MEDIA RELEASE

Strong Rebound in Third Quarter as Movement Restrictions Eased

Revenue and EBITDA up 5.5% and 9.9% QoQ as markets rebounded from easing of lockdowns and accelerated demand for data, PATAMI up more than 100% on the back of strong topline growth;
"Operational Excellence" delivered sustainable cost structure generating RM895 million savings in opex and capex;
Celcom recovered QoQ with increased revenue (ex-device) by 6%, EBITDA and PATAMI up 24.2% and 64.5% from jump in subscribers by 372,000;
XL maintained resilience as EBITDA and PATAMI grew 3% and 48.1% despite stiff competitive pressures and economic impact from COVID-19
Except Ncell, all other OpCos performed better than competition during the quarter

Key highlights for 3Q20

- **By September, revenue for all OpCos (ex-Ncell) recorded higher than 'pre-lockdown' levels.** In June, revenue for most OpCos were largely back to 'pre-lockdown' levels (+/- 6%); by September, revenue for all OpCos (ex-Ncell) was higher than 'pre-lockdown'. Change in consumer behavior led to acceleration of data usage and rise in data subscribers. Total subscribers across Group increased by 3.9 million QoQ to 154.7 million.

- **Encouraging QoQ recovery following easing of lockdown restrictions.** QoQ recovery from the impact of lockdowns as revenue (ex-device) and EBITDA grew 6% and 11.4%; high operating leverage resulted in underlying PATAMI at RM374 million. YTD revenue (ex-device) declined 1.9% and EBITDA flat (+0.6%) from impact of major lockdowns in 2Q and challenges in Ncell; underlying PATAMI declined 21.5% mainly from higher D&A.[1]

- **EBITDA margin expansion YTD driven by cost excellence.** Opex (ex-device) declined 4.2% on the back of RM396 million opex savings from Group-wide cost excellence programme, lifting EBITDA margin 1.1 ppt to 44.2%.[1]

- **OFCF grew 44.7% to RM2.4 billion YTD.** Capex moderation coupled with savings of RM499 million led OFCF up 44.7% to RM2.4 billion.

- **Resilient and robust balance sheet with high cash balance to withstand pandemic impact.** Cash balance of RM10.7 billion mainly from USD1.5 billion bond issuances in August 2020; accordingly, net debt/EBITDA lowered to 1.88x. Recent bond issuances at historical low profit/ interest rates further secured the balance sheet for the short and long-term, significantly strengthening liquidity to cushion against immediate term market risks, whilst enhancing the capital structure with fixed low interest rates and a longer tenure average for the Group's debt maturity profile

[1] Underlying performance – at constant currency

❖ **Celcom: Strong QoQ recovery.** QoQ recovery with revenue (ex-device) at 6% and EBITDA and PATAMI growth of 24.2% and 64.5%, as a result of an improved 372,000 prepaid and postpaid subscribers bringing total number of subscribers to 8.4 million, coupled with lower bad debt and other provisions. Revenue (ex-device) lower by 9% YTD; EBITDA and PATAMI (excluding Employee Restructuring Programme) slipped 1.3% and increased by 3.4% respectively. YTD revenue impacted mainly by underperformance in 2Q as a result of the lockdown and the Government's free data initiative

❖ **XL: Solid 3Q20 performance despite heightened competition**. QoQ revenue (ex-device) remained steady (-0.2%) amidst competitive pressures and economic impact from the pandemic. YTD revenue (ex-device) grew 5.4%, double-digit EBITDA and FCF growth driven by effective cost management; PATAMI jumped more than 300% to IDR2.1 trillion due to one-off gain from tower sale[5]

❖ **Ncell: QoQ recovery impacted by lockdown in September.** QoQ revenue (ex-device) improved 5.2% after easing of lockdown in July, with core revenue up 10.5%. YTD revenue (ex-device), EBITDA and PATAMI decline of 23.7%, 31.5% and 77.6% respectively, as impact of lockdown exacerbated Ncell's existing business challenges, including spectrum constraints and aggressive pricing from ISPs[5]

Kuala Lumpur, 27 November 2020 – Axiata Group Berhad ("**Axiata**" or "**the Group**") bounced back in the third quarter ended 30 September 2020 ("**3Q20**") to post better-than-expected financial performance on the back of easing of lockdowns across the markets, bolstered also by solid fundamentals and operational resilience.

