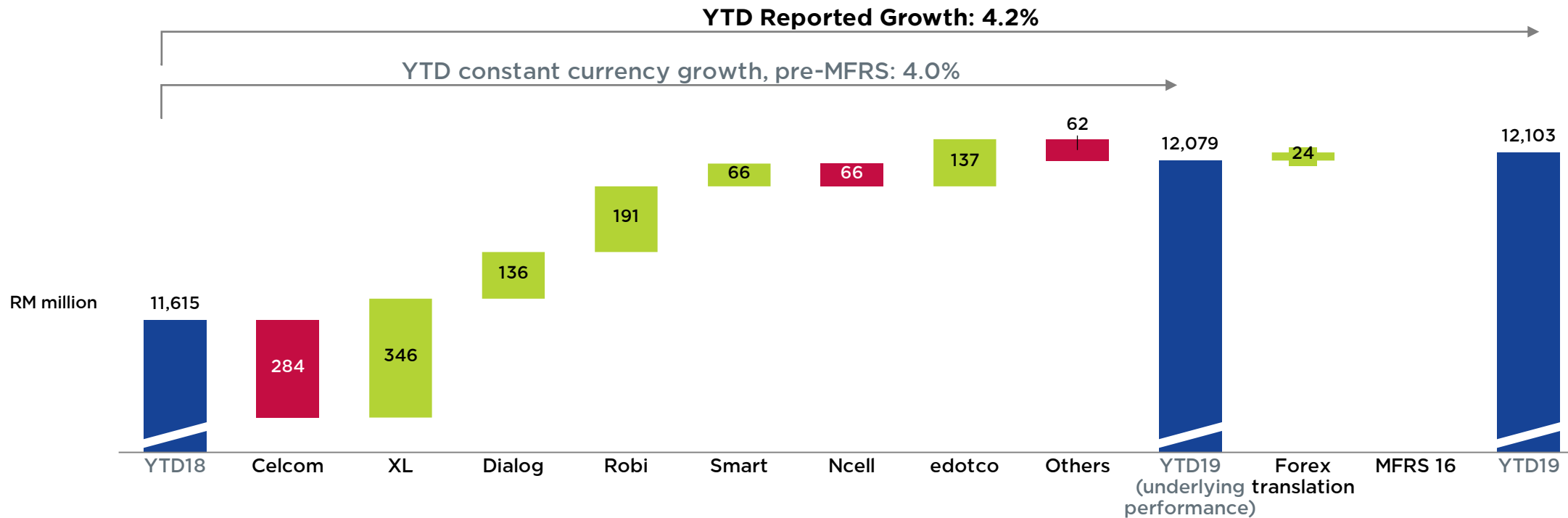
RM million	YTD19 pre-MFRS 16	MFRS 16	YTD19 post-MFRS 16
EBITDA	4,516	576	5,092
Depreciation & amortisation	(2,877)	(472)	(3,350)
Finance cost	(700)	(174)	(874)
PBT	1,684	(70)	1,614
PATAMI	951	(38)	913

RM million (as at 1 Jan 2019)	As reported	Reclassification <sup>1</sup>	MFRS 16	As adjusted
Right-of-use assets	-	3,277	4,904	8,181
Lease liabilities	-	3,030	4,562	7,592

1. Reclassification from PPE and payables on existing finance leases

# Group revenue: YTD18 → YTD19

YTD19 revenue growth of 4.2% driven by better performance from all OpCos, except Celcom and Ncell.

