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Axiata reports steady performance for 1Q23[1], revenue growth of 7.9% and PATAMI growth of >100% Year-on-Year

- Revenue grew 7.9% to RM5.38 billion, translating to PATAMI of RM74 million (+>100%) supported by EBITDA uplift and lower forex losses.
- On a constant currency basis, revenue ex-device rose by 19.7% contributed by all Operating Companies except ADA and Ncell; EBITDA rose by 16.3% in line with revenue growth.
- Underlying PATAMI dropped by 79.4%, impacted by higher depreciation and amortisation, increased finance costs and share of results from CelcomDigi Berhad (RM114 million in 1Q23), which is lower relative to PATAMI contribution from Celcom as a subsidiary in 1Q22.
- Gross debt/EBITDA rose to 3.60x (adjusted for dividend from CDB) with Net debt/EBITDA at 3.08x, compared to Gross debt/EBITDA 2.89x at the end of FY22 due to Celcom's EBITDA exclusion.
- Cash balance stands at RM5.5 billion.

Key Highlights for 1Q23[2]:

- **Positive beginning for FY23:** Revenue grew 7.9% driven by all OpCos except Dialog, Robi, Ncell and ADA. PATAMI surged over 100% to RM74 million against losses in 1Q22 attributed to flow through from EBITDA, lower forex losses and taxes. Reported revenue and EBITDA growth was impacted considerably by currency depreciation in frontier markets relative to MYR;
- **Underlying 1Q23 performance mixed results**: Top line revenue growth of 19.7% on constant currency basis indicative of strong performance by all OpCos except ADA and Ncell. This was offset by higher D&A, net finance costs and share of results from CDB (RM114 million in 1Q23), which is lower relative to PATAMI contribution from Celcom as a subsidiary in 1Q22, resulting in a drop in underlying PATAMI by 79.4%;
- **Sustained fundamentals in balance sheet:** Gross debt/EBITDA rose to 3.60x (adjusted for dividend from CDB) with Net debt/EBITDA at 3.08x, compared to Gross debt/EBITDA 2.89x at the end of FY22 due to Celcom's EBITDA exclusion. The ratio is expected to improve to approximately 3.40x following the repayment of shareholder loan of RM2.4 billion in 2Q23. Meanwhile, cash balance of RM5.5 billion sustains the Group's forward momentum;

[1] Discussion of 1Q23 performance is based on Continuing Operations for the Group
[2] Growth numbers for OpCos are based on results in local currency in respective operating markets

- **XL realises growth from Data and Digital Services:** YoY revenue grew by 11.9%. EBIT margin climbed 2 percentage points, with EBIT growth of 37.2%, while PATAMI jumped 44.4% YoY;
- **Robi's robust operational performance clouded by forex losses:** YoY revenue ex-device grew by 16.7%, while EBIT grew 50.9%. PATAMI growth moderated to 5.5%, impacted by higher net finance cost and drag from forex loss. Discounting forex losses, PATAMI would have grown by 52.2%;
- **Dialog grows top line profitability boosted by forex gains:** YoY revenue ex-device grew by 31.3%. EBIT, meanwhile, declined by 49.2% due to continued cost escalation and higher D&A. PATAMI of LKR8.7 billion is attributed to forex gain;
- **Ncell's voice revenue impacted by lower interconnect rates:** YoY revenue ex-device slipped by 5.4% impacted by lower core, leading to revenue decline of 7.9%, cushioned by growth in International Long Distance ("ILD") revenue of 7%. EBIT dropped 18.1% due to higher staff and network costs, resulting in PATAMI decline of 16.7%;
- **Smart delivers profit growth:** YoY revenue ex-device rose by 2.6% flowing through to strong EBIT growth of 20.3%. Strong PATAMI growth of 37.2% from EBIT flow through is further supported by lower taxes and prior years compensation for USO (Universal Service Obligation) investments carried out by Smart;
- **Link Net's ARPU improvement moderated by subscriber churn:** Link Net's YoY revenue dipped by 7.1% due to higher churn rate despite ARPU improvement. EBIT loss of 84.7% due to lower revenue, increase in marketing costs, slower recovery of bad debts and increase in D&A. However, Link Net's recovery plan is underway as, as positive subscriber additions had gained traction by the end of 1Q23;
- **Boost on positive path of revenue trajectory:** YoY revenue grew above 90.1%, though EBIT remained flat. Boost Life users increased 6.4% YoY to 10.5 million and Malaysian merchants grew by 24.9% to 586k;
- **ADA affected by review of revenue share:** The review of revenue share terms with XL on the backdrop of market changes, impacted ADA's revenue resulting in a decline of 21.0%, PATAMI slipping into negative territory, further impact to profitability due to unrealised forex losses;
- **EDOTCO continues to drive topline and EBITDA growth via both organic and inorganic expansion:** YoY revenue grew by 14.3% and EBITDA by 14.1% supported by higher B2S and co-location ("colo") rollouts in Bangladesh, as well as value realisation from acquisitions in the Philippines and Indonesia. Profit was however impacted negatively by higher depreciation, net finance cost and unrealised forex losses;
- **Balanced performance despite persistent macroeconomic challenges:** Encouraged by growth opportunities in emerging markets, the Group is cautiously optimistic for revenue ex-device and EBIT growth to be in line with headline KPIs, despite macroeconomic challenges in frontier markets.

