Axiata Group Berhad

4Q 2018 Results

22 February 2019

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Executive Summary (1/2)

- A massive portfolio rationalisation and monetisation in 2018 to pave the way for 2019 and the future.
- 2018 headline PATAMI of -RM5.0bn, normalised PATAMI of RM1.0bn, underlying PATAMI of RM1.2bn.
- Of the headline PATAMI of -RM5.0bn:
  - ➢ RM6.5bn pre-tax are non-cash items:
    - Idea-related transactions = RM3.9bn
    - Forex and derivative losses = RM0.5bn
    - Legacy asset write off = RM1.8bn
    - Others (PPA + other minor impairments) = RM0.3bn
- Underlying performance is very strong:
  - All OpCos did well; some extremely well
    - ❖ 6 the best in revenue; All gained market share
    - ❖ 4 the best in EBITDA
    - ❖ 2 the best in PATAMI
- Cost optimisation overachieved in 2018: RM1.5bn delivered vs RM1.4bn target.
- Balance sheet strong, with Gross Debt/EBITDA of 2.29x and cash balance of RM5.1bn.
- Proposed dividends – Back to 85% DPR; modest DPS of 9.5 sen but higher than 2016 (8.0 sen) and 2017 (8.5 sen).

Executive Summary (2/2)

- Digital business : Great progress operationally and financially. Core digital business (Boost, ada and Apigate) on the path to monetisation or validation, and non-core digital business (Digital Venture) to be transacted at USD140m in 2019.
- 2018 Headline KPIs – Adjusting for cancellation of Deodar acquisition, we met all KPIs (excluding one-off transactions).
- Moving forward – with portfolio rationalisation and monetisation, plus, operational momentum and excellence, plus new growth areas, AND “Shifting Gear” strategy, we have a promising 2019/2020.
- There are however moderate to high risks, but also opportunities.
- 2019 headline KPIs reflect our “cautious optimism” as we target growth for Revenue and EBITDA (on constant currency), with EBITDA growing faster than revenue.

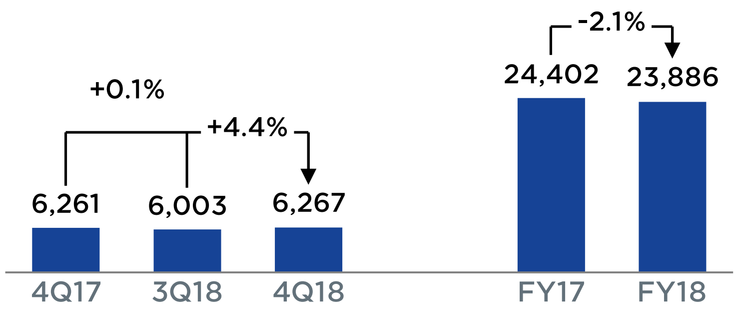
Key message: Axiata delivering on its commitments

Recap on our commitments		Achievements in 2018
Overall operational performance. *(Dec 2016)*	✓	Revenue market share gains for all opcos, double digit growth in edotco and Dialog.
4G / data leadership investments to be #1 or strong #2. *(Feb 2017)*	✓	Data revenue increased to 52% of total in FY18, from 34% in FY16.
Group wide cost optimisation of RM2.3bn for FY17-19. *(Feb 2017)*	✓	Delivered cost savings/avoidance of RM2.8bn within the first two years ie in FY17-18.
Monetisation of digital investments. *(Feb 2018)*	✓	ada secures USD20m investment; Digital Ventures to be transacted at USD140m in 2019.
Optimum portfolio strategy, with investment review of Idea, M1 and Digital Ventures. *(Nov 2017)*	✓	Portfolio rationalisation of non-core assets including Idea, M1 (in Feb 2019), Multinet and Digital Ventures.
DPR of 50% in FY16 to revert back to FY15 levels in FY18. *(Feb 2017)*	✓	FY18 DPR of 85%, which is back to FY15 levels.

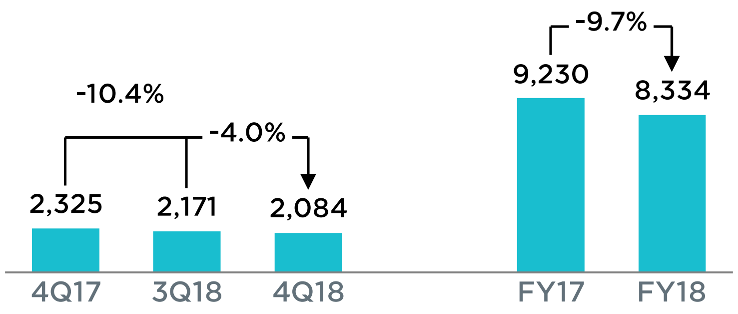
2018 results: 2018 was a year of massive portfolio rationalisation and monetisation

PATAMI impacted by externalities and one-off non-cash items ie Idea-related transactions (RM3.9bn), asset write-offs (RM1.8bn), forex and derivative losses (RM0.5bn); Revenue (RM1.4bn) and EBITDA (RM1.0bn) impacted by forex translation and new accounting rules MFRS 15 and 9.

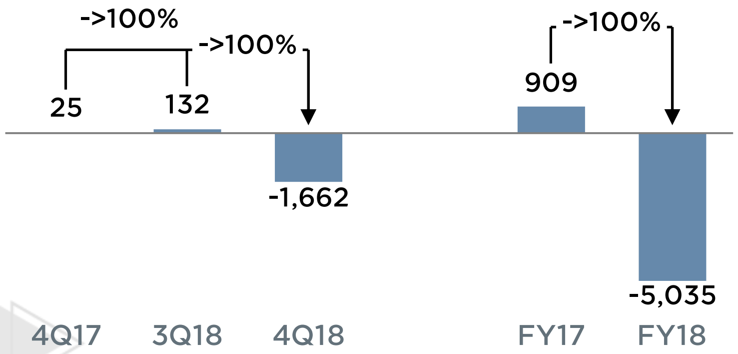
Revenue (RMm)



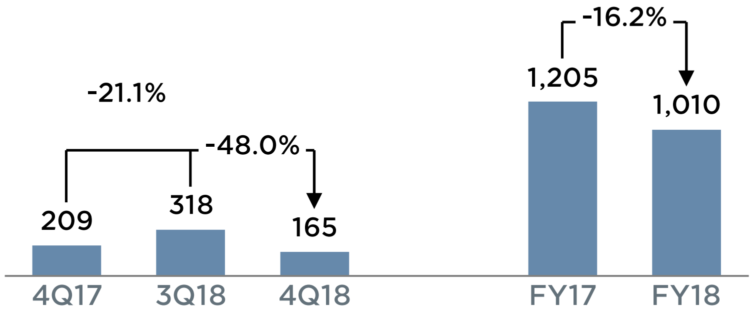
EBITDA (RMm)



PATAMI (RMm)



