

MEDIA RELEASE

Credible Performance in Challenging Year

2020 impacted by pandemic-related lockdowns and resultant economic slowdown across markets

Notwithstanding, Axiata delivered a credible performance with FY20 EBITDA rising 0.4% and margin improvement of 0.8 ppt taking margin to 44%

Generated strong operating free cashflow of RM3.3 billion and correspondingly, cash balance of RM7.2 billion

Celcom garnered additional 306,000 new customers

Reported PATAMI impacted by accelerated 3G shutdown, normalised PATAMI at RM865 million

Total dividend of 7.0 sen DPS announced despite challenging business and industry conditions

Key Highlights for FY 2020

- **Resilient performance in a challenging pandemic year:** Revenue (ex-device) dropped 1%¹, with EBITDA margin expansion of 0.8 ppt to 44.0%, on the back of opex savings of RM745 million
- **Underlying PATAMI at RM865 million:** Group PATAMI declined to RM365.2 million on a reported basis. Lower one-off gains in 2020 and higher depreciation due to acceleration of 3G shutdown to reform spectrum for better 4G service. Underlying PATAMI was down by 9.4%¹ to RM865 million on account of higher D&A, lower contributions from Ncell and edotco
- **Cash balance at RM7.2 billion:** Balance sheet on solid footing with healthy cash balance at RM7.2 billion; gross debt to EBITDA manageable at 2.57x; placing Group in strong position to defend against uncertainties and capture new growth opportunities, increase digital adoption and invest in network improvement
- **Leveraging on 'Collective Brain' to become a low-cost producer:** Focused attention on cost helped reduce cost per GB by 35%, thus directionally moving towards targeted USD0.10 by 2024
- **Steady recovery continues for Celcom:** Subscriber base grew 306,000 to 8.7 million (higher than pre-pandemic level) on the back of product innovation, improved go-to-market strategy, and digital distribution channels; EBITDA and PATAMI (excluding Employee Restructuring Programme and accelerated depreciation impact) up 2.4% to

¹ Underlying performance – at constant currency

RM2.7 billion and 11.5% to RM0.9 billion respectively, driven by improved credit management and reversal of a prudent financial practice

- **Strong performance at XL despite price war and pandemic:** Revenue (ex-device) up 3.8%, with double-digit EBITDA and FCF growth driven by effective opex management and optimising capex spend². 4Q20 results impacted by weakened economic environment, heightened competition and support for government-led CSR activities
- **Challenging year for Ncell:** Adversely impacted by prolonged COVID-19 lockdown, challenges arising from spectrum constraints and lower than expected subscriber development. Green shoots in 4Q20 (revenue (ex-device) and EBITDA up 2.8% and 3.5% QoQ) from marginal recovery in subscriber base and improved data price elasticity²
- **Tailwinds from accelerated digital adoption at Axiata Digital:** Boost users up 1.7x to 8.8 million, merchants up 1.8x to 224,000, and GTV up 2.0x, driven by jump in online transactions; ADA continued to deliver profits. ADS bottom-line impacted by higher marketing spend at Boost to support government-led e-wallet adoption; Interest from investors to participate in success of digital businesses
- **edotco impacted by deferred orders for new rollouts and proactive measures on receivables:** edotco's revenue grew 4% despite challenges which included heightened competition, overall slowdown in planned network expansion and further pressure on margin for customers due to the COVID-19 pandemic. EBITDA and PATAMI decreased 0.8% and 21.3% respectively due to proactive measures on receivables in recognition of the current financial health of tenants and unrealised foreign exchange losses.
- **FY20 DPS of 7.0 sen:** Announced second interim dividend of 5.0 sen bringing total dividend for the year to 7.0 sen, as Axiata transitions to "High Dividend" company with DPS target of 20 sen by 2024

Kuala Lumpur, 25 February 2021 – Axiata Group Berhad ("Axiata" or "the Group") delivered an encouraging close for the financial year ended 31 December 2020 ("FY20"), posting better-than-expected recovery in the second half of the year post full brunt of the COVID-19 impact.