On a reported basis, 3Q20 revenue recorded 5.5% increase QoQ at RM6.1 billion driven by contribution from all Operating Companies ("**OpCos**") except XL[2]. Earnings Before Interest, Tax, Depreciation and Amortisation ("**EBITDA**") increased by 9.9% to RM2.8 billion while Profit After Tax and Minority Interest ("**PATAMI**") surged over 100% to hit RM353 million underpinned mainly by higher toplines and other operating incomes as well as lower depreciation and amortisation ("**D&A**").

In terms of underlying performance, revenue excluding device (ex-device) rose 6% QoQ driven by increased contribution from all OpCos except XL and mainly attributed to Celcom's recovery in prepaid and postpaid revenue as well as subscriber base. EBITDA grew 11.4% outpacing revenue (ex-device) growth as a result of efficient cost management. Underlying PATAMI on the other hand, grew more than 600% mainly due to a mix of strong revenue and EBITDA expansion thanks to cost excellence, lower D&A and lower losses from Axiata Digital[3].

Despite the complex and highly challenging macro environment, the Group recorded savings of RM366 million in 3Q20, bringing total cost excellence to RM895 million Year-To-Date ("**YTD**"). As a result, EBITDA margin rose 1.1 percentage point (ppt) to 44.2% while capex moderation coupled with savings led to Operating Free Cash Flow ("**OFCF**")[4] growth of 44.7% to RM2.4 billion YTD.

Axiata's balance sheet for the quarter entered a sweet spot, carrying a cash balance of RM10.7 billion mainly from the USD1.5 billion bond issuances in August 2020, registering net debt -to-EBITDA at 1.88x, well below the targeted level.

[2] PT XL Axiata Tbk
[3] Axiata Digital Capital Sdn Bhd
[4] OFCF = EBITDA- Capex- Net Interest-Tax

Digital telco[5]

Celcom[6] posted a solid QoQ recovery with revenue (ex-device), EBITDA and PATAMI growth of 6%, 24.2% and 64.5% respectively, on the back of jump in subscriber numbers coupled with lower provisions. The quarter saw an addition of 372,000 new prepaid and postpaid subscribers bringing the total number of subscribers to 8.4 million (excluding Mobile Virtual Network Operators) driven by the launch of its “Truly Unlimited” prepaid plan in June as well as continued promotion of the pre-to-post migration, family-line campaigns and the EasyPhone™ programme for the postpaid segment. To- date, Celcom’s network remains the nation’s widest network with over 11,500 sites nationwide, serving over 13 million users, and is also currently undergoing a massive capacity upgrade program for the next three to six months.

XL’s performance held steady as revenue (ex-device) dipped marginally by 0.2% QoQ, while EBITDA and PATAMI rose 3% and 48.1% amidst competitive pressures and impact from COVID-19. YTD revenue (ex-device) increased 5.4%, whilst EBITDA grew 34.5% with 11 ppt margin improvement to 50.3%, due to cost optimisation and International Financial Reporting Standards (IFRS) adjustments (excluding IFRS impact, EBITDA improved by 15.9%). YTD, PATAMI surged more than 300% to IDR2.1 trillion attributed mainly to gains from its tower sale (excluding these gains, PATAMI was up 4.5%).

Managing to keep a lid on costs whilst dealing with lockdown pressures and concession impacts in 2Q20, **Dialog**[7] delivered YTD revenue (ex-device), EBITDA and PATAMI growth of 0.8%, 4.2% and 3% respectively. QoQ improvement was seen across key indicators due to easing of curfew, and lower bad debt provisions.