Normalised PATAMI* (RMm)

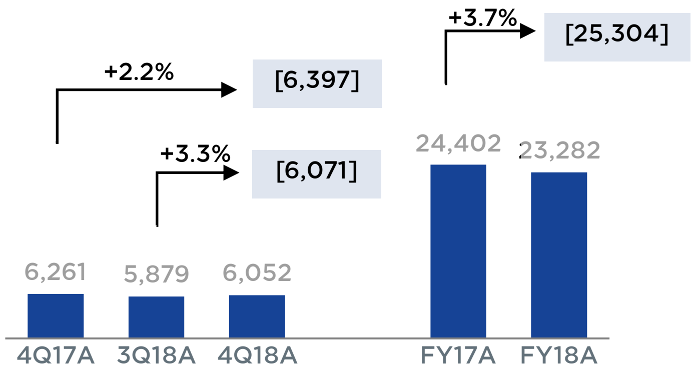


* Refer to Data Financials Excel sheet (P&L tab) for normalisation items

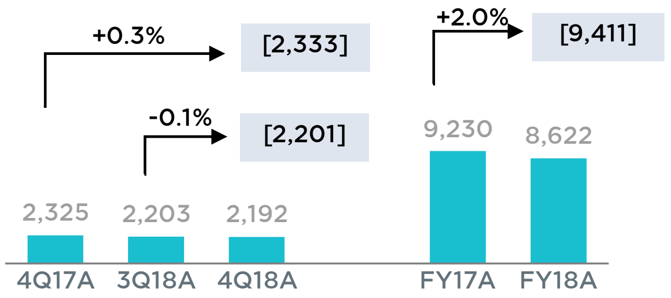
...But that clouds the very strong Underlying Performance*

FY18 revenue and EBITDA expanded although PATAMI dragged by D&A, finance cost and digital investments; all opcos gained revenue market share.

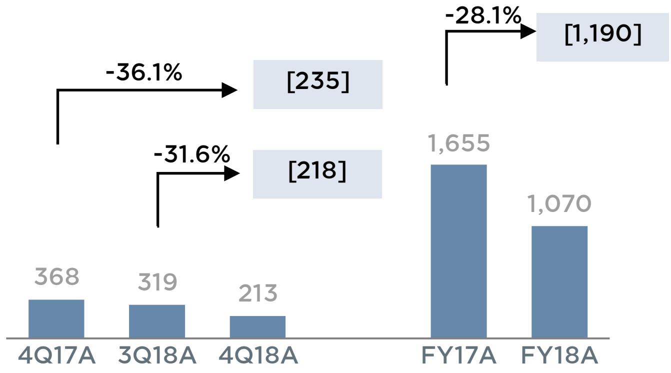
Underlying revenue (RMm)



Underlying EBITDA (RMm)



Underlying PATAMI (RMm)



- FY18 revenue growth of 3.7% on the back of revenue growth from all OpCos, except Ncell and Robi.
- FY18 EBITDA growth of 2.0% mainly from Robi, Dialog and XL.
- Excluding Celcom's one-off Employee Life Plan (ELP) in 2H18 and digital investments, FY18 EBITDA grew by 3.7% reflective of cost optimisation program.
- FY18 normalised PATAMI –28.1%, impacted by higher D&A, increased finance cost and digital investments.
- Cost initiatives on track, with FY18 achievement of RM1.5bn against RM1.4bn target for 2018.
- Balance sheet remains healthy with gross debt/EBITDA of 2.29x in 4Q18 (forex adjusted is 2.09x). In line with internal guidelines, ~50% of debt in USD debt, of which ~50% is hedged; and 67% of debt is on fixed rate.
- Operating free cashflow of RM605m.

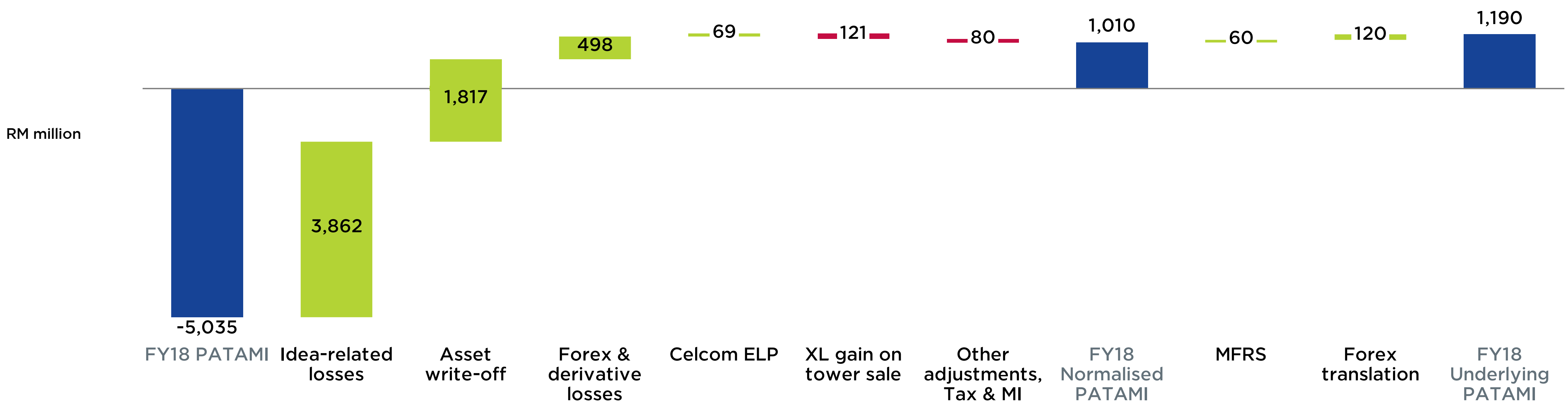
*Underlying performance – pre-MFRS at constant currency, excluding Idea (discontinuing operation), other one-offs

Note:

xx – pre-MFRS at actual currency | [xx] – Underlying performance | xx% – Underlying performance growth rate

Refer to Appendix for details of Revenue, EBITDA and normalised PATAMI bridging.