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KUALA LUMPUR, 25 MAY 2023 – Axiata Group Berhad ("Axiata" or "the Group") kicked off FY23 with a steady start, posting a Year-on-Year ("YoY") revenue and Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") growth of 7.9% and 7.6% respectively on a reported basis for 1Q23. Strong topline growth was mainly driven by excellent performance across all Operating Companies ("OpCos") except for Dialog[3], Robi[4], Ncell[5] and ADA[6]. Profit After Tax And Minority Interest ("PATAMI") was reported at RM74 million, a more than 100% growth against the same quarter in the previous year.

Underlying performance showed a resilient topline with revenue ex-device growth of 19.7% on constant currency basis supported by strong performance across OpCos except for ADA and Ncell. However, higher Depreciation and Amortisation ("D&A"), net finance costs and a smaller share of CelcomDigi Berhad ("CDB") results, which was lower relative to PATAMI contribution from Celcom as a subsidiary the previous year, led to a decline in underlying PATAMI by 79.4% YoY.

The Group's balance sheet remained steady, although gross debt/EBITDA rose to 3.79x, mainly due to Celcom's EBITDA exclusion. Cash balance stood at RM5.5 billion.

Axiata continues its journey in value illumination, accelerating the delayering of its business assets in Indonesia to capitalise on the underpenetrated Fibre Broadband ("FBB") market. By moving towards the specialisation of XL Axiata as a Fixed Mobile Convergance ("FMC") and FBB ServeCo, and Link Net as a FibreCo, scaling up Fibre-to-the-Home ("FTTH") access to capitalise on wholesale opportunities, the Group expects to optimise value through scale and synergies.

Despite persistent macroeconomic challenges in the frontier markets, opportunities in emerging markets such as Indonesia's underpenetrated FBB market offer growth opportunities for the Group. On a balance, Axiata believes its revenue ex-device and EBIT growth to be in line with its headline KPIs for FY23.

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[3] Dialog Axiata PLC
[4] Robi Axiata Limited
[5] Ncell Axiata Limited
[6] Axiata Digital & Analytics Sdn Bhd

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Digital Telcos[7]

XL's[8] revenue YoY expanded by 11.9% thanks to growth in prepaid data and increased revenue share following ADA's contract renegotiation. EBIT margin improved by 2- percentage points bringing EBIT to +37.2% YoY on the back of lower sales and marketing costs, meanwhile PATAMI growth moderated relative to EBIT due to higher net finance costs and share of associate losses.

Robi's continued momentum of strong operational performance saw its YoY revenue ex-device chart an increase of 16.7% lifted by data and voice growth, with EBIT rising 50.9% mainly attributed to increased utilisation from better network quality and lower D&A. However, PATAMI was dragged by forex loss on USD denominated loans and higher net finance costs, posting a growth of only 5.5%, without which, PATAMI would have increased by 52.2%.

Dialog's YoY revenue ex-device improved by 31.3% driven by increased data revenue and hubbing. EBIT was hit by continued cost escalation and higher D&A, dropping by 49.2%, however, PATAMI grew by more than 100% to LKR8.7 billion due to recognition of forex gain amounting to LKR7.3 billion.

Ncell's YoY revenue ex-device reduced by 5.4% impacted by core revenue drop of 7.9% mainly due to lower domestic voice pay-as-you-go ("PAYG") rates resulting from reduction in interconnect rates. This was cushioned by the International Long Distance ("ILD") growth rate of 7.0%. EBIT reduced by 18.1% attributed to higher staff and network costs while PATAMI decline of 16.7% flowing through from EBIT was cushioned by lower net finance cost, taxes and narrower forex losses.

Smart's[9] YoY revenue ex-device grew by 2.6% mainly attributed to increase in prepaid and international business revenue from Application-to-Person ("A2P") messaging business and roaming inbound. This flowed through to EBIT, which rose by 20.3% from margin expansion resulting from reversal of revenue share provision. Likewise, PATAMI increased by 37.2% from EBIT flow through, supported by lower taxation and and prior years compensation for USO (Universal Service Obligation) investments carried out by Smart.

Link Net's[10] YoY revenue ex-device declined by 7.1% due to higher churn rates despite average-revenue-per-user ("ARPU") improvement. EBIT was impacted by

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[7] Growth numbers for OpCos are based on results in local currency in respective operating markets
[8] PT XL Axiata Tbk
[9] Smart Axiata Company Limited
[10] PT Link Net Tbk

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higher marketing costs, slower recovery of bad debts and higher D&A, resulting in a drop of 84.7%. Higher net finance costs pushed Link Net into losses of IDR49 billion.