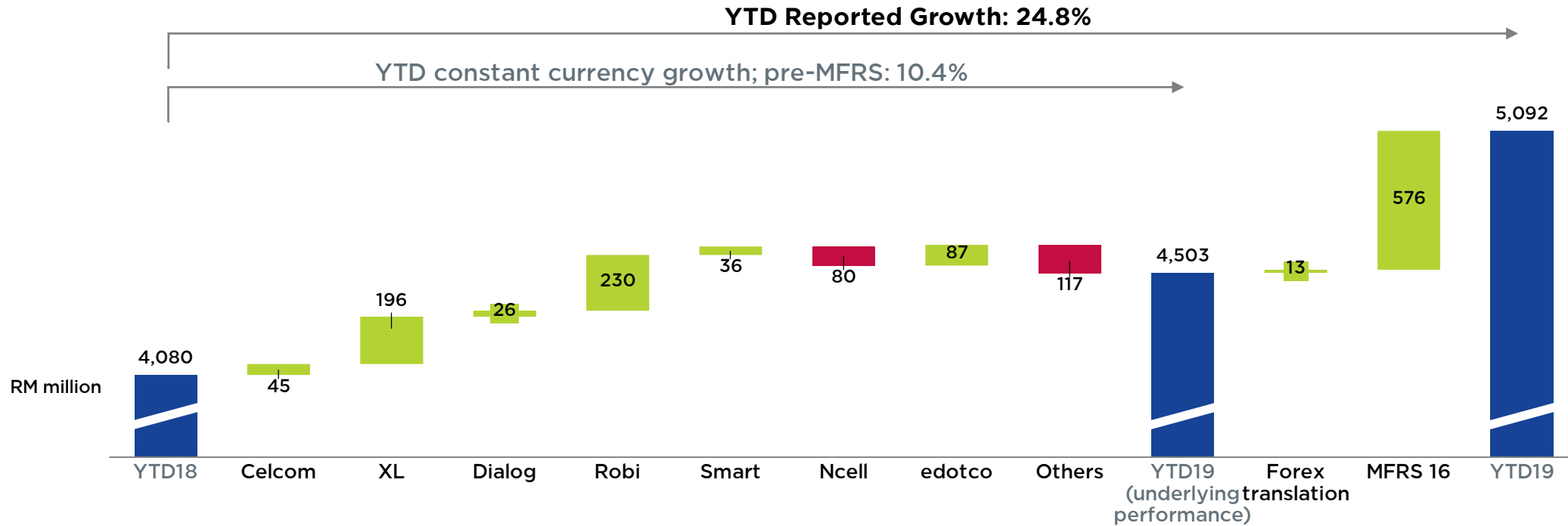


Revenue	YTD18	YTD Growth Rates		Revenue (underlying performance)	YTD19
Celcom	3,611	(284)	-7.9%	Celcom	3,327
XL	3,159	346	11.0%	XL	3,505
Dialog	1,329	136	10.3%	Dialog	1,465
Robi	1,546	191	12.4%	Robi	1,737
Smart	537	66	12.3%	Smart	603
Ncell	1,105	(66)	-6.0%	Ncell	1,039
edotco	723	137	18.8%	edotco	860
Others	(395)	(62)	-15.8%	Others	(457)
<b>GROUP</b>	<b>11,615</b>	<b>464</b>	<b>4.0%</b>	<b>GROUP</b>	<b>12,079</b>



# Group EBITDA: YTD18 → YTD19

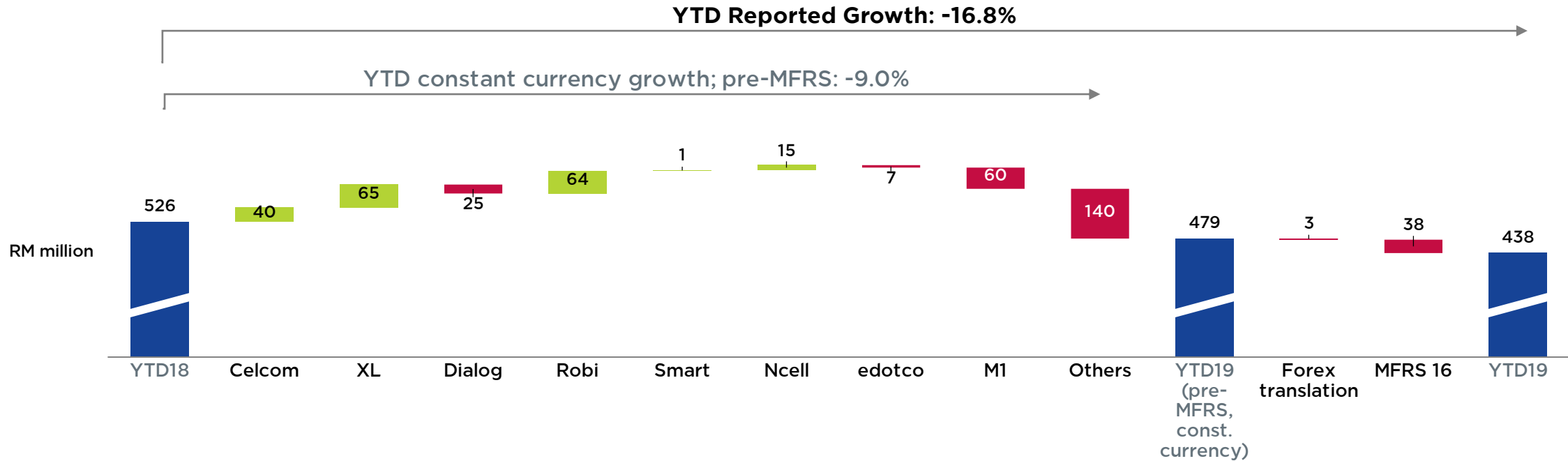
YTD19 EBITDA growth of 24.8% mainly due to positive MFRS 16 impact and higher contribution from all OpCos, except Ncell.



EBITDA	YTD18	YTD Growth Rates		EBITDA (underlying performance)	YTD19
Celcom	952	45	4.7%	Celcom	997
XL	1,214	196	16.2%	XL	1,410
Dialog	525	26	5.0%	Dialog	551
Robi	330	230	69.6%	Robi	560
Smart	247	36	14.6%	Smart	283
Ncell	692	(80)	-11.6%	Ncell	612
edotco	320	87	26.9%	edotco	407
Others	(200)	(117)	-57.5%	Others	(317)
<b>GROUP</b>	<b>4,080</b>	<b>423</b>	<b>10.4%</b>	<b>GROUP</b>	<b>4,503</b>

# Group normalised PATAMI : YTD18 → YTD19

YTD19 normalised PATAMI declined 16.8% due to the absence of M1's share of profit, and lower contribution from Dialog and edotco.



Norm PATAMI	YTD18	YTD Growth Rates		Norm PATAMI (underlying performance)	YTD19
Celcom	328	40	12.1%	Celcom	368
XL	(51)	65	127.7%	XL	14
Dialog	140	(25)	-17.6%	Dialog	115
Robi	(58)	64	109.7%	Robi	6
Smart	100	1	0.9%	Smart	101
Ncell	279	15	5.3%	Ncell	294
edotco	53	(7)	-13.8%	edotco	46
Others	(265)	(200)	-74.8%	Others	(465)
<b>GROUP</b>	<b>526</b>	<b>(47)</b>	<b>-9.0%</b>	<b>GROUP</b>	<b>479</b>

# Axiata 4P Sustainability Framework

Established framework, aligned to global reporting standards and rated by top ESG indices

## Our 4 Sustainable Pillars



## Rated by top ESG Indices




**FTSE4Good**

Axiata is a founding constituent of the FTSE4Good Bursa Malaysia Index (since 2014)

**MSCI** 


Axiata ESG Rating: A



**SUSTAINALYTICS**

Amongst 62 peers

Axiata scored 59%, rated average, 47<sup>th</sup> Percentile



**CDP**

Carbon Disclosure Project

Axiata Disclosure Rating: D



# Thank You

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