Robi’s[8] revenue (ex-device), EBITDA and PATAMI grew 1.3%, 7.5% and 1.9% respectively YTD, from strong data growth and tight cost controls which also led to an expansion in EBITDA margin by 2.6 ppt to 43.5%. Revenue (ex-device) grew 9.1% QoQ from easing of lockdown, although EBITDA and PATAMI dropped 10.7% and 33.4%.

With impacts from the COVID-19 lockdown further exacerbating **Ncell’s**[9] existing business challenges from spectrum constraint to aggressive pricing from Internet Service Providers (ISPs), YTD revenue (ex-device), EBITDA and PATAMI declined 23.7%, 31.5% and 77.6% respectively; on the other hand, QoQ revenue (ex-device) improved 5.2% after lockdown saw some easing in July.

Smart’s[10] revenue (ex-device) held steady against strong economic headwinds, dipping marginally by 0.5% YTD, whilst strict cost controls yielded EBITDA and PATAMI growth of 6.1% and 4.8%, respectively.

[5] Growth numbers for OpCos are based on results in local currency in respective operating markets
[6] Celcom Axiata Berhad
[7] Dialog Axiata PLC
[8] Robi Axiata Limited
[9] Ncell Axiata Limited
[10] Smart Axiata Company Limited

Digital businesses

Boost's Gross Transaction Value expanded 1.8x Year-on-Year ("**YoY**"), total users grew 1.8x to 8.75 million while total merchants rose 1.8x to nearly 203,000. This quarter, Boost was recognised as a leading e-wallet by the Malaysian Government in supporting its PENJANA Economic Recovery Plan. **Aspirasi** meanwhile funded 3,766 merchants in 3Q20, disbursing 5,790 loans amounting to RM57 million. Under micro-insurance, Aspirasi sold a total of 9,691 policies compared to 8,284 policies in the previous quarter on top of the introduction of two new products:ScreenProtect and ProtectActive. **ADA's** net revenue jumped 29% YTD despite dampened industry growth due to COVID-19.

Infrastructure[4]

edotco's[11] revenue on a YTD basis grew by 3.9%, encouraged by positive contribution across most major footprints. However, on a YTD basis, adjusted EBITDA[12] growth moderated to 0.9% impacted namely by planned proactive risk monitoring measures of the financial condition of several customers across the footprint. Similar exercises led to a minimal movement of PATAMI on a YTD basis, standing at RM161 million. edotco recorded YoY growth of around 8% in tower count with a total of 21,521 towers, YoY tenancies growth at around 6%, leading to a sustained tenancy ratio of 1.6x.

Commentaries

Tan Sri Ghazzali Sheikh Abdul Khalid, Chairman, Axiata said, "The financial results for the third quarter has provided some respite amidst an incredibly difficult year. Given the heightened macro uncertainties as governments reimpose lockdowns and curfews, the Board is vigilant in ensuring the right systems are in place for robust risk management to ensure alignment with industry and regulatory standards and expectations."

"We challenge the businesses to respond to shifts in growth opportunities in the short- to mid-term as we navigate current market volatilities in the fast-evolving pandemic scenarios."

Tan Sri Jamaludin Ibrahim, President & Group CEO of Axiata said, "We have shown again our resilience. Despite the pandemic and heightened competition in a few markets, our teams across the Group bounced back convincingly, going beyond overcoming challenges, to excel in almost all areas."

"During the pandemic, we single-mindedly focused on our top priority of protecting the welfare of our staff and customers. While doing so, it is heartening that their perseverance has paid off with the teams delivering excellent financial performance this quarter. Almost all OpCos registered compelling growth across all metrics - revenue, subscriber, EBITDA and net profit. This is an amazing feat under these circumstances and the all-round outstanding performance must be commended."

