

Axiata Group Berhad

3Q 2019 Results

28 November 2019

Tan Sri Jamaludin Ibrahim, President & Group CEO

Vivek Sood, Group CFO



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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.

Axiata Group Berhad

3Q 2019 Results

Tan Sri Jamaludin Ibrahim, President & Group CEO



Key messages¹

- ❖ **“Shifting Gear” towards profitability and cash continued to show definitive results:** YTD19 FCF jumped 43.5% to RM2.6bn, boosted by operating leverage from higher revenue (+RM605m) and cost excellence (-RM816m). YTD19 underlying PATAMI adversely impacted by absence of M1 contribution, higher taxes for Robi and M&A expenses totaling RM225m; excluding these exceptional items, YTD19 PATAMI +14.6%.
- ❖ **Balance sheet remained strong:** Amidst an uncertain macro outlook, balance sheet strengthened as cash generated from operations and proceeds from M1 sale were used to pare down RM2.2bn debt, bringing gross debt/EBITDA down to 1.9x.
- ❖ **XL’s stellar turnaround gained momentum:** Strong data monetisation for XL, as it delivered one of highest ever ARPU of IDR36,000 and revenue of IDR6.5trn in 3Q19 (YTD19 +9.7% and +10.6% respectively); returned to profit with ROIC improvement of 4.5% pts YoY to 6.2%.
- ❖ **Robi profitable post acquisition of Airtel:** Surprise introduction of new taxes in 2Q19 including tax on revenue from 0.75% to 2.0% negatively impacted Robi. Despite that, Robi returned to profit and strong improvement in ROIC of 7.0% pts YoY to 6.4%.
- ❖ **Celcom delivered:** YTD19 PATAMI +7.9% and FCF +15.3%; EBITDA margin improved 3.5% pts to 30.0%.
- ❖ **Double digit growth for edotco:** Double digit growth for edotco across all metrics; ADA delivered maiden profit in 3Q19.
- ❖ **Likely to exceed Headline KPIs:** Barring unforeseen circumstances, we are likely to exceed our FY19 Headlines KPIs for EBITDA growth (KPI: 5-8%) and ROIC (KPI: 5.2-5.6%).

“Shifting Gear” tactical adjustment¹

Our OpCos achieved double-digit growth across most metrics; all are #1 or #2 performer in EBITDA, profit and cash in their markets, while still maintaining respective revenue market share position.

Δ YTD3Q19 vs
YTD3Q18



YTD
Growth
Rate¹

	celcom	xl axiata	robi	Dialog	Ncell	Smart	e.co
Revenue							
EBITDA							*Adj.
PATAMI			#Adj.				
FCF							

Relative
Market
Growth
Position

Revenue	#2	#2	#1	#1	#2	N.A.	N.A.
EBITDA	#1	#2	#1	#2	#2	N.A.	N.A.
PATAMI	#1	#1	#2	#2	#1	N.A.	N.A.
FCF	#1	#1	#1	#1	N.A.	N.A.	N.A.

1. Pre-MFRS 16 and at constant currency

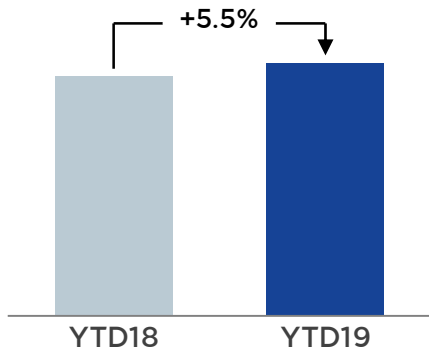
Adjusted PATAMI for Robi which excludes the effects of gain on edotco sale and higher Bangladesh taxes

*Adjusted EBITDA for edotco which excludes the effects of non-recurring items such as business development and M&A-related expenses and share-based payment expenses

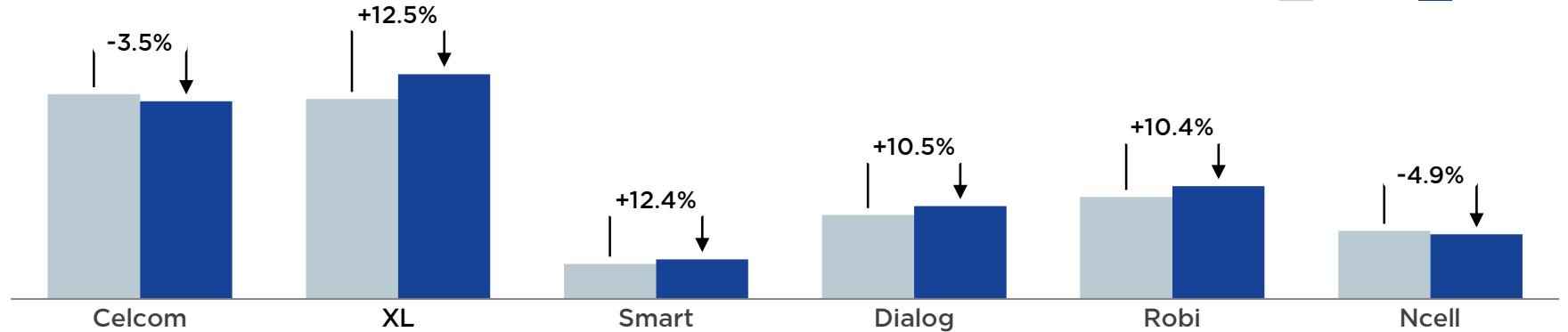
Cost excellence¹

Cost excellence programme which started in 2017 has kept costs broadly flat for our six digital telcos, directly helping Axiata deliver EBITDA growth higher than revenue growth.

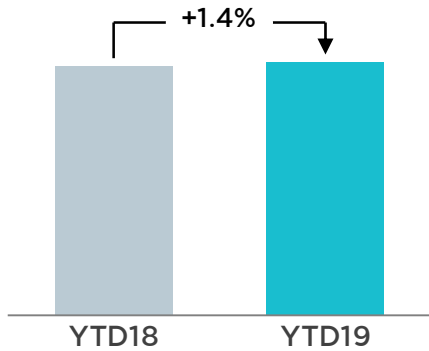
Digital telco total revenue (Ex-devices)



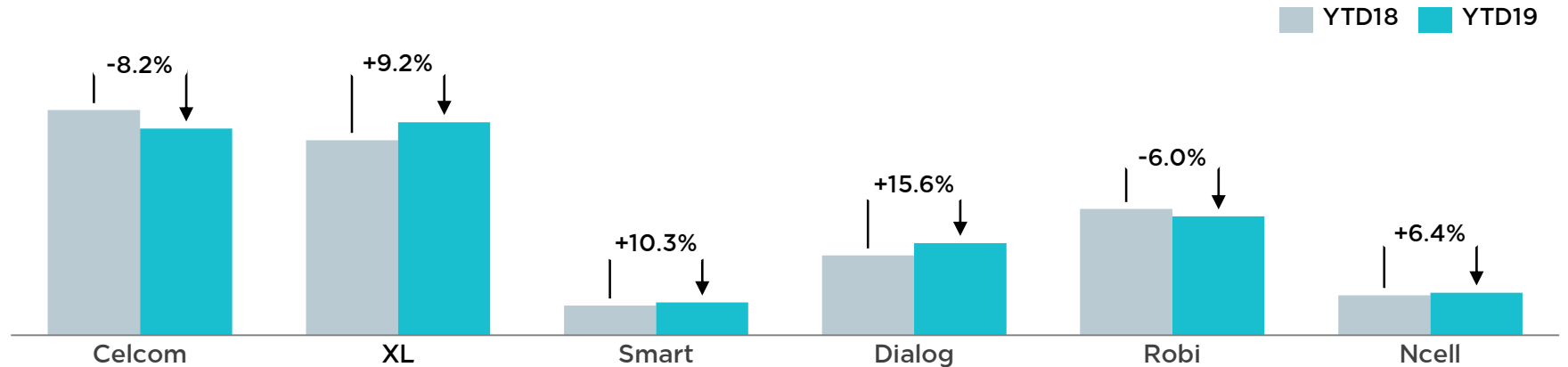
Digital telco



Digital telco total cost (Ex-devices)



