

## MEDIA RELEASE

### Operational Resilience Despite Continuous Pandemic Impacts

- Against the backdrop of extended lockdowns, most OpCos demonstrated resilience to uplift operating performance, and maintain solid growth momentum and profit contribution in the quarter
- Reported YTD revenue and EBITDA rose to RM12.5 billion (+5.3%) and RM5.5 billion (+8.2%)
- Reported PAT and PATAMI increased to RM602 million (+ 8.6%) and RM353 million (+31.8%) despite one-off gain from XL's tower sale in YTD20; earning per share of 3.9 sen
- Interim dividend of 4 sen announced, equivalent to a RM367 million payout, acknowledging good performance and strong balance sheet
- Axiata will contribute RM5 million in medical equipment to Malaysian medical frontliners via the Greater Klang Valley Special Task Force under the Ministry of Health

#### Key highlights for 1H21:

- **Strong YTD underlying performance:** Revenue ex-device and EBITDA expanded 7.2% and 11.2% respectively. Underlying PATAMI<sup>1</sup> surged over 100% from improved EBITDA contribution and lower net finance cost, offset by accelerated depreciation of 3G assets at Celcom and Robi.
- **Commendable 2Q21 results reflect improved channel readiness during lockdown:** QoQ revenue ex-device and EBITDA up 6.4% and 4.1% on the back of higher contribution across all OpCos (except Ncell).
- **Growth in EBITDA was offset by continued capex investment** to support growing demand for data, keeping PAT and PATAMI margin at 4.8% and 2.8% respectively.
- **OFCF up, strengthened balance sheet:** Operating free cash flow rose to RM1.6 billion (+26.4%) as a result of revenue growth and continued efforts in cost

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<sup>1</sup> Underlying PATAMI excludes forex related (forex/derivative gains/losses, hedging cost) and others

management; balance sheet remained strong with a high cash position of RM7 billion as gross debt/ EBITDA decreased to 2.48x.

- **Good growth trajectory from ASEAN digital telcos:** Visible results from Celcom's Transformation Programme as revenue ex-device increased 4.6% YTD due to strong prepaid performance – Celcom's subscriber growth of 1.02 million and 12.5% prepaid revenue growth YTD; QoQ growth for XL across all metrics except FCF, encouraged by the Lebaran period and easing price competition; Smart kept steady with revenue ex-device and EBITDA up 9.8% and 4.8% YTD bolstered by higher data revenue.
- **Except Ncell, South Asian digital telcos on track as well:** Strong performance from Dialog with double-digit growth in revenue (+18.6%), EBITDA (+21.9%) and PATAMI (+85.9%), strong data revenue growth bolstered Robi's performance as YTD revenue ex-device grew 8.3% driven by 19.1% growth in data revenue on the back of higher data subscriber penetration; Ncell's QoQ recovery dampened by lockdown, revenue ex-device remained flat on account of voice revenue consequent to restrictions in distribution during lockdown.
- **Axiata Digital boosted by strong profits at ADA and narrowing losses at DFS:** YTD net loss narrowed by 65.1% due to lower marketing spend at DFS, coupled with higher profit at ADA. YTD GTV for DFS expanded by 15.4% thanks to increased online transactions; Boost users up 1.2x YoY to 9.1 million and Malaysian merchants up 1.4x to 250,000.
- **edotco maintained momentum:** YTD revenue grew 3.2% fueled by Malaysia and Bangladesh markets. EBITDA margin expanded 1.6 ppt and PATAMI increased 53%. No significant impact from the military coup in Myanmar thus far.
- **FY2021 Headline KPIs likely to be in line:** 2021 revenue ex-device and EBITDA growth are projected to be in line with Headline KPIs of low single digit percentage growth for both.
- **Solid traction in execution of Axiata 5.0 vision:** Steady progress in the proposed Celcom-Digi merger; formation of ADA's strategic alliance with SoftBank Corp, and acquisition of Awake Asia to boost digital ecommerce capabilities; Joint Venture consortium formed between Boost Holdings and RHB Banking Group and to jointly bid for a digital banking license in Malaysia, Boost Holdings' majority stake acquisition in PT Creative Mobile Adventure; ongoing discussion to conclude definitive agreement for the recent proposed acquisition of a majority stake in PT Link Net by Axiata and XL.

- **Downside risks:** Risks for 2H21 include unrelenting COVID-19 pandemic impacts which may exert further strain to the overall regional economy as well as slower-than-expected recovery in Ncell from continued restricted movement.