Underlying PATAMI of RM1,190m (1/2): Detailed explanation



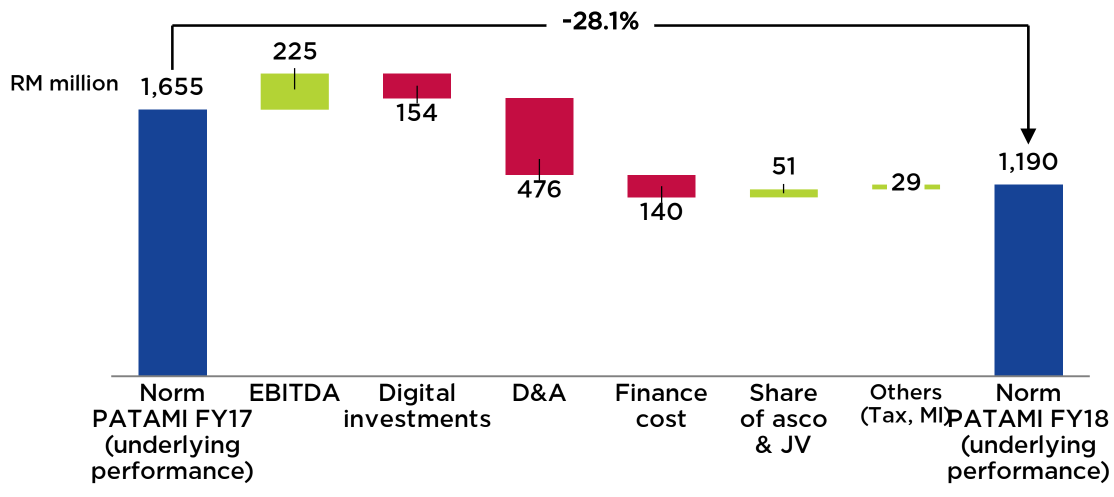
- Idea-related transactions RM3.9bn:
  - a) Re-classification of investment in Idea from associate to simple investment, resulting in one-off non-cash accounting adjustment of RM3.3bn.
  - b) Loss of dilution of RM358m due to non-participation in new issuance of Idea shares, reducing Axiata stake from 19.7% to 16.3%.
  - c) Discontinuing operations from Idea of RM186m.
- Asset impairment of RM1.8bn due to 4G network modernisation and technology obsolescence of legacy network, as 4G traffic now accounting for 70% of traffic (vs 20% in 2016).
- Forex and derivative losses of RM0.5bn, out of which RM0.3bn is unrealised losses.
- Due to unfavourable forex movement where MYR strengthened against the opco currencies by 10-12% in FY18, PATAMI impacted by RM120m.
- With the implementation of MFRS 15 and 9 on 1st January 2018, PATAMI impacted by RM60m.

Note: Underlying performance – pre-MFRS at constant currency, excluding Idea (discontinuing operation), other one-offs

Underlying PATAMI of RM1,190m (2/2): Detailed explanation

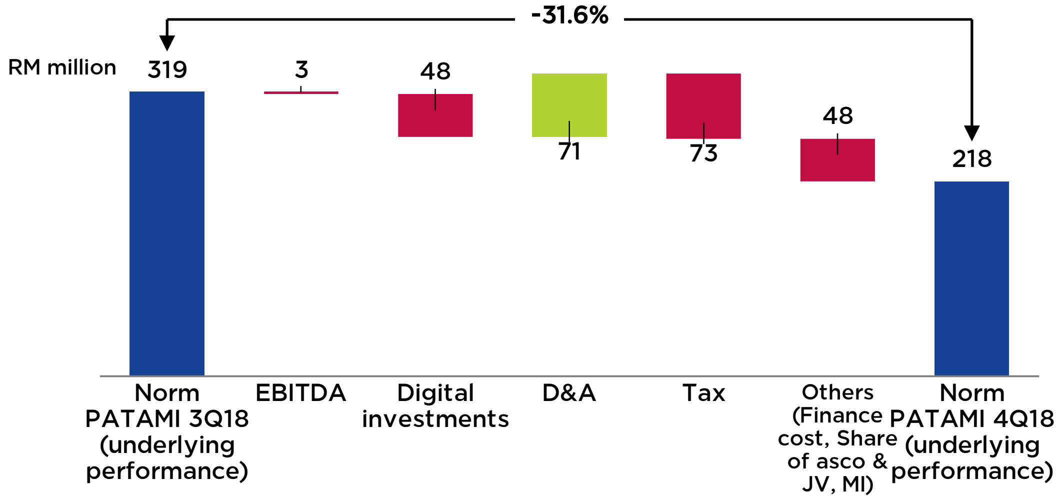
On YTD comparison, FY18 underlying performance impacted by D&A, finance cost (ie incremental interest rate in 3 markets) and digital investments.

Underlying YTD growth



Normalised (YTD movement)	EBITDA	D&A	Finance cost	Share of asco & JV
Celcom	(34)	123	(12)	20
XL	(23)	187	71	33
Dialog	166	103	9	2
Robi	189	41	87	0
Smart	(10)	26	(1)	0
Ncell	(107)	(59)	(16)	0
Others	44	55	2	-4
TOTAL	**225**	**476**	**140**	**51**

Underlying QoQ growth



Normalised (QoQ movement)	EBITDA	D&A	Tax
Celcom	3	4	19
XL	48	(4)	37
Dialog	9	8	2
Robi	31	(4)	34
Smart	7	2	(2)
Ncell	(36)	(68)	(4)
Others	(65)	(9)	(13)
TOTAL	**(3)**	**(71)**	**73**

Note: Underlying performance – pre-MFRS at constant currency, excluding Idea (discontinuing operation), other one-offs

Cost optimisation program (ARISE): Significant progress has been achieved

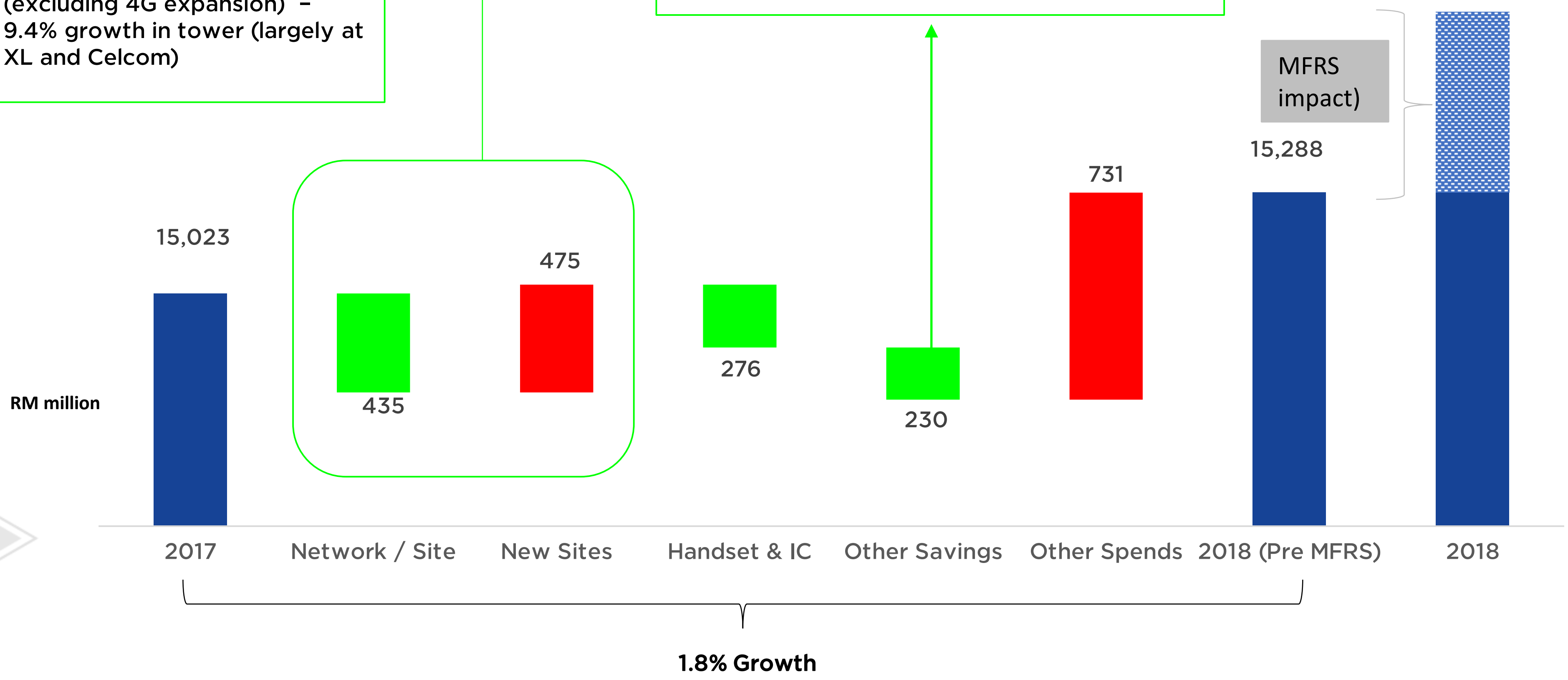
The ARISE Program has delivered opex savings of RM941m across the mobile opcos, and greatly aided in keeping the overall cost base broadly flat at 1.8% YoY, despite network expansion in ex-Java and non-CCD.