Digital telco



1. Pre-MFRS 16 and at constant currency

Axiata Group Berhad

3Q 2019 Results

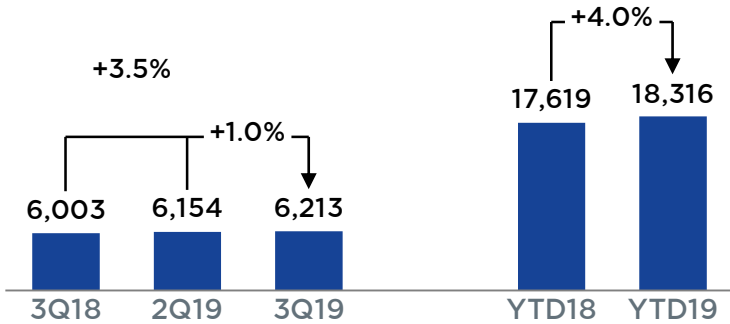
Vivek Sood, Group CFO



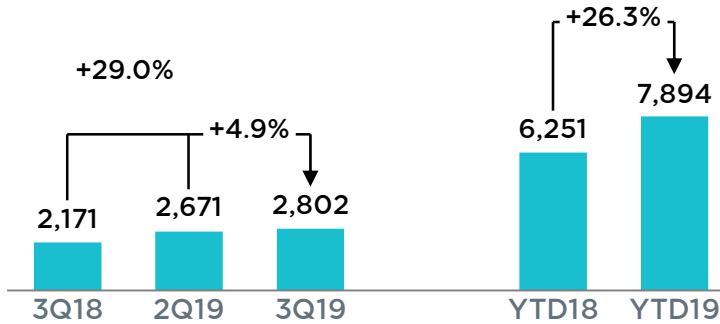
3Q19 reported results

YTD19 revenue grew 4.0% while EBITDA grew 26.3%. YTD19 PATAMI of RM1,033m lifted by one-off gains from disposal of M1, divestment of non-core digital businesses and disposal of Idea rights.

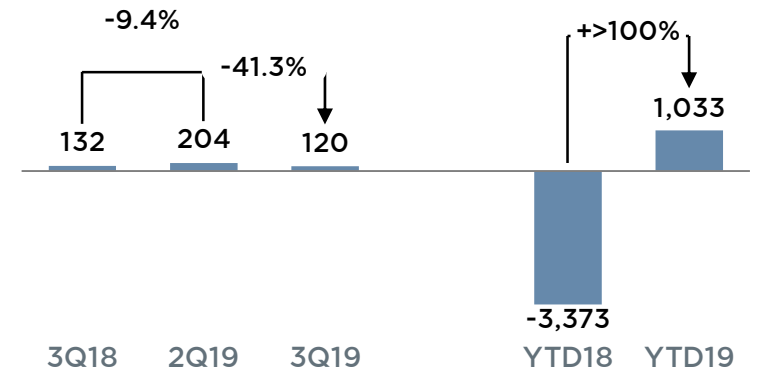
Revenue (RMm)



EBITDA (RMm)



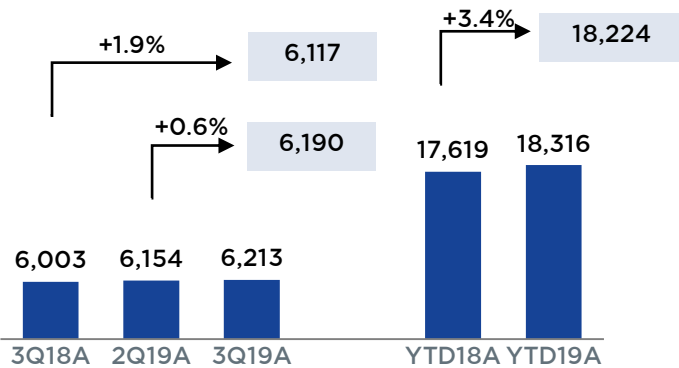
PATAMI (RMm)



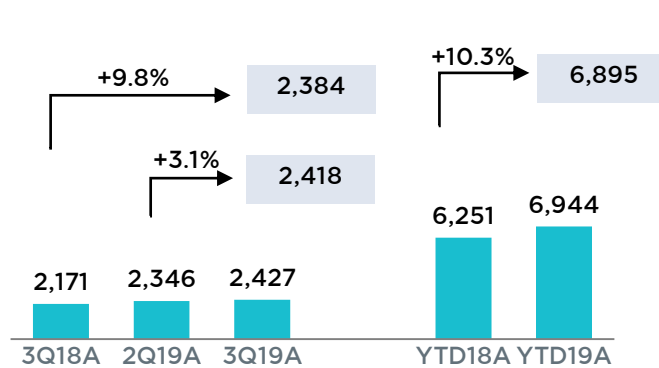
3Q19 underlying performance¹

Continued to deliver EBITDA growth (+10.3%) ahead of revenue growth (+3.4%), with 2.3% pts improvement in EBITDA margin to 37.8% as costs remained flat; PATAMI dragged by absence of M1 contribution, higher taxes for Robi and M&A expenses.

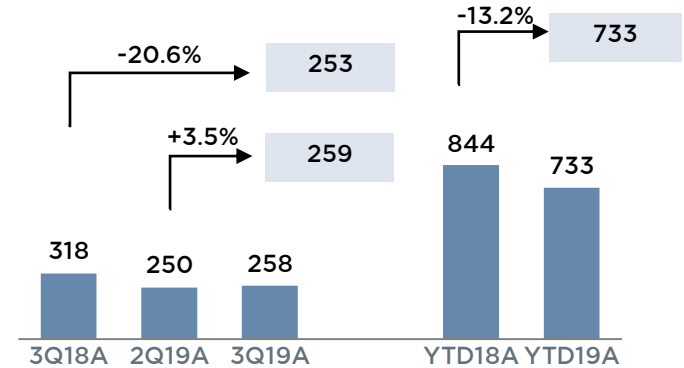
Revenue (RMm)



EBITDA (RMm)



PATAMI (RMm)



- YTD19 revenue growth of 3.4%, with positive contribution from all OpCos, except:
 - a. Celcom: -4.1%, is in line with MY mobile industry
 - b. Ncell: -3.5% for core mobile, is impacted by consumption levies and intense competition from ISPs.
- Revenue ex-device growth of 5.8%.

- Strong YTD19 EBITDA growth of 10.3%, with double-digit growth recorded at XL, Robi, Smart and edotco.
- Cost excellence of RM816m.

- YTD19 PATAMI declined 13.2% due to:
 - a. absence of share of M1 profit for YTD19
 - b. impact from unexpected change in BD minimum tax rate
 - c. M&A expenses for proposed merger with Telenor Asia.
- YTD19 normalised PATAMI is RM693m.