On a reported basis, FY20 revenue dipped marginally to RM24.2 billion year-on-year mainly affected by pandemic-related lockdowns posing distribution challenges and affordability in operating markets. In a positive affirmation of the Group's resilience amidst tough externalities, Earnings Before Interest, Tax, Depreciation & Amortisation ("EBITDA") rose 0.4% on the back of better performance from most operating companies (OpCos).

As part of improving network resilience and efficiency, a Group-wide 3G shutdown initiative was carried out in FY20 to support the deployment of the more efficient 4G technology and capture increased digital and data demands from customers across the Axiata footprint. This accelerated depreciation of 3G assets coupled with lower one-off gains from the disposal of M1 and Idea rights as well as divestment of non-core digital businesses in FY19 affected Profit After Tax and Minority Interest ("PATAMI"), which dropped to RM365.2 million in FY20.

Axiata's Group-wide digitisation, "Collective Brain" initiatives and an unrelenting commitment to operational excellence yielded strong underlying performance for FY20. While revenue excluding device (ex-device) slipped marginally by 1%¹, EBITDA grew 1.1%¹ to RM10.7 billion

² Growth numbers for OpCos are based on results in local currency in respective operating markets

on the back of revenue (ex-device) growth at Dialog³, Robi⁴ and Smart⁵ with operating expenditure (opex) savings of RM745 million. Excluding one-offs and at constant currency, underlying PATAMI decreased 9.4%¹ to RM865 million, mainly impacted by higher depreciation and amortisation (“D&A”), lower contribution from Ncell⁶ and edotco, and higher marketing spend at Axiata Digital⁷ (Boost) in support of the government’s drive for e-wallet adoption.

Axiata’s balance sheet remained anchored on a strong footing at the close of the year with high cash balance of RM7.2 billion and gross debt to EBITDA at 2.57x, strengthening its position to weather continued economic and pandemic uncertainties expected in 2021. Optimal capex spending lifted Operating Free Cash Flow (“OFCF”)⁸ by a healthy 73.1% to RM3.3 billion.

Dividends

In view of the Group’s steady FY20 underlying performance as well as normalised PATAMI⁹ at RM865 million, moderated by challenging business conditions across Axiata’s markets, the Board of Directors resolved a full year total dividend of 7 sen per ordinary share, including the interim dividend of 2 sen per ordinary share declared for the financial period ended 30 June 2020. Board remains cautious of prevailing uncertainties, but confident that long term increased payout remains intact.

Digital Telcos¹

Amid COVID-19 movement controls in FY20, ¹⁰**Celcom’s** revenue (ex-device) declined 8.8% YTD from lower prepaid and postpaid revenue and Average Revenue Per User dilution, cushioned by higher Home and MVNO revenue. However, Celcom’s revenue has shown signs of recovery with revenue ex-device growth in Q3 and Q4 consecutively from the increase in subscriber base. Throughout the year, Celcom recorded steady EBITDA growth QoQ mainly from lower direct cost and bad debt, with an underlying EBITDA and PATAMI growth of 2.4% and 11.5% YTD respectively. After factoring in the one-off Employee Restructuring Programme (ERP) in 1Q20 and the accelerated depreciation of 3G assets, EBITDA and PATAMI dipped 1.5% and 14.2%. Celcom’s subscriber base gained positive traction rising by 306,000 to 8.7 million, surpassing the pre-pandemic level on the back of its “Truly Unlimited” prepaid plan and other subscriber initiatives. As of end 2020, more than 60% of Celcom’s Smartphone user base have already adopted the Celcom Life App, paving the way for a high degree of digitisation of customer interactions whilst aligning with the recent Malaysia Digital Economy Blueprint.

Leveraging on digitisation to drive operational excellence, in FY20, **XL** resisted COVID-19 impact and a price war to record 3.8% growth in revenue (ex-device), double-digit EBITDA and FCF growth driven mainly by effective opex management and optimal capex spend. In FY20, data contribution to service revenue reached 92%. It ended the year with approximately 11 million MAU within the MyXL and Axisnet apps. Meanwhile, 4G data network development continued, and at end 2020, reaching 458 cities in various regions in Indonesia with more than 54,000 4G Base Transceiver Stations.