Network cost:

- **Reduction in cost/site** - Declined by 7.7% YoY, aided by cost excellence program
- **New sites** – 5,186 new tower (excluding 4G expansion) – 9.4% growth in tower (largely at XL and Celcom)

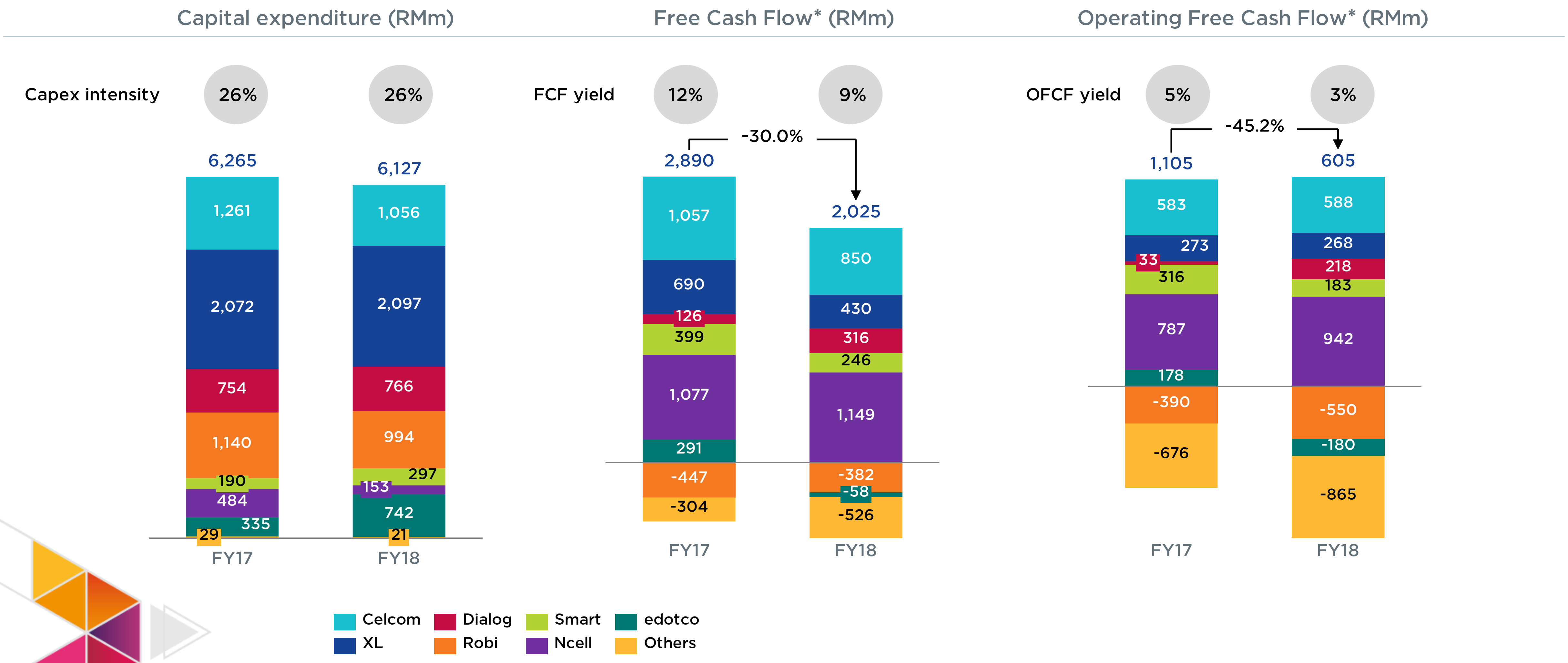
Sales & marketing cost:

- Recharge Commission (Digitisation impact)
- SAC/GA largely at Celcom & Smart.
- Lower A&P spend at Celcom & Smart
- Lower IT costs at Celcom & Robi



Capital expenditure and cash flow

Sustains FY18 capex of RM6.1bn, and generates strong FCF and OFCF at RM2.0bn and RM605m respectively.



Note:
FCF = EBITDA-Capex
OFCF = EBITDA- Capex- Net Interest-Tax
* Includes spectrum fees in FY17/FY18 amounting to RM75m/RM182m respectively

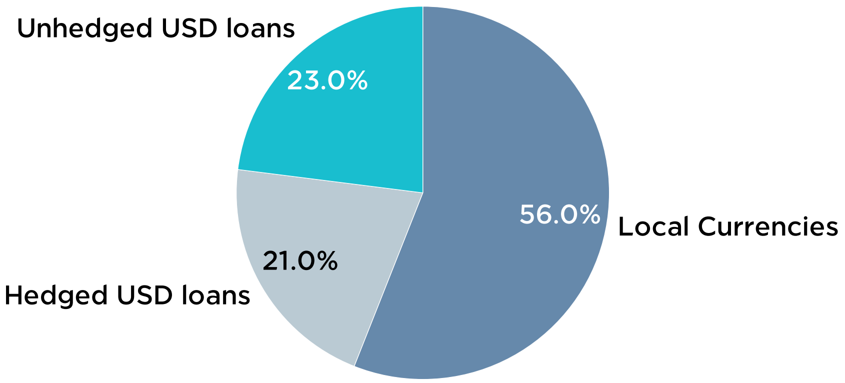
Balance sheet: Strong and reasonably balanced debt profile

Balance sheet remains healthy with gross debt/EBITDA of 2.29x in 4Q18 (forex adjusted is 2.09x). In line with internal guidelines, ~50% of debt in USD debt, of which ~50% is hedged; and 67% of debt is on fixed rate.