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

Note:

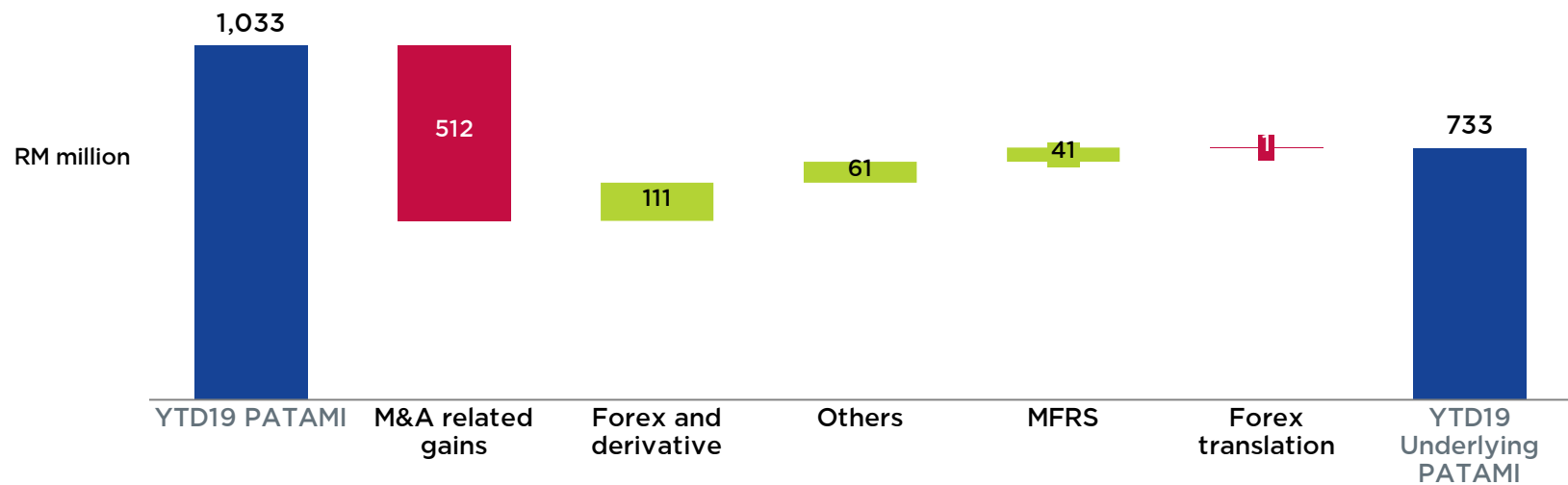
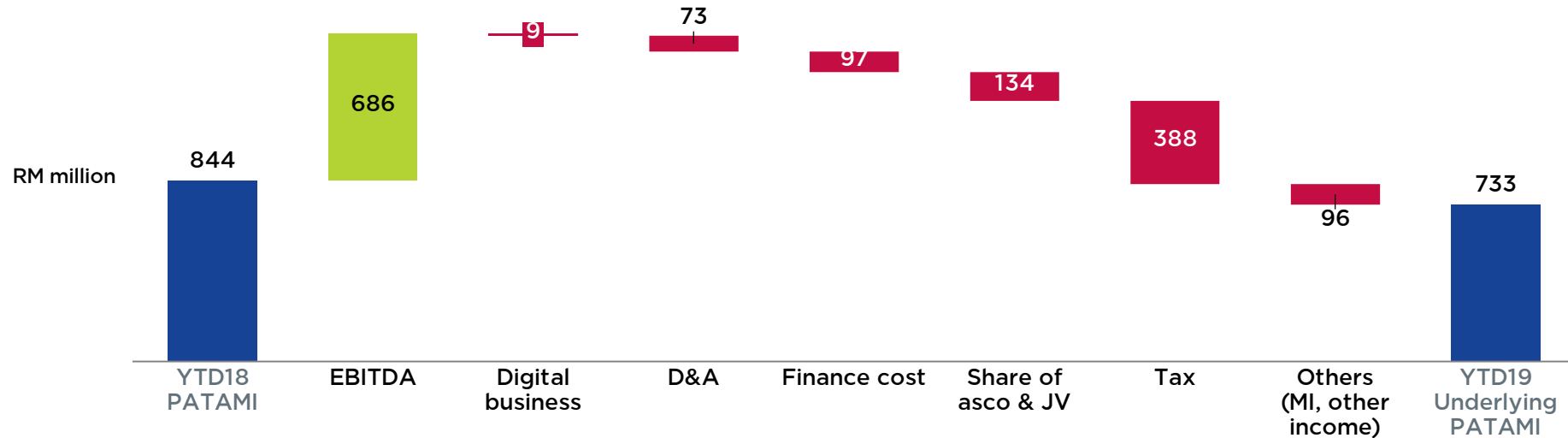
xx - pre-MFRS at actual currency

xx - Underlying performance

xx% - Underlying performance growth rate

3Q19 underlying performance¹

YTD19 Underlying PATAMI of RM733m driven by EBITDA improvement mainly in XL, Robi and edotco, offset by absence of M1 contribution, higher taxes for Robi and M&A expenses, totaling RM225m.



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

Capital expenditure and cash flow

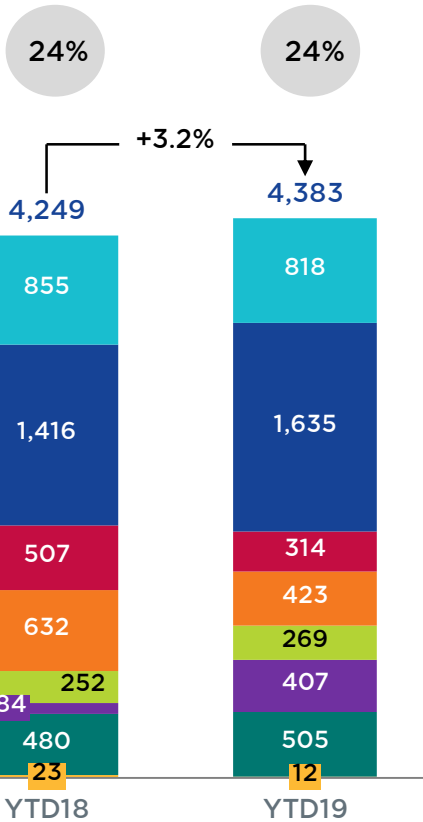
YTD19 FCF jumped 1.9x to RM3.5bn; pre-MFRS 16 at constant currency, FCF increased 43.5% to RM2.6bn, lifted by double-digit EBITDA growth.

Capital expenditure (RMm)

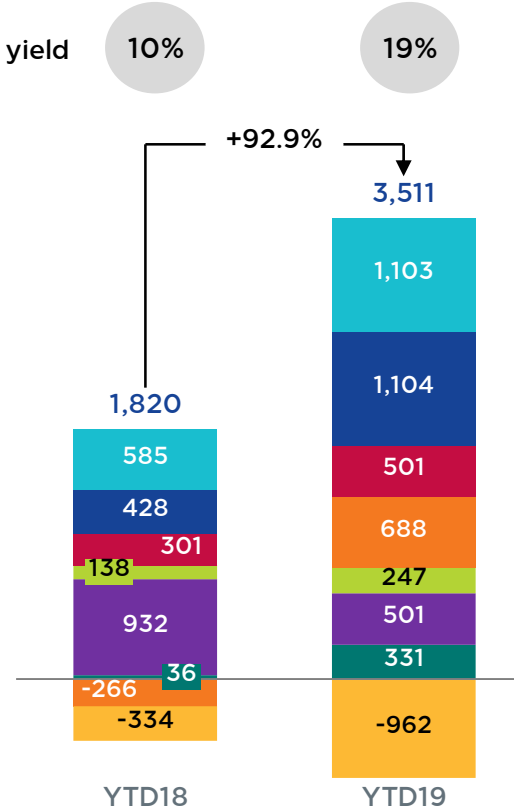
Free Cash Flow¹ (RMm)

Operating Free Cash Flow¹ (RMm)