³ Dialog Axiata PLC

⁴ Robi Axiata Limited

⁵ Smart Axiata Company Limited

⁶ Ncell Axiata Limited

⁷ Axiata Digital Services Sdn Bhd

⁸ OFCF = EBITDA- Capex- Net Interest-Tax

⁹ For the purpose of actual performance comparison, Normalised PATAMI excludes one-off items

¹⁰ Celcom Axiata Berhad

Dialog posted solid earnings growth for the year despite the pandemic. PATAMI grew 11.7% flowing through from EBITDA and lower net finance cost. Excluding forex loss/gain and accelerated depreciation of 3G assets, PATAMI grew by 33.8%. Revenue (ex-device) grew 3% on the back of higher data revenue whilst EBITDA increased 8.9% with EBITDA margin expansion of 2.3 percentage points (ppt) to 42.3% driven by lower sales and marketing spend.

Robi overcame challenges through cost optimisation to deliver a commendable performance for FY20 as EBITDA rose 11.8% with 4.1 ppt margin improvement to 42.6%, driven by lower network, staff and other expenses. PATAMI surged to BDT1.6 billion attributed to the flow through from higher EBITDA, moderated by higher D&A charges. Despite lower voice revenue from lockdown impact, strong data growth improved Robi's revenue (ex-device) by 1.4%.

Defending against strong economic headwinds, **Smart** closed the year on a stable note. Revenue (ex-device) grew 3.8% mainly due to reclassification in 4Q20, consequently leading to 17.6% growth QoQ. Excluding reclassification, revenue (ex-device) contracted 1.1% amidst reduced voice and inbound roaming revenue from lower travellers. Tight cost controls coupled with one-off reversals lifted FY20 EBITDA by 6.6%, whilst bottom-line absorbed the impact of 3G asset write-offs.

Ncell's performance for the year was dragged by a prolonged COVID-19 lockdown and limited spectrum capacity. Revenue (ex-device) declined 22.6% as a result of lower Core and International Long-Distance usage as well as foregone revenue opportunities from free recharge bonus offered during the lockdown. Affected by the fall in revenue and higher network costs among others, EBITDA dropped 25%. PATAMI fell 77.9% mainly due to the decline in EBITDA, coupled with higher net finance cost and asset write-offs.

Digital Businesses

Despite COVID-19 challenges, Gross Transaction Value (GTV) for **Boost** expanded 2x in FY20 as it continued to attract users and merchant base, which grew 1.7x to 8.8 million and 1.8x to over 224,000 respectively. Weekly GTV per user increased, with users spending an average of 1.3x to more than RM400 per user per week compared to more than RM300 a year prior. Serving as a form of recognition of its leading role in the local e-wallet space, in 2020, Boost was selected by the Malaysian Government to carry out for four key national initiatives, namely the e-Tunai Rakyat RM30 incentive, RM50 ePENJANA Credits Programme, MSME E-Commerce campaign, and the Shop Malaysia Online campaign. Boost continued to support local businesses after PENJANA period ended to digitalise their businesses under the MDEC SME Digitalisation Grant in partnership with Celcom, an official Technology Solutions Provider.

Extending micro-financing and micro-insurance solutions mainly to support the underserved MSME segment, ¹¹**Aspirasi's** total financing disbursed in FY20 grew more than 5.4x to above RM 207million compared to the previous year, benefiting 9,176 unique merchants. Under micro-insurance, Aspirasi sold a total of 30,253 policies.

ADA¹² remained PAT positive as net revenue grew by 45% in FY20, recording 7x growth from FY2019. In addition to winning 54 regional industry awards, ADA ventured into new partnerships with Cosmose, Tealium, and Meiro to deepen its data, analytics, and insights offerings. ADA also launched new service lines in Marketing Technology and e-Commerce enablement to offer extensive data services to its growing roster of clients.