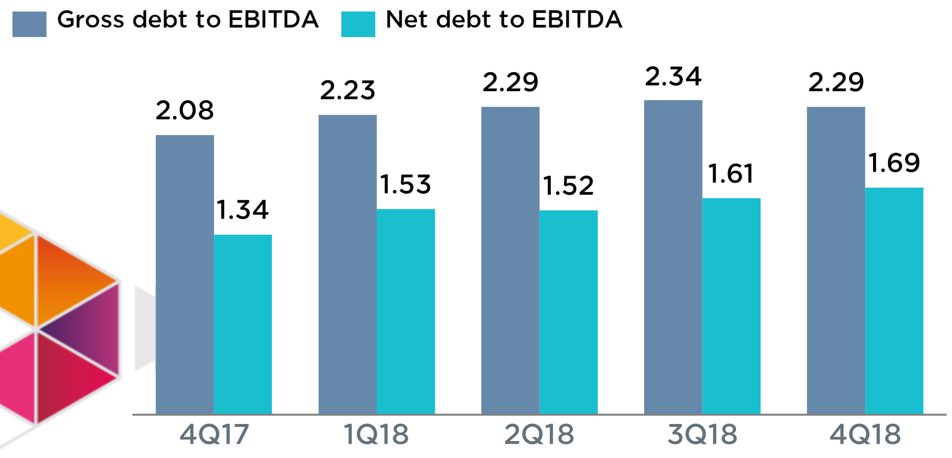
Group Borrowings – by currency

In million	Loan currency	USD	Local	Total (RM)
HoldCo and Non OpCo	USD	1,558	416	6,893
	Sub-total	**1,558**	**416**	**6,893**
OpCos	USD	484		2,049
	RM		5,057	5,057
	IDR		12,563,567	3,593
	BDT		22,215	1,099
	SLR		16,620	376
	PKR		1,806	54
	Sub-total	**484**		**12,227**
	Total Group	**2,042**		**19,121**

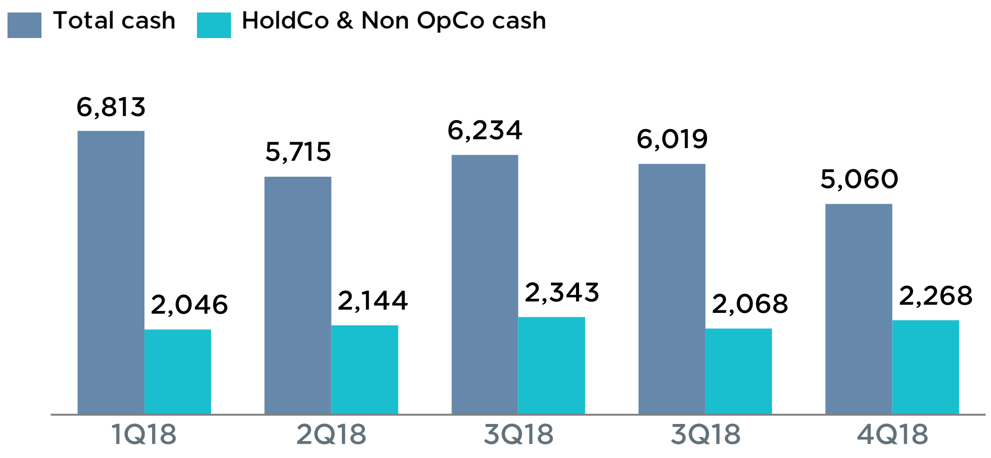
Group Borrowings – hedged/unhedged loans



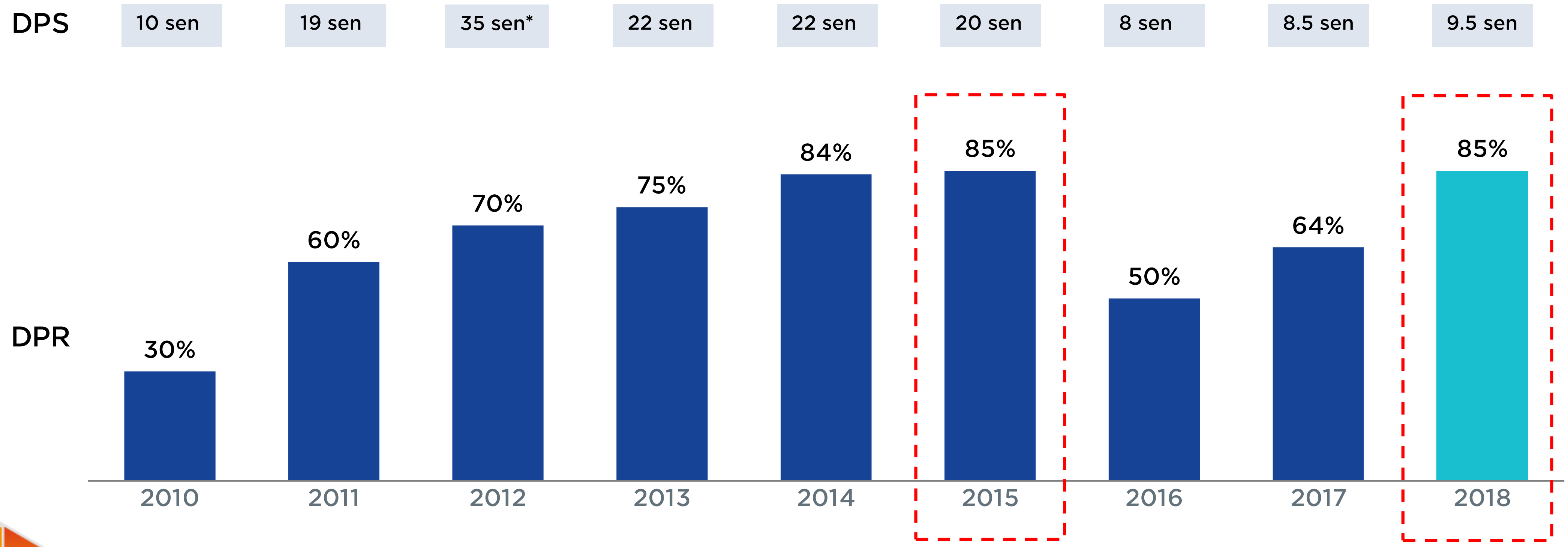
Gross and net debt/EBITDA (x)



Cash (RMm)



Proposed dividends: Back to 85% DPR as committed; modest DPS but higher than the last two years