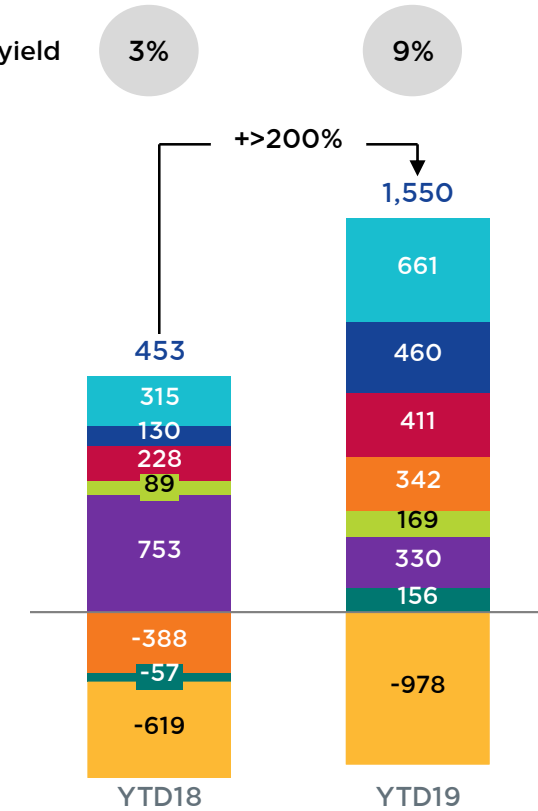
Capex intensity



FCF yield



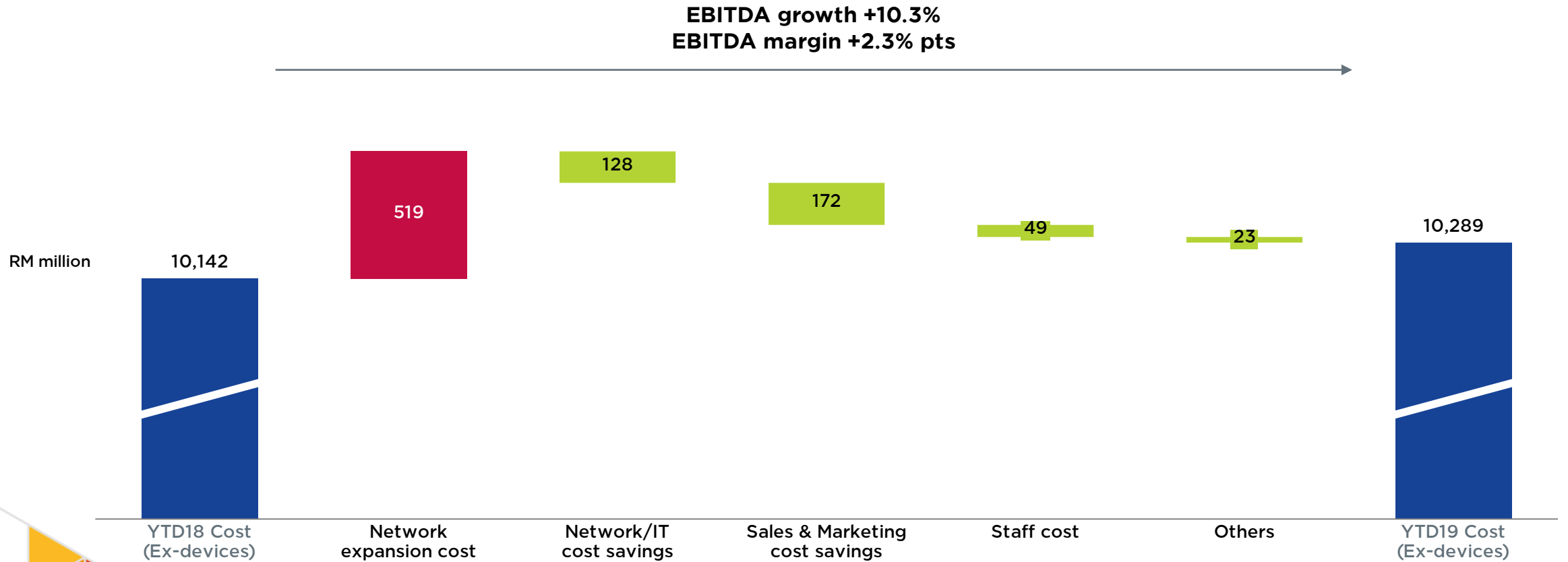
OFCF yield



Note:
 FCF = EBITDA-Capex
 OFCF = EBITDA- Capex- Net Interest-Tax
 1. Includes spectrum fees in 9M18 amounting to RM182m

Operational excellence¹

YTD19 cost remained largely flat at RM10.3bn as higher network expansion cost, was offset by savings in network/IT, sales & marketing and staff costs from XL, Celcom and Robi.



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

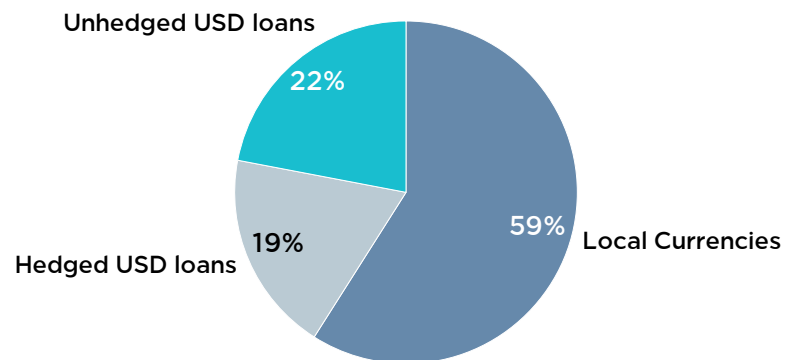
Balance sheet

Amidst macro uncertainties ahead, balance sheet is further strengthened as gross debt/EBITDA² is reduced to 1.9x (2.4x post MFRS16); 67% of debt are on fixed rate and 59% in local currency.

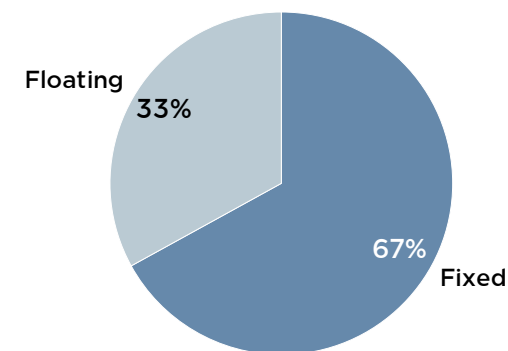
Group Borrowings – by currency

In million	Loan currency	USD	Local	Total (RM)
HoldCo and Non OpCo	USD	1,361	-	5,700
	Sub-total	1,361	-	5,700
OpCos	USD	341	-	1,548
	RM	-	4,734	4,734
	IDR	-	13,393,091	3,964
	BDT	-	15,935	789
	SLR	-	17,285	398
	PKR	-	3,871	103
	Sub-total	341	-	11,537
	Total Group	1,702	-	17,237

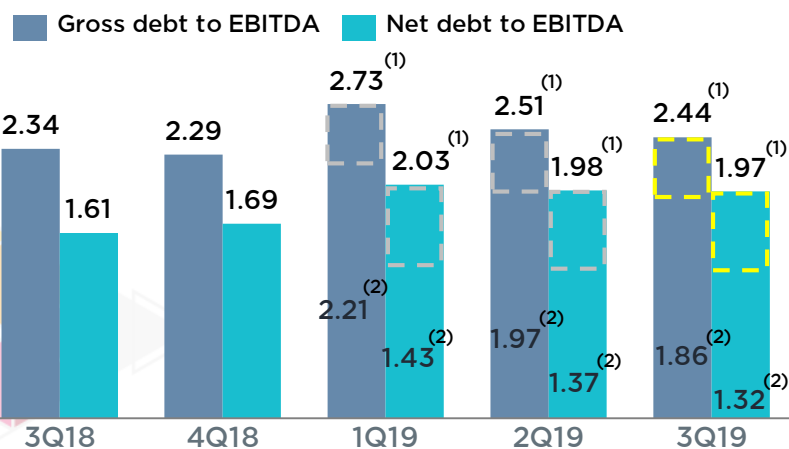
Group Borrowings – hedged/unhedged loans



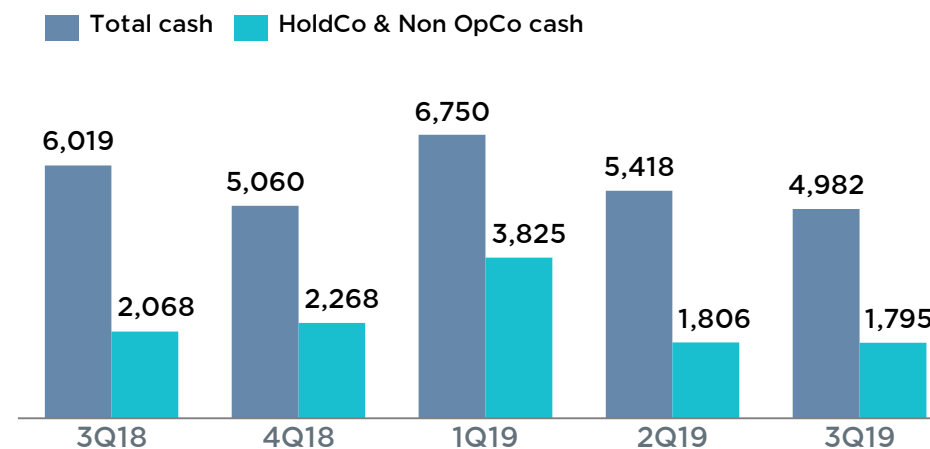
Group Borrowings – fixed/floating rates



Gross and net debt/EBITDA (x)



