

CelcomDigi Berhad 2QFY2023 Results Announcement

18 August 2023
Kuala Lumpur



MALAYSIA'S
No.1
NETWORK WIDEST | FASTEST
4G | 5G | FIBRE



1

Business Highlights

2

1H Financial Review

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2023 Guidance



Private & Confidential

celcomdigi

5G
FOR ALL

MALAYSIA'S
No.1
NETWORK

WIDEST | FASTEST

4G | 5G | FIBRE

Jom
5G
Malaysiaku



1H FY2023 Business Highlights

Steady Performance Driven By Focused Execution



Solid overall performance
across core segments



Elevated network experience
as we accelerate integration activity



Strong market execution
with sharp customer focus



Clear 5G value propositions
driving thought leadership in Enterprise



2023 guidance on track
Integration synergy and cost under control

Solid 1H2023 Performance, On Track With Guidance

Across all core segments

Total Subscribers

20,477k

+391k YTD, +185k Q-Q

Total Revenue

RM6,303mn

2.8%

Service Revenue

RM5,410mn

0.3%

EBITDA

RM2,992mn

1.8%

(Excl. integration cost: 2.8%)

PAT

RM669mn

Normalised: RM1,044mn

-31.7%

(Normalised: 6.5%)

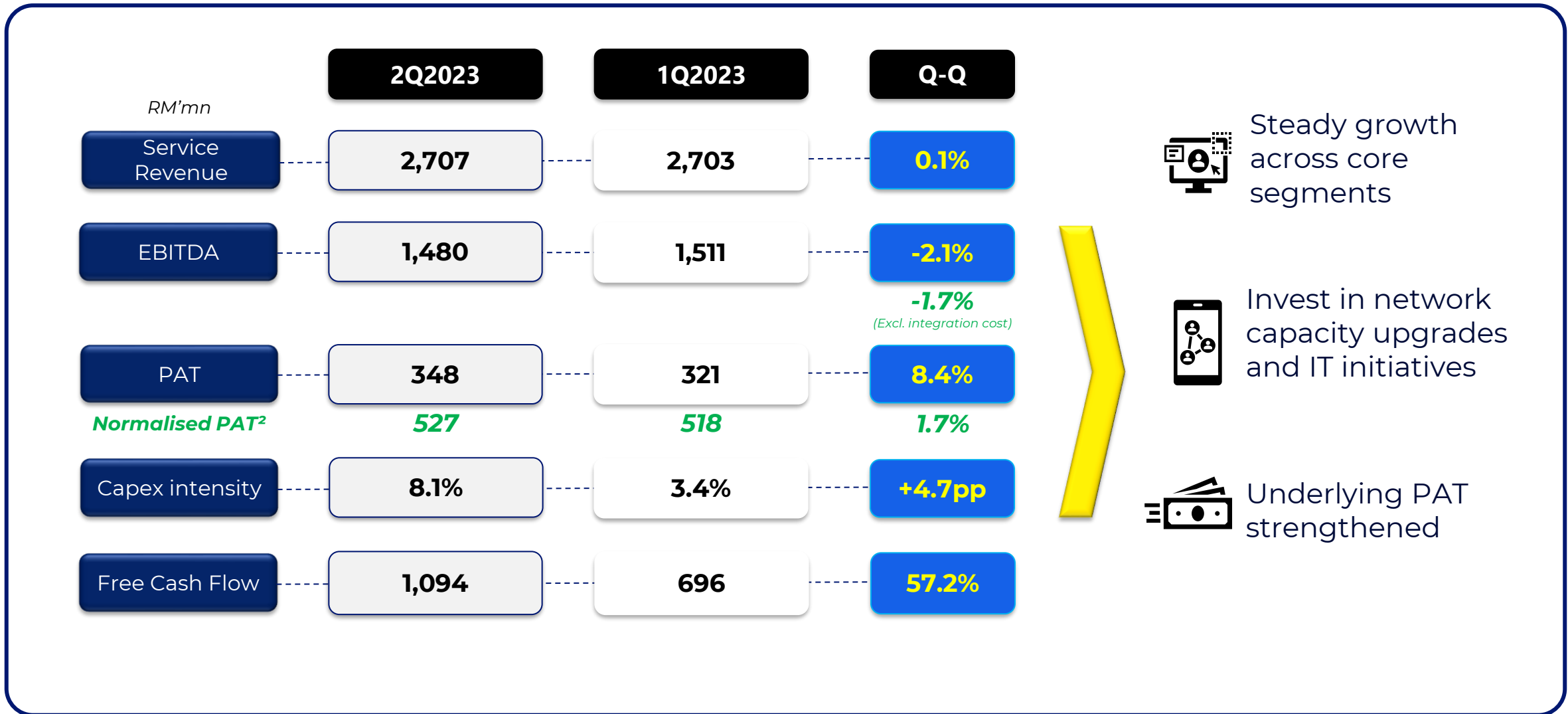
Free Cash Flow

RM1,790mn

CAPEX intensity of 5.7%

Declared second interim dividend per share of 3.2 sen

Steady 2Q2023 Performance, Strengthening Profitability



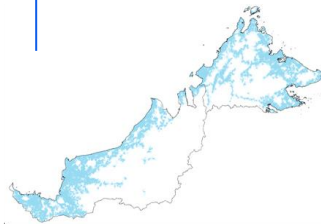
Elevated Customer Experience With Fastest and Widest Network