*Includes special dividend of 12 sen

Pre-MFRS basis

Key Group highlights (1/5): Celcom stabilised and strengthened

FY18 service revenue growth of 1.1% in a stabilising competitive environment; cost initiatives deliver EBITDA growth of 6% QoQ.

celcom
Malaysia

- FY18 service revenue growth of 1.1% driven by both postpaid and prepaid segments.
- Focus on HVCs yielded positive results with FY18 postpaid ARPU +RM5 to RM89 and prepaid ARPU +RM3 to RM35.
- Cost initiatives continue in 4Q18 as EBITDA improves 6% QoQ, and margins +2 ppt to 35.1% as reflected in lower direct expense (-4.6%), network cost (-2.8%) and staff cost (-4.6%).
- FY18 EBITDA growth of -4.5% due to impact of one-off internal employee restructuring cost charge, change in revenue mix and increased network spending for coverage expansion and capacity upgrades.
- FY18 PATAMI growth of -64.4% primarily driven by one-off assets write-off and impairment charge in 4Q18, the one-off charge on employee restructuring, higher D&A charges and one-time gain from the disposal of 11 street in 2017.
- LTE and LTE-A coverage at 91% and 78% respectively, as at 4Q18.

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

Key Group highlights (2/5): XL strategy paid off and achieved superior performance

Consistent strategy execution led to revenue growth of 0.4% in 2018 for XL and market share gain as overall industry revenue growth declined.

XL axiata
Indonesia

- FY18 revenue and EBITDA growth of 0.4% and 2.3% respectively, outperforming the industry.
- Most data centric operator with 80% smartphone penetration and data revenue at 82% of service revenue in 4Q18.
- Dual brand strategy performing well with both XL and Axis brands recording all-time highs in net promoter scores (NPS) in 2018 with both resonating well within respective target segments.
- Continued network investment across Indonesia, in particular ex-Java, with 4G service now available in around 400 cities and areas, covered by almost 30,000 4G BTS.
- FY18 PAT turned negative to IDR3.3tn mainly attributed to one-off accelerated depreciation charge from lower 2G traffic.

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

Key Group highlights (3/5): Dialog and Robi continued superior performance

Dialog: Impressive performance driven by revenue growth and cost excellence, amidst challenging externalities.
Robi: Mobile data leadership driven by 4G rollout; double digit growth on EBITDA.

Dialog
Sri Lanka

- Strong FY18 performance with revenue, EBITDA and PAT growth at 15.2%, 17.4% and -36.7% respectively; excluding forex losses and one-off asset impairment, normalised PAT growth at 15.8%.
- FY18 revenue growth for mobile, fixed and pay-TV operations at 11.8%, 44.5% and 7.3% respectively.
- FY18 mobile data revenue grew by 32.2% driven by subscribers growth and aggressive 4G adoption.
- Fixed revenue driven by home broadband on account of network coverage expansion and aggressive market capture.
- 4G mobile and fixed population coverage at 91% and 67% respectively, as at 4Q18.

robi
Bangladesh

- FY18 service revenue grew 9.5% driven by 26% growth in data revenue; however including device sales, revenue grew -0.4%.
- FY18 EBITDA growth at 31.6% driven by lower direct cost from lower material cost and the reduction in interconnect charges effective 14th August 2018.
- FY18 PAT turned positive to BDT2.1bn mainly due to gain on disposal of 20% edotco shares in 3Q18, mitigated by accelerated depreciation charge. Excluding the one-off gain and accelerated depreciation charge, FY18 losses is BDT2.2bn, impacted mainly by higher net finance cost of BDT1.6bn.

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

Pre-MFRS basis

Key Group highlights (4/5): Ncell grew core; Smart continued superior performance

Ncell: Core mobile growth despite regulatory challenges in 2H18 which impacted consumption.
Smart: Better 2H18 performance driven by data-led focus.

Ncell
Nepal

- FY18 revenue, EBITDA and PAT growth was -1.0%, -4.9% and -19.0% respectively.
- FY18 core mobile revenue and EBITDA grew 5.4% and 4.2% respectively; the increase in Telecom Service Charge (TSC) in July 2018 negatively impacted 2H18 performance.
- FY18 EBITDA margin of 61.7% despite pressure from falling ILD revenue of 18.3%.
- PAT decline largely attributed to increase in corporate tax rate, one-off prior year tax assessment and one-off provision for asset impairment.
- FY18 data revenue accounted for 23% of total revenue; smartphone penetration rate improved 7 ppt to 59% while 47.1% of Ncell subscribers are data subscribers.

Smart
Cambodia

- FY18 revenue grew 7.2% led by data which grew 28.3% and now accounts for 60% of total revenue.
- FY18 EBITDA grew 6.0% whilst PAT declined 0.8% partly due to higher regulatory cost from increased revenue share and one-off asset write-off.

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

Pre-MFRS basis

Key Group highlights (5/5): edotco delivered double digit growth; Digital business performed well operationally and financially (valuation)

- For FY18, edotco accounts for 7.6% and 8.0% of group revenue and EBITDA, respectively.
- edotco's FY18 revenue and PAT growth was 12.8% and 13.8% respectively whilst EBITDA remained flat, impacted by non-operational and one-off items. PAT benefited from favourable unrealised forex movement.
- As at 4Q18, edotco owns 18.2k towers (+10.3% YoY), and manages 11.6k sites (+6.2% YoY).
- 4Q18 tenancy ratio rose to 1.62x (vs 1.57x in 4Q17).

- Boost recorded 5x growth in users and 24x growth in merchants YoY closing 2018 with 3.5m users and over 61,500 merchants.
- ada (analytics. data. advertising) has established itself in the region with over 200 large accounts and counts the likes of LG and DBS as clients.
- Apigate has access to 3.1bn consumers and over 110 MNOs (vs. 350m consumers and 8 MNOs in 2017).

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

FY18 Headline KPIs: Adjusting for cancellation of Deodar acquisition, we met all KPIs (excluding one-off transactions)

	FY18 Headline KPIs	FY18 Adjusted Headline KPIs ex-Deodar	FY18 Achievement
	Pre MFRS 15 & 9 @ constant currency*	Pre MFRS 15 & 9 @ constant currency*	
Revenue growth	6.3%	2.8%	**3.7%**
EBITDA growth	5.8%	1.7%	**2.0%**
ROIC	5.0-5.5%	5.0-5.5%	**5.6%**
ROCE	4.5-5.0%	4.3-4.8%	**4.9%**
Capex^	RM7.4bn	RM7.2bn	**RM6.7bn**

*1 USD = RM4.30
^Capex is not a headline KPI

Moving forward

Moving Forward – A "Promising" 2019:

2018 performance, efforts & results plus "Shifting Gears" strategy to pave the way for a promising 2019…