Cash (RMm)

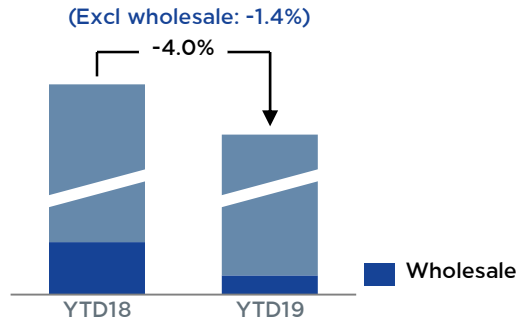


(1) Post-MFRS 16, which includes lease liabilities
 (2) Pre-MFRS 16

1

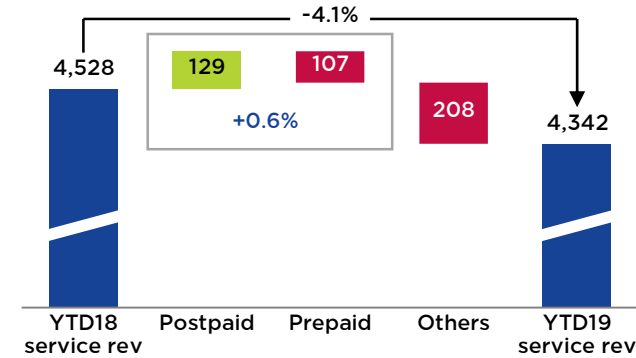
Digital Telco: Celcom

Amidst a challenging market in Malaysia, Celcom's YTD19 FCF and PATAMI grew 15.3% and 7.9% respectively - in line with 'Shifting Gear'.

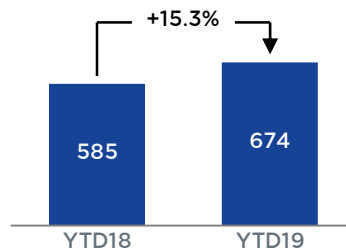
 Industry mobile service revenue¹ (RMm)


YTD19 industry mobile service revenue declined 4.0%, where wholesale revenue impact was 2.6% pts.

Mobile service revenue (RMm)

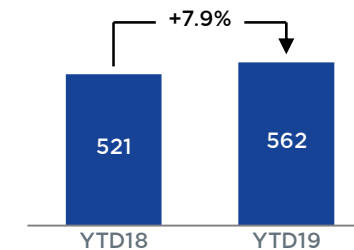


In line with industry, Celcom's mobile service revenue declined 4.1%; however its combined postpaid and prepaid revenue grew 0.6%.

 FCF² (RMm)


YTD19 FCF improved by 15.3%, lifted by EBITDA growth of 3.9% (mainly from lower direct cost) while capex was down 3.9%.

PATAMI (RMm)

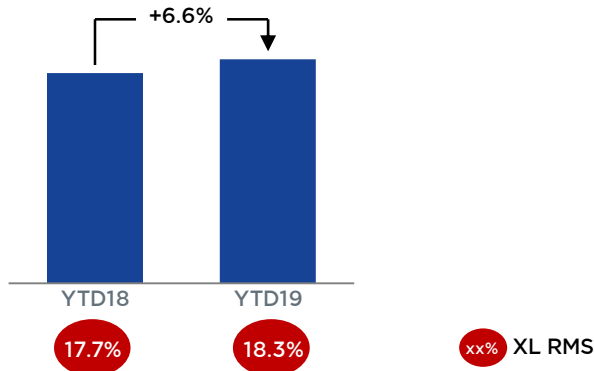


YTD19 PATAMI growth of 7.9%, largely from EBITDA growth; PATAMI margin improved 1.7% pts.

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

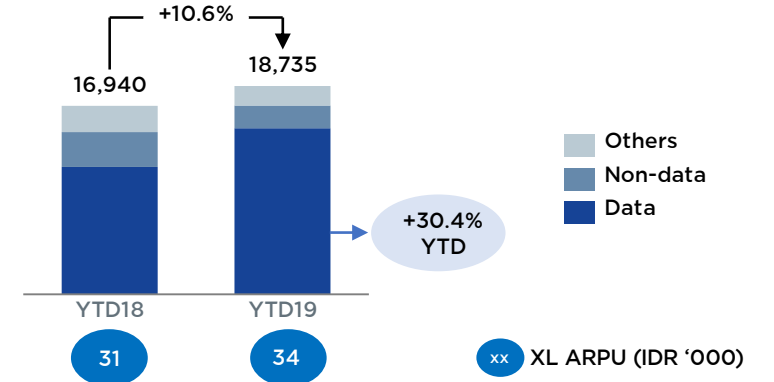
Strong data monetisation delivered revenue market share gain of 0.6% pts to 18.3%; XL's YTD19 FCF surged 50.9% and returned to profit of IDR498bn – in line with 'Shifting Gear'.

Industry mobile revenue¹ (IDRbn)



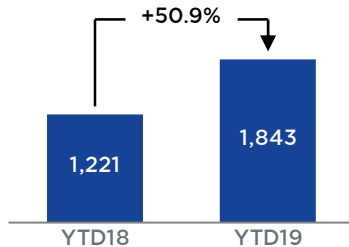
YTD19 industry growth of 6.6%; XL's revenue market share +0.6% pts to 18.3%.

Revenue (IDRbn)



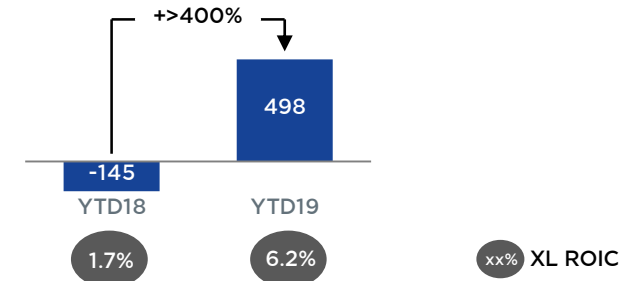
YTD19 XL revenue growth of 10.6%, driven by strong data growth of 30.4% as ARPU increased 9.7% to IDR34k.

FCF² (IDRbn)



Strong YTD19 FCF growth of 50.9% was lifted by EBITDA growth of 19.4%, as capex increased 11.6% to IDR5.5trn.

PATAMI (IDRbn)



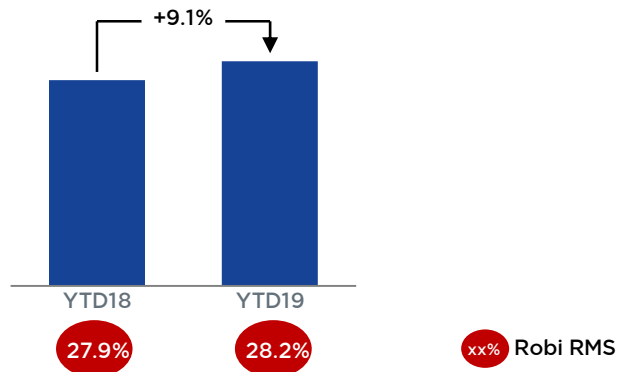
Returned to profit with YTD19 PATAMI of IDR498bn, versus losses of IDR145bn in YTD18. ROIC rose to 6.2%.