**Kuala Lumpur, 27 August 2021** – Delivering solid uplift in operating performance in the face of extended lockdown challenges across its markets, Axiata Group Berhad (Axiata or the Group) demonstrated resilience and growth momentum in its businesses for the quarter ended 30 June 2021 (“2Q21”).

Whilst the same quarter last year does not make a realistic base for Year-on-Year (YoY) performance comparison owing to the watershed period that saw the region grapple with the brunt of COVID-19 shockwaves, the Group stood steady in delivering its Year-to-Date (YTD) performance, demonstrating agility and learning in adjusting to pandemic shifts. All OpCos excluding Ncell are ahead of pre-pandemic levels in 2020.

Reported revenue and Earnings Before Interest, Tax and Depreciation and Amortisation (EBITDA) rose to RM12.5 billion (+5.3%) and RM5.5 billion (+8.2%) YTD on the back of contributions from Celcom<sup>2</sup> and Axiata Digital<sup>3</sup>, offset by forex translation impact due to strengthening of the Ringgit against operating companies’ (OpCo) currencies. Profit after Tax and Minority Interest (PATAMI) and Profit After Tax (PAT) rose to RM353 million (+31.8%) and RM602 million (+8.6%) with uplift from higher EBITDA and lower net finance cost, whilst being offset by lower one-off gains compared to last year and accelerated depreciation of 3G assets at Celcom and Robi<sup>4</sup>.

An evaluation of underlying performance showed healthy YTD revenue growth excluding device (“ex-device”) at RM12.1 billion (+ 7.2%) supported by contributions from all OpCos except XL<sup>5</sup> (dragged by intense competitive pressures) and Ncell<sup>6</sup> (lower International Long-Distance revenue). EBITDA increased to RM5.5 billion (+11.2%) with margin expansion of 1.2 percentage points (“ppt”) largely attributable to contributions from Celcom, Axiata Digital, Dialog<sup>7</sup> and edotco<sup>8</sup>. Underlying PATAMI surged to RM521 million (+>100%), with a margin of 4.2%.

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<sup>2</sup> Celcom Axiata Berhad

<sup>3</sup> Axiata Digital Services Sdn Bhd

<sup>4</sup> Robi Axiata Limited

<sup>5</sup> PT XL Axiata Tbk

<sup>6</sup> Ncell Axiata Limited

<sup>7</sup> Dialog Axiata PLC

<sup>8</sup> edotco Group Sdn Bhd

In 1H21, the Group successfully achieved cost excellence with YTD operating expenditure savings of RM225 million.

Operating free cash flow (“OFCF”) climbed to RM1.6 billion (+26.4%) YTD primarily driven by higher EBITDA and lower net finance cost. In addition, with a strong cash balance of RM7 billion and gross debt/ EBITDA trending down to 2.48x (from 2.64x in 2Q20), the Group’s balance sheet could be deployed to capitalise on potential growth opportunities in Home, Enterprise and digital business segments.

## **Digital Telcos<sup>9</sup>**

### **ASEAN**

**Celcom**’s turnaround efforts yielded excellent recovery momentum in the market despite an intensely competitive environment. Revenue ex-device increased by 4.6% YTD thanks to the strong prepaid performance as the company recorded net adds of 1.02 million subscribers and 12.5% prepaid revenue growth, as well as higher MVNO revenue. YTD EBITDA increased to RM1.3 billion (+22.9%); excluding one-off Employee Restructuring Programme cost in 2020 and impact from accelerated depreciation, Celcom recorded 12.4% increase in EBITDA and 28.8% in PATAMI. Postpaid subscribers also grew 6.1% YTD amidst impacts from the economic recovery.

**XL** gained momentum demonstrating strong QoQ growth with increased revenue ex-device (+7.7%), EBITDA (+8%) and PATAMI (+23.4%) driven by Lebaran period and easing price competition. However, YTD revenue ex-device dropped marginally as a result of competitive pressures and weak consumer spending particularly in Q121. EBITDA margin was resilient with 0.4ppt expansion with lower network and direct expenses. PATAMI contracted by 58.9% due to recognition of gain on tower disposal in YTD20.

**Smart<sup>10</sup>** sustained its steady pace with growth in revenue ex-device (+9.8%) and EBITDA (+4.8%) YTD, driven by higher data revenue. Consequently, FCF rose 4.2% moderated by higher capex., whilst PATAMI dropped 11.3% due to impairment of investment.