	2018 HIGHLIGHTS	2019 ONWARDS
Growth Momentum	• Revenue Growth: All 6 OpCos performed the BEST in the market • EBITDA Growth: 4 OpCos performed the BEST in the market • Profit Growth: 2 OpCos performed the BEST in the market	Revenue + Profit Growth Momentum
Operational Excellence	• Celcom: #1 in customer & dealer satisfaction; major network improvement; organisation rightsizing & 2nd management revamp for profitability • XL: Excellent performance ex-Java; dual-brand strategy tracking well; outperformed cost optimisation targets • Digitisation: Significant improvement in all OpCos – most outperformed peers • Cost: Achieved RM1.5bn savings, exceeding 2018 target of RM1.4bn	
Portfolio Rationalisation	Balance sheet clean-up to drive focus on Triple Core strategy & to monetise non-strategic assets:- • Idea's impairment *(RM3.3bn)* + sale of M1 *(RM1.67bn, offer acceptance in Feb'19)* • Write-off of non-strategic assets + sunsetting legacy assets *(RM1.8bn impairment)* • Validation of Digital Biz: [Core] ADA valuation >US$100m, other core digital biz on path to monetisation; [Non-Core] Digital Ventures to be transacted at US$140m in 2019	Profit & ROIC Improvements
New Growth Areas *(Triple Core Strategy)*	• Home: XL on the right trajectory towards exponential growth • Enterprise: Built sales pipeline for 2019 onwards • Digital Biz: Significant growth momentum for 3 verticals; path to profitability too • Infrastructure: Excellent growth through improved tenancy ratios & new sites	Long-Term Growth + Valuation Increase

Moving Forward – “Shifting Gear” towards Profitable Growth & Cash Focus:

8 Focus Areas for 2019 (and 2020)

1. Focus on profit growth relatively more than revenue market share growth.
2. Spotlight on opex and capex efficiency - now more than ever.
3. Reprioritise / re-scope some investments with long payback (unless point #4).
4. Fund investments in new growth areas mostly through strategic partnerships / financial investors *(directly or indirectly).*
5. Monetise existing investments for cash and validation; and ‘sweat’ existing assets.
6. Accelerate structural changes i.e. industry consolidation, network sharing and productivity.
7. Impair non-productive / non-strategic / end-of-life assets.
8. Change KPIs for 2019 to reflect above for group and all OpCos.

FY19 Headline KPIs: Targeting EBITDA growth to be faster than revenue growth

Headline KPIs is based on underlying performance, which excludes impact of forex translation and MFRS16.

	FY19 Headline KPIs (pre-MFRS16 @ constant currency)
Revenue growth	3 - 4%
EBITDA growth	5 - 8%
ROIC	5.2 - 5.6%
Capex **	RM6.8bn

Headline KPIs take into consideration the followings:

1. Incorporates MFRS 15 (Revenue from Contracts with Customers) and MFRS 9 (Financial Instruments) but excluding MFRS 16 (Leases) which will be adjusted for actual underlying performance
2. No material changes in competitive landscape in the mobile market of the Group's major operating companies ("Opcos")
3. No material tax and regulatory changes impacting the Opcos
4. No material changes in currency volatility, liquidity shortages and interest rates in the South Asia and South East Asia regions in particular
5. No material changes in CAPEX spending in Opcos
6. No material changes from global and domestic economy as well as consumer spending
7. Excludes any contingent liabilities or material litigation risks
8. Excludes potential merger/acquisition and divestment impacts

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)

***Capex is not a Headline KPI*

2019 market outlook: Moderate to high opportunities and risks

RISKS	OPPORTUNITIES
• Tax and regulatory • Heightened competition due to floor rate removal in Sri Lanka • Capex pressure due to expected increased investments by all operators in Indonesia	• Easing competition in Cambodia • Early phase of market stabilisation and price increases in Indonesia • Improving competitive position in Bangladesh • Continued strong momentum in Sri Lanka • Expected margin improvements in all OpCos except Ncell, with cost excellence program on track • Continued increase in tenancies in tower business • Digital advertising on path to profit in 2019/20