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

1 Digital Telco: Robi

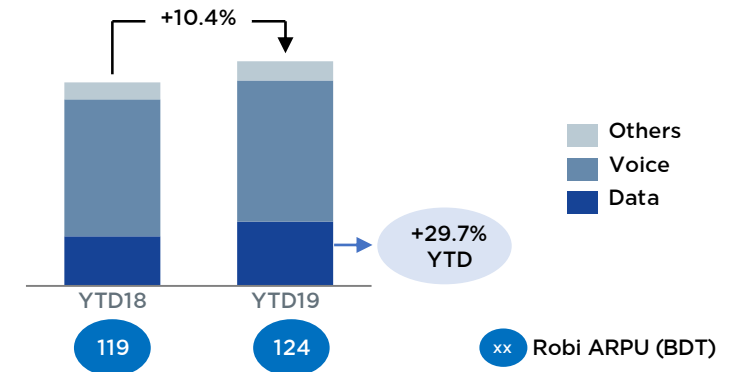
Robi gained revenue market share of 0.3% pts to 28.2%; YTD19 EBITDA growth of 64.8% drove FCF in to positive domain while the positive bottom-line was sustained notwithstanding the impact of new taxes emanating from the Budget ruling 2019 – in line with ‘Shifting Gear’.

Industry service revenue¹ (BDTm)



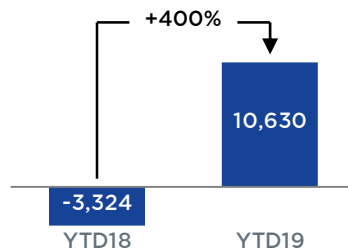
YTD19 industry growth of 9.1%; Robi’s revenue market share +0.3% pts to 28.2%.

Service revenue (BDTm)



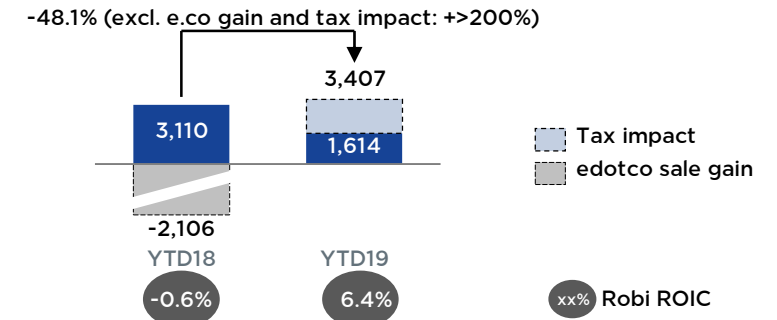
YTD19 Robi service revenue growth of 10.4%, driven by strong data growth of 29.7% as ARPU increased 4.2% to BDT124.

FCF² (BDTm)



YTD19 FCF turned positive to BDT10.6bn, as EBITDA jumped 64.8% on high operating leverage, whilst capex declined 42.5%.

PATAMI (BDTm)



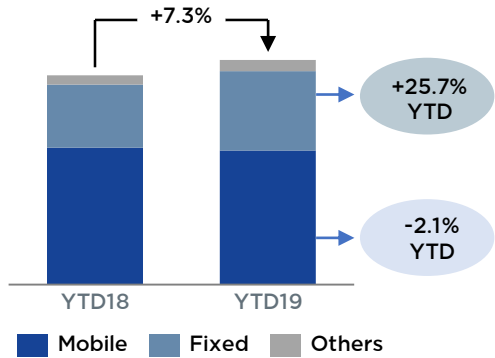
YTD19 PATAMI declined 48.1% due to absence of gain on edotco sale in 3Q18 and new BD taxes in 2Q19. Excluding exceptional items, PATAMI grew by +>200% and ROIC rose to 6.4%.

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

1 Digital Telco: Dialog

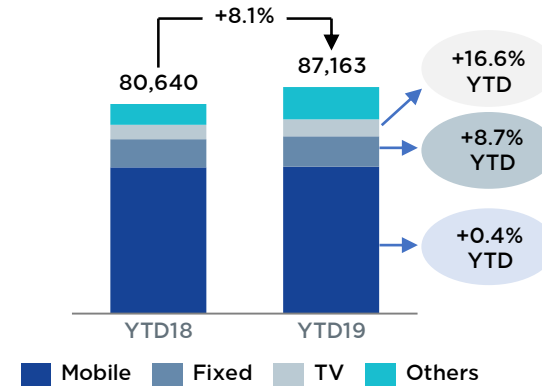
Dialog's growth of 8.1% YTD19 exceeded industry growth of 7.3%. Sequential quarter performance was however moderated by intense competition and market impacts of the Easter Sunday incident.

Industry revenue¹ (SLRm)



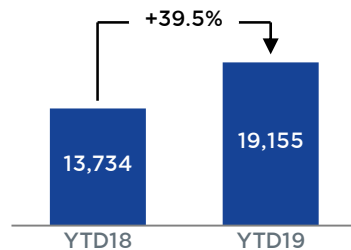
YTD19 industry growth of 7.3%, driven by fixed segment +25.7%; mobile sector growth has been impacted by the removal of floor rates and elevated price competition.

Revenue (SLRm)



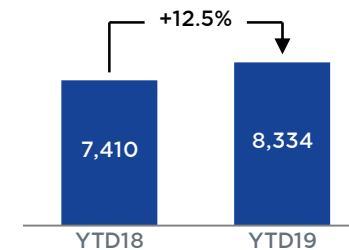
YTD19 Dialog revenue growth of 8.1%, led by TV (+16.6%), fixed (+8.7%) and mobile (+0.4%).

FCF² (SLRm)



YTD19 FCF growth of 39.5%, driven by higher EBITDA and calibrated network rollout.

PATAMI (SLRm)



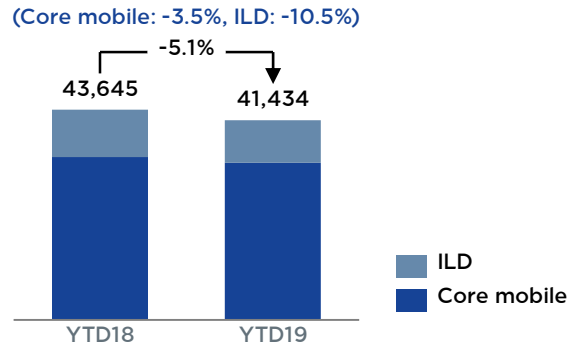
YTD19 PATAMI grew by 12.5%; excluding non-cash translational forex gain/loss, PATAMI declined 18.0%.

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

1 Digital Telco: Ncell and Smart

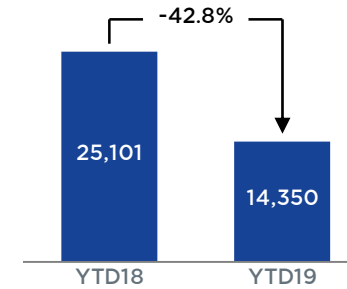
**Ncell: Core mobile revenue impacted by ongoing impact of consumption levies.
Smart: Double digit growth across all metrics.**

Ncell revenue (NPRm)



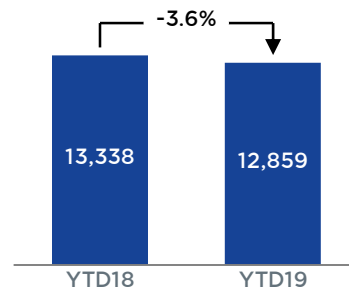
YTD19 core mobile revenue declined 3.5% largely due to muted consumption as an ongoing result of consumption levies. Price competition from ISPs has further muted data revenues of MNOs. YTD19 ILD revenue fell 10.5%.

Ncell FCF¹ (NPRm)



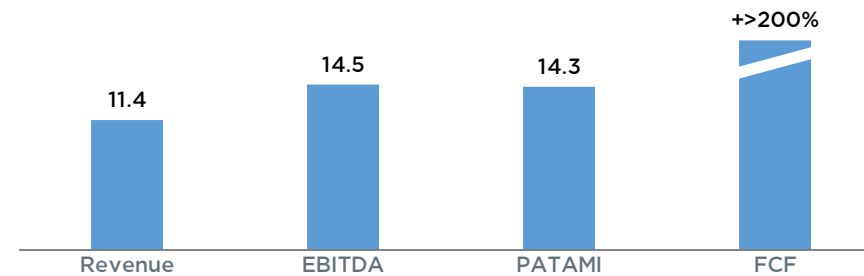
YTD19 FCF declined 42.8% due to calibrated network rollout.