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<sup>9</sup> Growth numbers for OpCos are based on results in local currency in respective operating markets

<sup>10</sup> Smart Axiata Company Limited

## South Asia

At **Robi**, stronger data consumption bolstered revenue ex-device (+8.3%) YTD on the back of higher data subscriber penetration. YTD EBITDA was slightly affected by higher network cost and sales and marketing expenses. PATAMI, however, improved by 4.9% due to lower net finance cost and taxation.

**Dialog**'s steady run resulted in double-digit growth across all metrics YTD, namely revenue ex-device (+18.6%), EBITDA (+21.9%), PATAMI (+85.9%) and FCF (+18.1%). These improvements were driven by higher contribution across all segments of mobile, fixed and TV.

**Ncell**'s recovery continued to be mired in pandemic impacts, as revenue ex-device growth remained flattish QoQ amidst lockdown pressures on voice revenue. YTD core revenue grew (+3.5%), however, revenue ex-device slid 2.2% due to stiff competition and prolonged lockdown in 2Q21. EBITDA and PATAMI on the other hand, increased by 5.5% and 38.1% from reduced direct expense, as well as lower Depreciation and Amortisation (D&A) cost. In terms of future uplifts, the 900MHz spectrum awarded to Ncell in April this year will provide higher 4G footprint coverage to serve a larger customer base.

## Digital businesses

**Axiata Digital**'s YTD net loss narrowed by 65.1% thanks to lower marketing spend at digital financial services (DFS), coupled with higher profit at ADA, whilst revenue and EBITDA grew by 125.3% and 68.5% respectively. Revenue growth during the quarter was spurred by improvements recorded in the DFS and digital analytics and AI businesses.

During the quarter, Axiata Digital's fintech holding arm **Boost Holdings**<sup>11</sup> acquired a 68.75% stake in an Indonesian licensed entity, PT Creative Mobile Adventure which has enlarged Boost Holdings' regional footprint to reach underserved micro-SMEs in Indonesia.

As announced, Boost Holdings and RHB Banking Group formed a consortium and submitted the digital bank license application under the framework issued by Bank Negara Malaysia. Under this partnership, Boost Holdings will own a 60% stake in the consortium.

For Boost Holdings' eWallet business, total users grew 1.2x to 9.1 million, while total merchants rose 1.4x to 250,000 compared to 2Q20. This quarter, Boost was recognised once again as a leading e-wallet by the Malaysian Government to support its eBelia initiative

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<sup>11</sup> Boost Holdings Sdn Bhd

through the RM150 eBelia credit to empower youth under the PEMERKASA economic stimulus package.

Boost Holdings' microfinancing business<sup>12</sup> funded 2,639 merchants and disbursed 11,746 loans amounting to RM177 million, whilst under micro-insurance, it sold a total of 23,802 policies with 187% growth compared to the same period last year.

**ADA**<sup>13</sup> kicked off the quarter with a strategic investment of USD60 million from SoftBank Corp., forming a business alliance that will secure ADA as the core of its digital and data marketing arm in Southeast Asia. The investment will be used by ADA to enhance data and AI offerings, and market solutions to brands and enterprises it serves. ADA acquired Awake Asia, a regional e-Commerce enabler in a move to fully integrate Awake Asia's operations under the ADA brand where both parties come together to champion and fulfil the needs of brands moving towards online channels across 10 markets in South and Southeast Asia.

### **Infrastructure**

Maintaining a steady pace, edotco's YTD revenue grew by 3.2% as a result of higher contribution mainly from its major markets Malaysia and Bangladesh, and similar encouraging contributions from its smaller markets including Pakistan. EBITDA hit RM619 million, an incremental growth of +5.8% YTD, encouraged by higher revenue as well as lower manpower cost and bad debt provision thus, improving margin to 64.9%. PATAMI jumped to RM165 million, an incremental growth of 53% YTD, on the back of EBITDA improvement coupled with lower D&A cost and higher unrealised forex gain. Whilst there has been no significant impact to PATAMI from the Myanmar coup thus far, edotco management remains vigilant of developments that could pose business, operational and financial risks as it remains focused towards fulfilling existing commitments to customers in Myanmar.

### **Commentary**

Tan Sri Ghazzali Sheikh Abdul Khalid, Chairman of Axiata said, "Having endured a steep learning curve in mitigating pandemic shocks in 2020, we have since shored up important learnings and strengthened our ability to weather uncertainties. The utilitarian nature of the service that our industry delivers to ensure connectivity and digital enablement requires agility and operational excellence. In addition to directly assisting our communities hit hard by economic shutdown throughout the past year, we have also ploughed back investments that

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<sup>12</sup> In July 2021, Axiata Digital unified all fintech services under the Boost brand, including Aspirasi that housed the micro-financing and micro-insurance businesses

<sup>13</sup> Axiata Digital Advertising Sdn Bhd

serve to benefit customers and micro enterprises through improved network capabilities and digital solutions.”