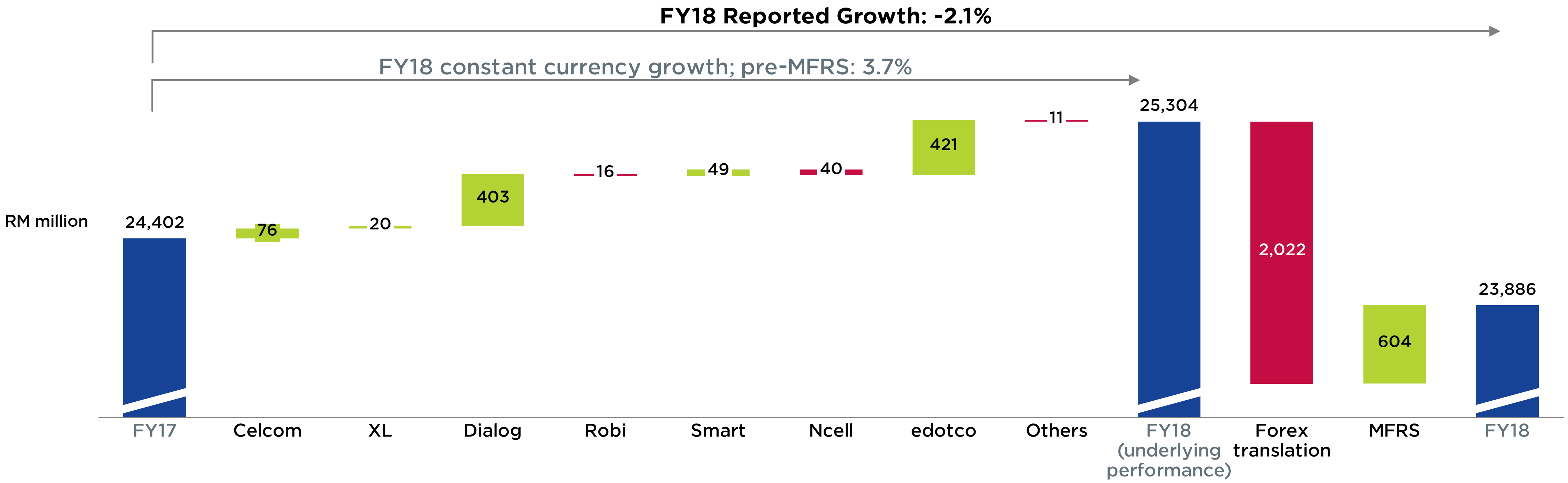
Thank You

Q&A

Appendix

Group revenue: FY17 → FY18

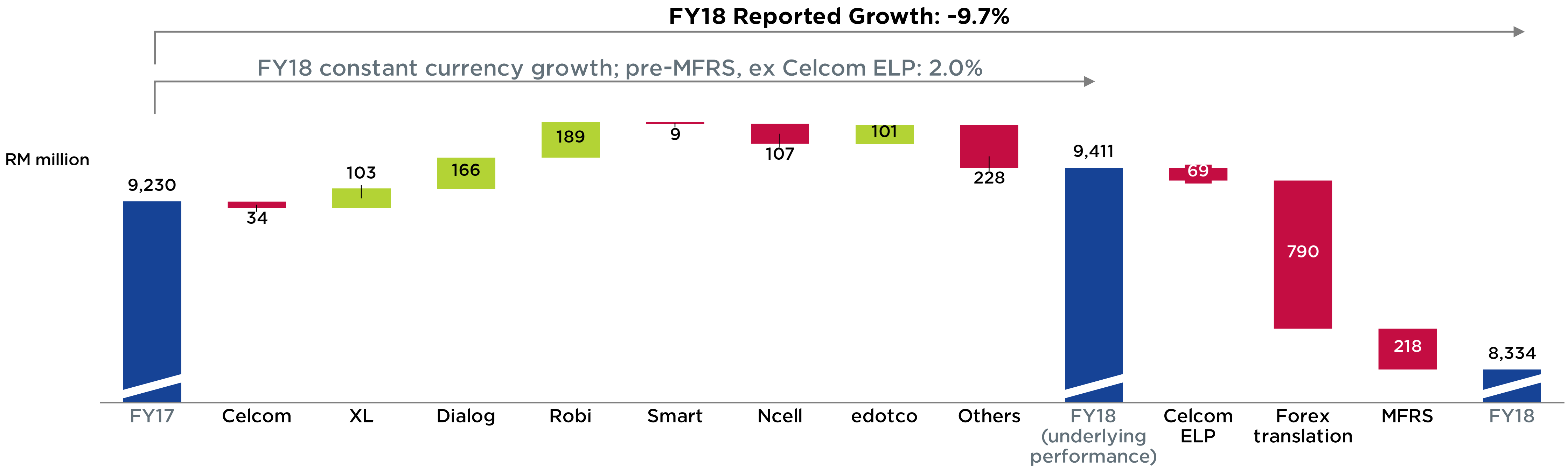
FY18 revenue decline of 2.1% mainly due to forex translation impact, offsetting good performance from all OpCos except Ncell and Robi.



Revenue	FY17	YTD Growth Rates		Revenue (underlying performance)	FY18
Celcom	6,593	76	1.2%	Celcom	6,669
XL	7,366	20	0.3%	XL	7,386
Dialog	2,656	403	15.2%	Dialog	3,059
Robi	3,640	(16)	-0.5%	Robi	3,624
Smart	1,188	49	4.1%	Smart	1,237
Ncell	2,402	(40)	-1.7%	Ncell	2,362
edotco	1,432	421	29.4%	edotco	1,853
Others	(875)	(11)	-1.3%	Others	(886)
GROUP	**24,402**	**902**	**3.7%**	**GROUP**	**25,304**

Group EBITDA: FY17 → FY18

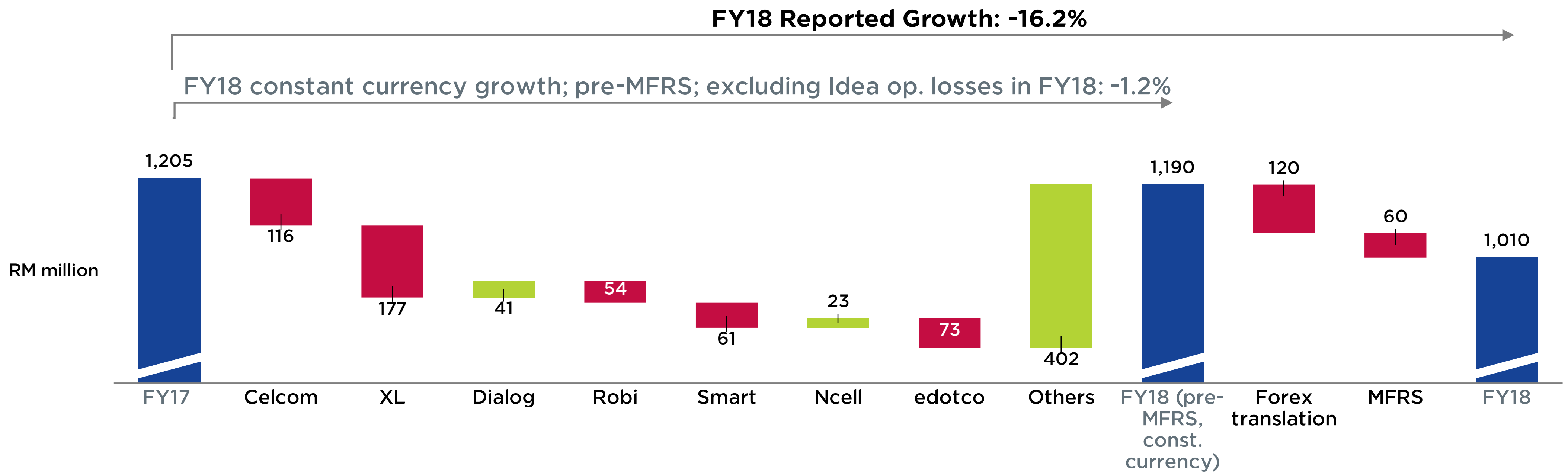
FY18 EBITDA decline of 9.7% due to forex translation and MFRS impact, digital investments and lower contribution from Celcom, Smart and Ncell.



EBITDA	FY17	YTD Growth Rates		EBITDA (underlying performance)	FY18
Celcom	2,318	(34)	-1.5%	Celcom	2,284
XL	2,762	103	3.7%	XL	2,865
Dialog	955	166	17.4%	Dialog	1,121
Robi	693	189	27.3%	Robi	882
Smart	589	(9)	-1.6%	Smart	580
Ncell	1,561	(107)	-6.8%	Ncell	1,454
edotco	626	101	16.1%	edotco	727
Others	(274)	(228)	-82.9%	Others	(502)
GROUP	**9,230**	**181**	**2.0%**	**GROUP**	**9,411**

Group normalised PATAMI : FY17 → FY18

FY18 normalised PATAMI declined 16.2%, due to forex translation and MFRS impact, digital investments and lower contribution from XL, Celcom, edotco, Smart and Robi.



Norm PATAMI	FY17	YTD Growth Rates		Norm PATAMI (underlying performance)	FY18
Celcom	900	(116)	-12.8%	Celcom	784
XL	66	(177)	-267.5%	XL	(111)
Dialog	271	41	15.4%	Dialog	312
Robi	(56)	(54)	-97.1%	Robi	(110)
Smart	288	(61)	-21.1%	Smart	227
Ncell	611	23	3.8%	Ncell	634
edotco	191	(73)	-38.2%	edotco	118
Others	(1,066)	402	37.7%	Others	(664)
GROUP	**1,205**	**(15)**	**-1.2%**	**GROUP**	**1,190**

Thank You

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