Ncell PATAMI (NPRm)



YTD19 PATAMI slipped 3.6%; PATAMI margin remained fairly stable at 31.0%.

Smart YTD19 growth (%)



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

1. FCF = EBITDA - capex

Digital Businesses: Boost, ADA and Apigate

ADA delivers maiden profit in 3Q19.



- 1.5x YoY growth in users to 4.7m.
- 2.5x YoY growth in merchants to 112k.
- 13.2x YoY growth in gross transaction value (GTV).



- Asia's largest independent data-powered digital marketing agency delivered its maiden profit in 3Q19.

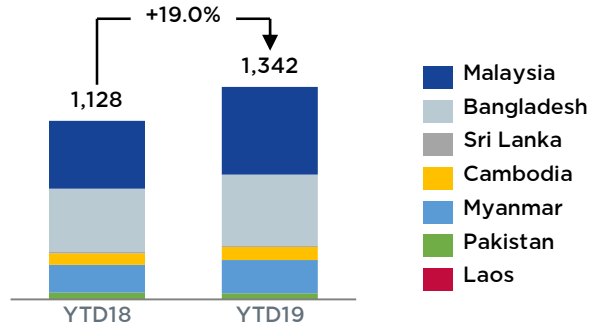


- Axiata's homegrown application programme interface (API) platform.
- Connected to >140 merchants.
- 88% YoY growth in GTV.

3 Infrastructure: edotco

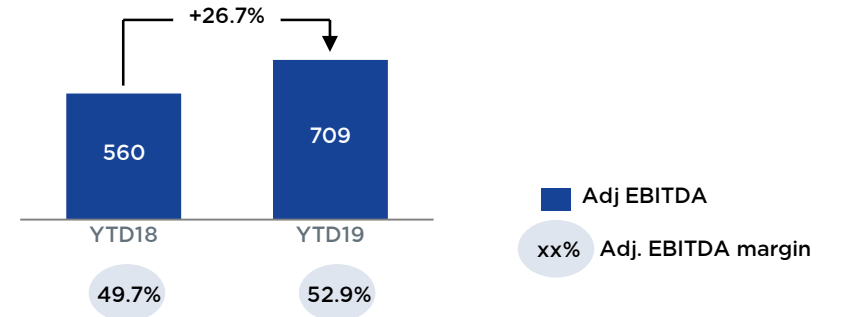
YTD19 double digit growth across all financial metrics, on the back of increased towers of 12.4% whilst sustaining a stable tenancy ratio.

Revenue (RMm)



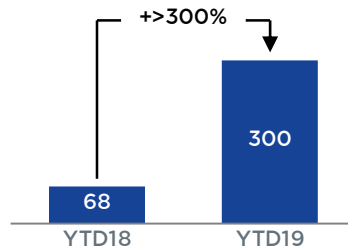
YTD19 revenue growth of 19.0%, with positive contribution across major footprints.

Adj.¹ EBITDA (RMm) and Margin (%)



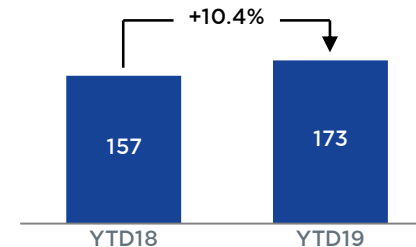
YTD19 adjusted EBITDA growth of 26.7%; margin +3.2% pts to 52.9% driven by enhanced billing against lower maintenance costs in 2019.

FCF² (RMm)



YTD19 FCF increased 4.4x, driven by the improvement in EBITDA.

PATAMI (RMm)



YTD19 PATAMI growth of 10.4%, also driven by improvement in EBITDA.

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

FY19 Headline KPIs

EBITDA growth and ROIC likely to exceed Headline KPI.

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

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 Nepal (ie. capital gains tax) and Bangladesh (ie. BTRC audit).
- Challenging market in Malaysia and Nepal.
- Higher opex for ADS, amidst exponential growth in the Malaysia fintech industry.

OPPORTUNITIES

- Sustained growth in Indonesia and Bangladesh.
- Higher tenancies in Infrastructure and building on continuous momentum.
- Structural cost takeout.





Appendix



MFRS 16 impact

RM950m EBITDA uplift and RM41m negative impact on PATAMI.

RM million	YTD19 pre-MFRS 16	MFRS 16	YTD19 post-MFRS 16
EBITDA	6,944	950	7,894
Depreciation & amortisation	(4,420)	(776)	(5,196)
Finance cost	(1,058)	(251)	(1,309)
PBT	2,224	(76)	2,148
PATAMI	1,074	(41)	1,033

RM million (as at 1 Jan 2019)	As reported	Reclassification ¹	MFRS 16	As adjusted
Right-of-use assets	-	3,277	5,296	8,573
Lease liabilities	-	3,030	4,941	7,971

1. Reclassification from PPE and payables on existing finance leases

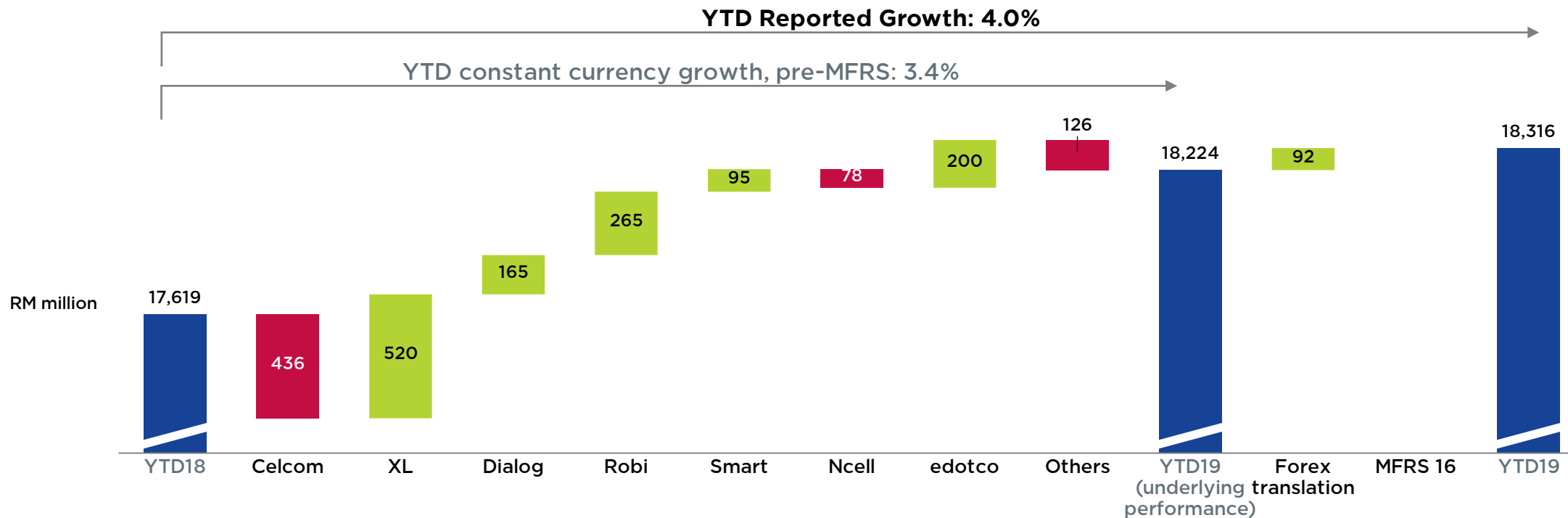
Effective tax rate (ETR)

ETR rose to 39% for YTD19 versus 22% for YTD18.