"In particular, Celcom bounced back with great performance against the market, registering the highest subscriber and revenue growth, which in turn drove EBITDA and PATAMI up for the quarter. XL demonstrated steady performance during the quarter despite heightened competition and Robi outperformed peers in terms of revenue growth. Axiata Digital including Boost registered one if its best quarters ever. Dialog, Smart and edotco also performed well.

[11] edotco Group Sdn Bhd
[12] Adjusted for M&A cost and share-based payment expenses

“Given our strong performance, margin expansion and uplift in free cash flow, the Group’s balance sheet experienced one of our best times with a cash balance of RM10.7 billion. After paring some debts in the fourth quarter, we still expect to end the year with a healthy debt profile and cash of around RM6 billion. This gives us a huge cushion to weather most pandemic and economic scenarios,” Tan Sri Jamaludin said.

“As long as needed, we will continue to make decisions to support our staff. We have in fact imposed more strict health measures than the ones mandated by governments to ensure the safety of our people.”

“Moving forward, the fourth quarter has become challenging again as some countries including Malaysia have reimposed lockdowns. This has affected many businesses and customers, consequently impacting our business too. There’s also heightened competition especially in Indonesia.”

“This is my last time presenting the results. On one hand, it would have been good to retire at the end of my contract last February having had a good 2019 and not having to deal with the pandemic. We expected to record an even better year in 2020 but the pandemic derailed our plans.”

“Having said that, I am glad I stayed on. Firstly, the transition between my successor Dato’ Izzaddin and I, would have been quite abrupt especially given the usual challenges facing the industry and company, the major organic and inorganic initiatives some of which should bear results very soon, and of course the devastating and multi-faceted COVID-19 impacts that we continue to face. Secondly, I could never forgive myself for not staying with my staff at the worst of times when their safety, health and well-being are at stake. I would rather stand by their side to work together and protect one another, given that the need for this has exacerbated now more than ever.”

“I am also happy that the transition between Dato’ Izzaddin and I has proceeded very smoothly, in fact better than how anyone expected it to be as we grapple with these unprecedented times. I also know that I am leaving the company within the capable hands of someone who would be able to perform in the future even better than I could,” Tan Sri Jamaludin added.

“Finally, I would like to thank the media for all their support as well as professional and fair reporting. The media has been “part of us” as much as any of our other stakeholders. I will actually miss all of them as many have covered Axiata and me for as long as I’ve been with the company!”

Dato’ Izzaddin Idris, Deputy Group CEO of Axiata said, “As with dark clouds there comes a silver lining and we stand to benefit from opportunities as we ride the digitisation wave. Various government initiatives to support consumers and SMEs will contribute towards higher user engagement for Boost and Aspirasi, and we are optimistic about further monetisation opportunities for Axiata Digital and edotco in the near term. Furthermore, the shift towards online education and Work-From-Home as well as SME digitisation is expected to ramp up our Enterprise business.”

“To keep focused on our long-term goals and seize emerging opportunities, we will leverage significantly on our strategic focus areas and double down on operational excellence initiatives such as the Groupwide ‘Collective Brain’ in IT, network and procurement,” he said.

“Finally, I would like to thank Tan Sri Jamal for his exemplary stewardship in building the resilient business that Axiata is today. In any other circumstances, this leadership transition would already have been challenging, what more now as we execute it beneath the shadows cast by this unprecedented COVID-19 crisis and its multi-faceted uncertainties."

"The fact that the Group has continued to function and operate steadily to deliver on our mandates in these last three quarters reflects the solid fundamentals that have been built by my predecessor. Having worked with Tan Sri Jamal through the transition over the past 11 months in addition to my experience as a Board member since November 2016, I look forward to hitting the ground running in 2021 to seize and unlock the many new opportunities that are ahead of us," he concluded.

-ENDS-

About Axiata

As one of the leading telecommunications groups in Asia in pursuit of its vision to be the New Generation Digital Champion by 2022, 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 Advertising ('ADA').

'edotco', the Group's infrastructure company, operates in six countries to deliver telecommunications infrastructure services, amassing approximately 32,300 towers. Presently the 16th largest 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.

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