Widest Nationwide Coverage

96%
4G Coverage



90%
4G+ Coverage



LTE / LTE-A

- **Malaysia's widest network** with reliable and secure connectivity
- **Onboarded 4,747 sites** with 5G network

Average Download Speed (Mbps)

celcom

Jan'23



digi



Jun'23

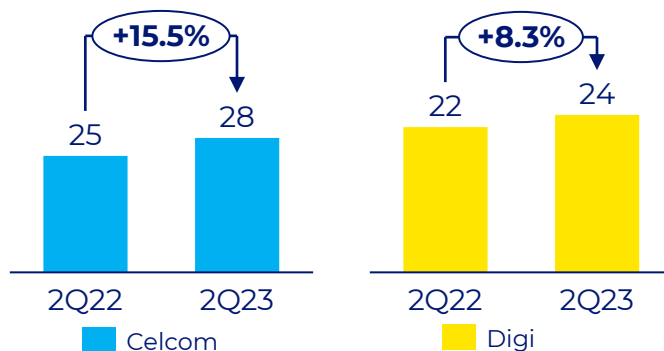
▲ **Surpass**
50.0
Mbps on merged network

- **Significant increase** in average download speed



Continuous High Data Usage

Average data per user (GB)



- Highly consistent digital accessibility fuelled **data traffic growth**

Optimal Video Experience

❖ Video Download Throughput (Mbps)

+1.2%
Q-Q

❖ Time Initial Start (sec)*

+0.6%
Q-Q



Network Integration In Full Speed, On Track with 2023 Schedule

Partnered with Huawei And ZTE



Nationwide network integration & modernisation

To upgrade and consolidate **~24K sites across the country**

Involve **~800 engineers** and **~250 specialised contractor teams**

Enhance user experience with **higher reliability, stability,** and consistency

Overall experience uplift in integrated areas

Pilot Phase completed in May'23



- LTE **population coverage and coverage density improvements** post-consolidation
- **92% customers enjoy >3 bars** (>105 dbm) on merged network

Integration plan in execution



- **Accelerating network integration activities**, committed to be the nation's leading network
- **Completed 24 consolidated network clusters**

Strong Market Execution With Sharp Focus on 'Customer First'

Consumer



- Affordable segmented approach with **New Prepaid XL Internet Pass with 5G**, while riding on robust tourism and migrant segments
- **Focus on service contracting** with refreshed Postpaid offerings with 5G
- 78 Celcom Bluecubes and Digi Stores now open **365 days a year**

Home Fibre



- Wider range of products from **30mbps** (RM69 in Sabah), **300mbps** (RM100) to **1Gbps** (RM269) to cater to all segments' needs
- Better value and customer service with **improved back-office operations, faster installation and conversion rate**

Enterprise



- Better performance attributed to **higher M2M and connectivity Solutions** with 1mil M2M subs to-date
- Secured **several key wins in the public sectors**
- **Healthy digitalisation demand** across SME and private segments

Clear 5G Propositions and Driving Thought Leadership In Enterprise

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Defining 5G Value Propositions For Mobile Segment



celcom digi
by celcomdigi

Karnival Jom 5G

Malaysia's Biggest 5G Sale!

18 - 20 August 2023 • Friday to Sunday

Participating Brands:

SAMSUNG iPhone oppo vivo HONOR ZTE realme

TUULE PanzerGlass

5G FOR ALL MALAYSIA'S No.1 WIDEST | FASTEST NETWORK 4G | 5G | FIBRE

- **Clear 5G value propositions** with wider range of 5G device and family bundle offerings
- **Ongoing 5G campaigns;** Jom 5G Malaysiaku' and 'Karnival Jom 5G'
- **Supporting government's initiatives** such as Pakej 5G Rahmah

Accelerating 5G Adoption Across Businesses Together



- **Launched MY5G Series** to lead the country's adoption of 5G with corporates, public sectors & partners
- **Close collaboration and engagement** amongst leaders and partners