	Corporate Tax Rate		ETR (Reported)	
	2018	2019	YTD18	YTD19
Celcom	24%	24%	27%	27%
XL	25%	25%	-46%	37%
Dialog	2% of revenue	2% of revenue	16%	15%
Robi	0.75% of revenue	2% of revenue	4%	74%
Smart	20%	20%	21%	21%
Ncell	25%	30%	26%	29%
edotco	-	-	33%	41%
GROUP	-	-	22%	39%

Group revenue: YTD18 → YTD19

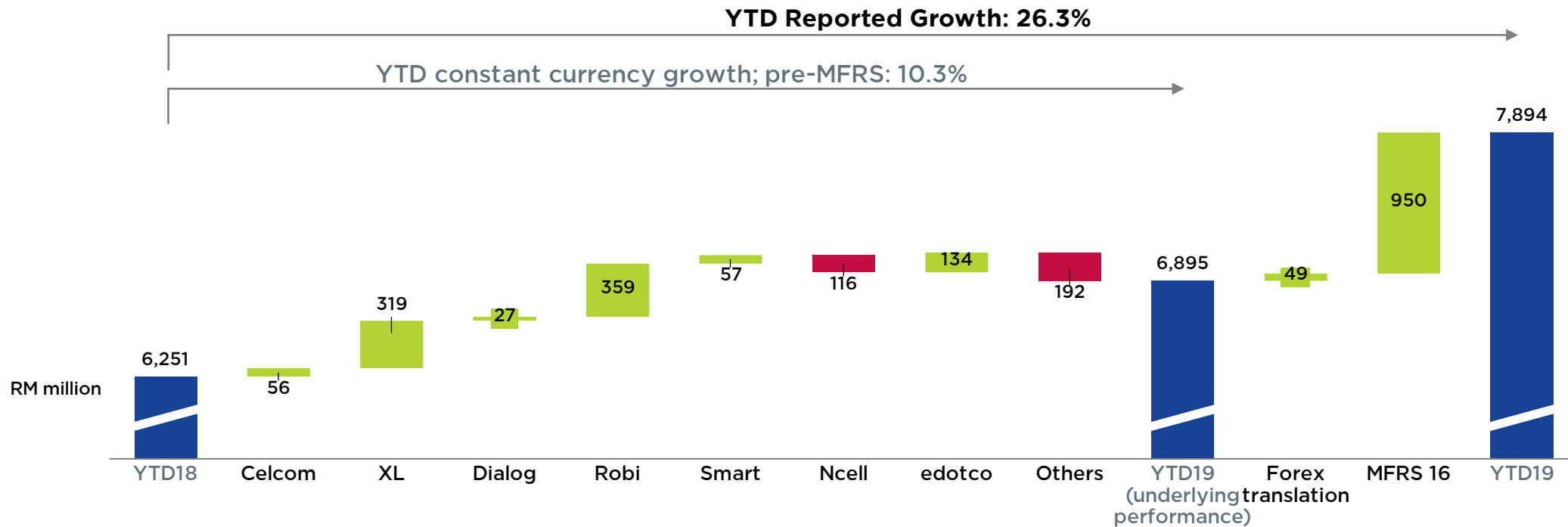
YTD19 revenue growth of 4.0% driven by better performance from all OpCos, except Celcom and Ncell.



Revenue	YTD18	YTD Growth Rates	Revenue (underlying performance)	YTD19
Celcom	5,424	(436) -8.0%	Celcom	4,988
XL	4,797	520 10.8%	XL	5,317
Dialog	2,037	165 8.1%	Dialog	2,202
Robi	2,398	265 11.0%	Robi	2,663
Smart	838	95 11.4%	Smart	933
Ncell	1,602	(78) -4.9%	Ncell	1,524
edotco	1,126	200 17.8%	edotco	1,326
Others	(603)	(126) -20.8%	Others	(729)
GROUP	17,619	605 3.4%	GROUP	18,224

Group EBITDA: YTD18 → YTD19

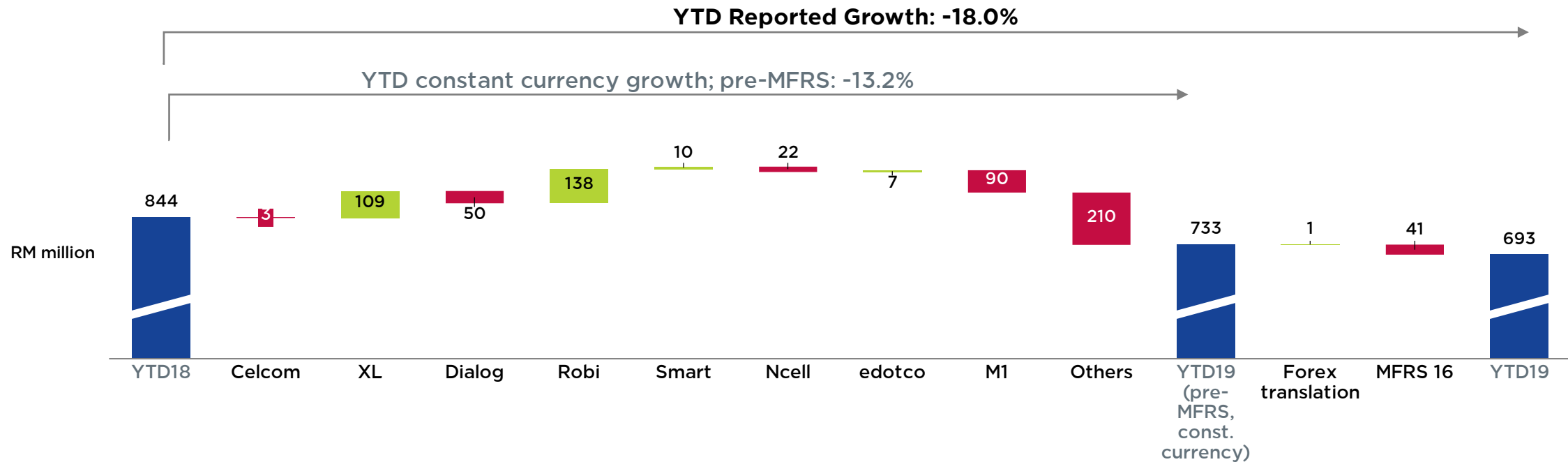
YTD19 EBITDA growth of 26.3% largely due to positive MFRS 16 impact and higher contribution from all OpCos except Ncell, offset by M&A expenses and higher opex from new businesses.



EBITDA	YTD18	YTD Growth Rates		EBITDA (underlying performance)	YTD19
Celcom	1,440	56	3.9%	Celcom	1,496
XL	1,844	319	17.3%	XL	2,163
Dialog	808	27	3.3%	Dialog	835
Robi	548	359	65.7%	Robi	907
Smart	390	57	14.5%	Smart	447
Ncell	1,016	(116)	-11.4%	Ncell	900
edotco	515	134	25.9%	edotco	649
Others	(310)	(192)	-61.6%	Others	(502)
GROUP	6,251	644	10.3%	GROUP	6,895

Group normalised PATAMI : YTD18 → YTD19

YTD19 normalised PATAMI declined 18.0% due to the absence of M1's share of profit, lower contribution from Dialog and Ncell, M&A expenses, higher opex from new businesses and negative MFRS 16 impact.



Norm PATAMI	YTD18	YTD Growth Rates		Norm PATAMI (underlying performance)	YTD19
Celcom	566	(3)	-0.5%	Celcom	563
XL	(75)	109	145.1%	XL	34
Dialog	217	(50)	-22.9%	Dialog	167
Robi	(83)	138	166.2%	Robi	55
Smart	153	10	6.2%	Smart	163
Ncell	409	(22)	-5.3%	Ncell	387
edotco	95	7	7.4%	edotco	102
Others	(438)	(300)	-68.2%	Others	(738)
GROUP	844	(111)	-13.2%	GROUP	733

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, 47th Percentile



CDP

Carbon Disclosure Project

Axiata Disclosure Rating: D



Thank You

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