“Adding to initiatives executed across our footprint since March last year to support national disaster recovery, continued connectivity for work productivity and e-learning as well as micro-funding to help small businesses stay afloat, among others, Axiata plans to contribute RM5 million worth of medical equipment to Malaysian medical frontliners via the Greater Klang Valley Special Task Force under the Ministry of Health. Moving forward, the Group remains committed to its role in supporting governments and societies across its markets, and we will continue to identify avenues for support towards stabilisation from the crisis”.

“Overall, in view of the steady performance and sustained growth from the operational resilience demonstrated by the Group, the Board is pleased to announce an interim dividend of 4 sen for our shareholders.”

“With the successful conclusion of due diligence and signing of Transaction Agreements between parties in the run-up to complete the Celcom-Digi merger, we are now making steady progress in the ongoing regulatory approval stage. On that note, the Board remains committed towards ensuring that this merger delivers the best outcomes to serve the digital needs of our customers and nation,” he added.

Dato’ Izzaddin Idris, President & Group Chief Executive Officer of Axiata said, “We are pleased to have closed the second quarter with robust growth across all metrics despite continued challenges in the business environment due to extended lockdowns. This recovery period puts us in more favourable territory, as we execute measures to add capacity and modernise networks as well as support digital inclusion and transformation across the region.”

“Most operating companies delivered at a strong pace during the quarter. Highlights include Celcom’s continuing turnaround driven by its ongoing transformation programme. Exemplifying resilience in an intensely challenging market to add subscribers in the past year, we look forward to stabilisation moving forward.”

“With Axiata Digital paving the path for future growth, the series of deals delivered by our digital businesses include the RM250 million investment by SoftBank Corp. into ADA, the strategic partnership with RHB Banking Group to strengthen our digital bank proposition and Boost Holdings’ expanded Indonesia reach through the PT Creative Link acquisition, as well

as ADA's acquisition of Awake Asia, a regional eCommerce enabler. It is encouraging and timely to see we have entered a highly exciting growth phase for our digital businesses."

"The first half of this year has been about disciplined execution of Axiata 5.0, and these achievements are just the beginning. Our healthy balance sheet, coupled with a RM7 billion cash position and gross debt to EBITDA of 2.48x provide the opportunity to move forward with confidence in securing new growth opportunities consistent with our goal of becoming a high dividend company and The Next Generation Digital Champion by 2024."

-Ends-

#### **About Axiata**

As one of the leading telecommunications groups in Asia in pursuit of its vision to be The Next Generation Digital Champion by 2024, Axiata has transformed itself from a holding entity with a portfolio of pure-play mobile assets into a Triple Core Strategy driven business focusing on Digital Telco, Digital Businesses and Infrastructure.

Within ASEAN and South Asia, the Group has controlling stakes in market-leading mobile and fixed operators in the region including 'Celcom' in Malaysia, 'XL' in Indonesia, 'Dialog' in Sri Lanka, 'Robi' in Bangladesh, 'Smart' in Cambodia and 'Ncell' in Nepal. Axiata is actively spearheading efforts to transform its mobile-centric operations into digital converged companies.

Axiata Digital, the digital services arm of Axiata is focused on two digital business verticals namely Digital Financial Services ('Boost', 'Aspirasi') and Digital Analytics & AI ('ADA').

'edotco', the Group's infrastructure company, operates in eight countries to deliver telecommunications infrastructure services, amassing approximately 41,705 owned and managed towers. Presently the top 10 of independent tower companies globally, it aims to be one of the top regional telecommunications tower companies and is committed to responsible and sustainable business operations.

As a committed and long-term investor, and in line with its sustainability goals, the Group actively supports and drives young talent development; disaster response and recovery; as well as green initiatives. Axiata's broader goal of Advancing Asia aims to piece together the best in the region in terms of innovation, connectivity and talent.

#### **Issued By:**

Corporate Communications,  
Axiata Group Berhad  
Axiata Corporate Headquarters, Axiata Tower,  
9 Jalan Stesen Sentral 5, Kuala Lumpur Sentral.  
50470 Kuala Lumpur

#### **For media enquiries, please contact:**

Anuja Ravendran  
Corporate Communications  
Tel: +6012-2380581  
Email: [anuja@axiata.com](mailto:anuja@axiata.com)