Digital Businesses

Boost's[11] YoY revenue grew significantly by 90.1% mainly driven by offline payment and increased loan disbursement through Boost Life and Boost Credit. Revenue growth was offset by higher Opex from provision for estimated credit loss, subsequently flattening EBIT YoY. Losses widened to RM52 million due to higher net finance cost. Whilst YoY gross transaction value ("GTV") remained marginally unchanged at RM1.5 billion, Boost Life subscribers had increased by 6.4% YoY to 10.5 million and Malaysian merchants rose by 24.9% to 586,000.

ADA's YoY revenue declined by 21.0% largely due to lower contribution from the Customer Engagement segment after the contract revision of revenue share terms with XL. Consequently, EBIT and PATAMI slipped into negative territory, with further impact to profitability due to forex losses.

Infrastructure

EDOTCO's[12] YoY revenue and EBITDA growth of 14.3% and 14.1% respectively can be attributed to higher B2S and co-location rollouts in Bangladesh and inorganic growth from the Philippines and Indonesia. While YoY EBIT was flat due to higher D&A, PATAMI dropped to a loss of RM36 million impacted by higher net finance cost from incremental debt for recent acquisitions and unrealised forex losses.

Commentaries

Tan Sri Shahril Ridza Ridzuan, Chairman of Axiata said, "The Group's positive start to the new financial year reflects our commitment to create value strategically as a market leader in the digital telco and infrastructure space. With its sustained operational excellence, sound business fundamentals and focus on strategic key growth drivers, Axiata is poised to continue growing as a TechCo, reaching its ambition as the Next Generation Digital Champion."

"The Board is committed to upholding the values of Uncompromising Integrity, Exceptional Performance (UI.EP) in Axiata's efforts to mitigate associated risks faced within its operational markets. This quarter also marks the first anniversary since the formation of Axiata Group's Board Sustainability Committee. We will continue to drive the operationalisation of the Group's Sustainability efforts to achieve our ESG targets."

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[11] Boost Holdings Sdn Bhd
[12] EDOTCO Group Sdn Bhd

Vivek Sood, Group Chief Executive Officer and Managing Director of Axiata said, "Kicking off the first quarter of 2023, I am pleased to announce that the team achieved steady operational performance which led to a strong top line (revenue ex-device) and bottom line (PATAMI) growth on a reported basis. EBITDA uplift and narrowing forex losses also helped in PATAMI growth. Deconsolidation of Celcom compared to full consolidation in 2022 impacted overall PATAMI of the Group."

"While we remain vigilant of continued macroeconomic challenges and currency volatility, especially in the frontier markets, we are poised to weather the risks and capitalise on the opportunities presented by building resilience in our markets. Our delayering strategy sets us on a positive path towards value illumination, maximising on increased digitisation and network expansion opportunities in emerging markets. Formation of FibreCo and ServeCo in Indonesia should help in improved efficiencies, faster speed to market and delivering on FMC and FBB strategy. On balance, we are confident that the current trajectory will keep us in line with our headline KPIs of mid-single digit revenue ex-device and high single digit EBIT growth."

Dr Hans Wijayasuriya, Group Executive Director and CEO Telecoms of Axiata said, "Through Q1, our Telcos remained focused on resilience and operational excellence. Resilience strategies initiated in 2022 as a response to macro headwinds - to rescale costs, drive margins and capture growth - bolstered topline and EBITDA gains at Group level. We are particularly encouraged by double-digit EBITDA growth at XL, Robi & Smart and growth momentum in the Enterprise segment across our Telcos."

"In Indonesia, we pivoted on XL's performance momentum and Link Net's powerful position in the under-penetrated broadband market, to commence execution of a de-layering strategy to capture twin growth opportunities in FMC and FBB markets. Establishment of a FibreCo at Link Net and a Converged ServeCo at XL will seed an optimum configuration for value capture and illumination. In parallel with structural transformation, we also applied singular focus on post-Pandemic churn dynamics in the FBB sector."

"Across our markets, operational Excellence and Execution Efficacy will remain central to our performance trajectory in subsequent periods. Our management teams remain focused on a portfolio of tactical and strategic actions to drive growth in profit and cash."

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About Axiata

In pursuit of its vision to be The Next Generation Digital Champion, Axiata is a diversified telecommunications and digital conglomerate operating Digital Telcos, Digital Businesses and Infrastructure businesses across a footprint spanning ASEAN and South Asia.

The Group has controlling stakes in market-leading mobile and fixed operators in the region including 'XL' and 'Link Net' in Indonesia, 'Dialog' in Sri Lanka, 'Robi' in Bangladesh, 'Smart' in Cambodia and 'Ncell' in Nepal while 'CelcomDigi' in Malaysia is a Key Associate Company. Axiata's regional digital business verticals comprise 'Boost' a fintech company, and 'ADA', a digital analytics and AI company. 'EDOTCO' is among the top 10 independent TowerCos globally, operating in nine countries to deliver telecommunications infrastructure services.

As a committed and long-term investor, the Group actively supports and drives young talent development; community outreach; as well as climate change initiatives. Axiata's broader goal of Advancing Asia aims to piece together the best in the region in terms of innovation, connectivity and talent to drive digital inclusion and sustainable progress across our markets. Find out more at www.axiata.com

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