¹¹ Axiata Digital Capital Sdn Bhd

¹² Axiata Digital Advertising Sdn Bhd

Infrastructure

edotco's performance for the year was challenged by heightened competition among tower companies, an overall slowdown in terms of planned network expansion and further pressure on margin for its customers. EBITDA declined 0.8%, whilst PATAMI contracted by 21.3%, attributed to the above and proactive measures on its receivables taking cognisance of the current financial health of some of its existing tenants, and unrealised foreign exchange losses. Liquidity position remains strong for edotco with its Free Cash Flow (FCF) increasing by 14.3%, on the back of lower spending on capex and overall costs attributed to the deferment of the planned roll outs by its customers, and impact of the COVID-19 pandemic.

Commentaries

Tan Sri Ghazzali Sheikh Abdul Khalid, Chairman, Axiata said, "The Board notes the resilient performance by Axiata in 2020 against a backdrop of demanding internal and external conditions. Whilst prioritising employee well-being and securing business continuity in the face of an unprecedented global pandemic, we are encouraged by the Group's collective and effective execution of a regional response to pressing humanitarian needs arising from the COVID-19 crisis."

"Across our footprint, customers were supported via free data and connectivity to healthcare, education, retail and productivity-related services and tools to enable adjustment to a world of remote working, learning and contactless transactions. Providing cash and in-kind support, the Group stepped up on digital inclusion for communities and affected businesses across our markets, whilst fostering collaborations with governments on digital solutions in bridging gaps."

"In view of the balanced results, the Board is pleased to announce a full year total dividend of 7 sen per ordinary share, which includes an interim dividend of 2 sen per ordinary share declared for the financial period ended 30 June 2020."

"For 2021, the Board's focus will be firmly trained on challenging the Axiata management to keep a steady hold on business even as we remain responsible in how we navigate continued uncertainties and increasingly competitive markets in a digitally heightened environment."

Dato' Izzaddin Idris, President & Group CEO of Axiata said, "Treading with cautious optimism into the year, we focused on conserving cash mainly via capex efficiencies and disciplined efforts to manage our costs across the Group whilst also taking steps to build a war chest for new normal growth opportunities."

"On that note, it is encouraging to see better-than-expected results for FY2020, with revenue and EBITDA holding steady despite extenuating externalities. Our high cash balance of RM7.2 billion gives us confidence to navigate uncertainties and move quickly to capture growth and expansion opportunities."

"We made the mission critical decision to bite the bullet and accelerate 3G shutdowns across the Group to enhance network resilience for what will be a dynamic and digitally-intensive future."

"Even as we anticipate recovery aided by global vaccination efforts, we are cognisant our operating markets are not out of the woods. Axiata's guidance for 2021 of low single digit revenue¹³ and EBITDA growth reflects our cautious optimism. In addition to a fragile macroeconomic environment, the industry will continue to grapple with challenges such as network capacity demand, government-led initiatives and ongoing regulatory uncertainties mainly stemming from prolonged COVID-19 impacts."

¹³ Revenue excluding devices

“Having realised first-hand the benefits of leveraging Group synergies through our ‘Collective Brain’ initiative where cost per gigabyte of data dropped by 35%, FY2021 will focus on relentless execution of the refreshed Axiata 5.0 strategy. Our emphasis will be on reaping Group synergies and going full throttle on operational excellence to strengthen our resilience for the long-haul.”

Axiata continues to support Malaysia’s aspirations such as JENDELA and are aligned to the Malaysia Digital Economy Blueprint (MDEB) in its ambition to raise the country’s capacity in the shift towards a digital economy and to leverage IR4.0 opportunities. On the 5G announcement on 19 February under the MDEB, Celcom continues to engage MCMC, the industry and all other stakeholders on the establishment and intended operations of the SPV to ensure the successful rollout of 5G infrastructure,” he concluded.

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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 Analytics & AI (‘ADA’).

‘edotco’, the Group’s infrastructure company, operates in eight countries to deliver telecommunications infrastructure services, amassing approximately 32,800 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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