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Financial Review



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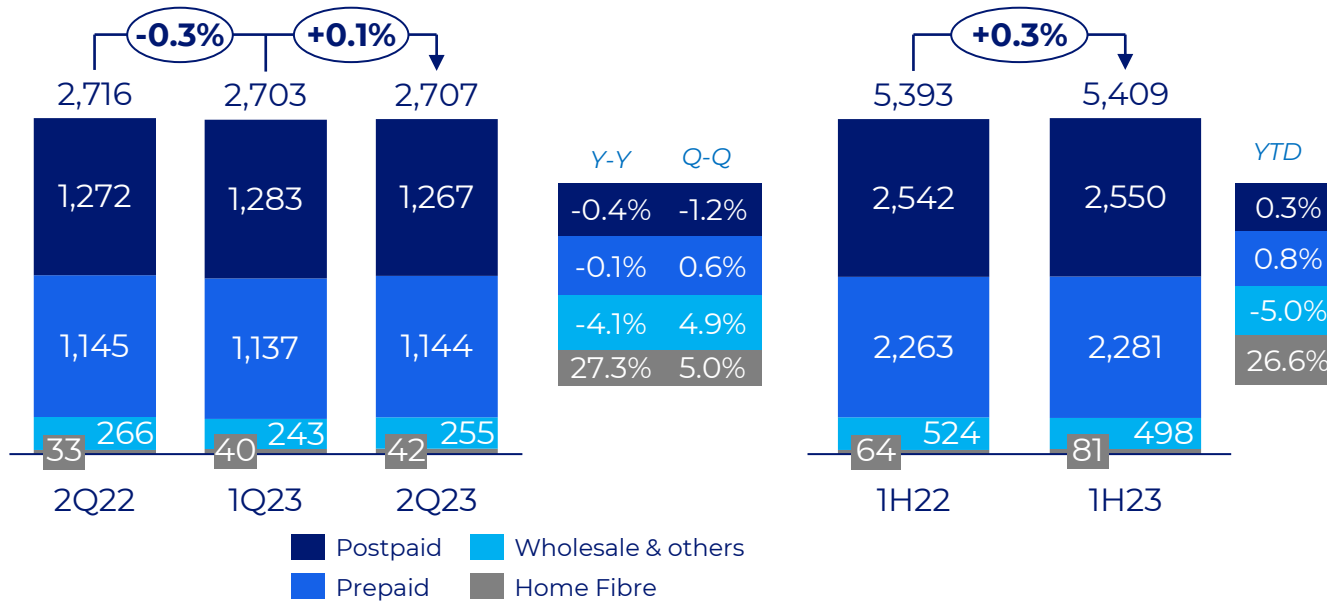
Strong Underlying 1H2023 and 2Q2023 Results

| | 1H2023 | 1H2022 ¹ | YTD | 2Q2023 | 1Q2023 | 2Q2022 ¹ | Q-Q | Y-Y |
|-----------------------------------|--------------|---------------------|-------------|------------|------------|---------------------|-------------|-------------|
| <i>RM'm</i> | | | | | | | | |
| Total Revenue | 6,303 | 6,133 | 2.8% | 3,123 | 3,180 | 3,083 | -1.8% | 1.3% |
| Service Revenue | 5,410 | 5,393 | 0.3% | 2,707 | 2,703 | 2,716 | 0.1% | -0.3% |
| EBITDA | 2,992 | 2,939 | 1.8% | 1,480 | 1,511 | 1,478 | -2.1% | 0.1% |
| PAT | 669 | 980 | -31.7% | 348 | 321 | 481 | 8.4% | -27.7% |
| CAPEX | 359 | 634 | -43.4% | 252 | 108 | 401 | 133.3% | -37.2% |
| Normalised PAT² | 1,044 | 980 | 6.5% | 527 | 518 | 481 | 1.7% | 9.6% |

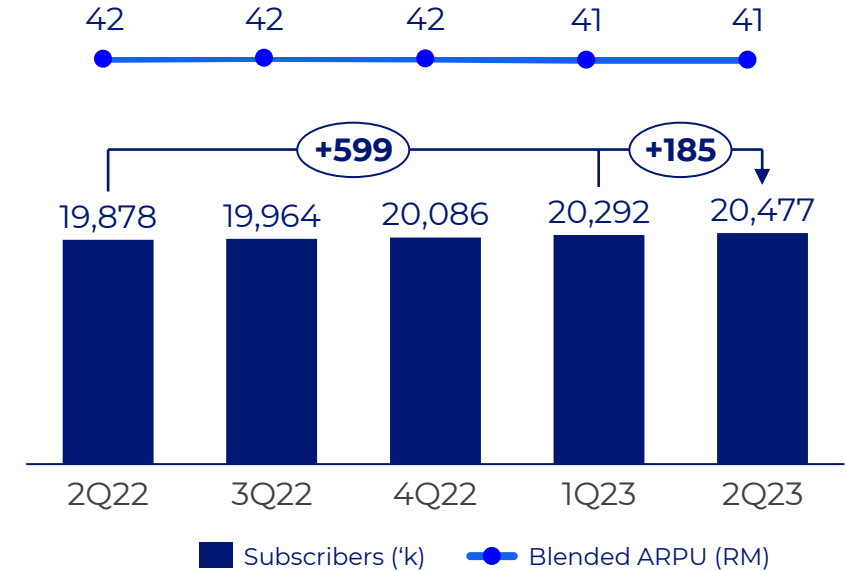
Notes:
 1. Comparable basis results which includes contribution from Celcom's results as if the merger was completed on 1 January 2022 and after excluding merger transaction costs and accounting alignment adjustments
 2. Normalised to exclude the accelerated depreciation which commenced in 4Q2022 with the revision in assets useful life and sites rationalisation

Steady Revenue Growth Across Core Segments

Service Revenue (RM'm)



Total Subscribers & Blended ARPU

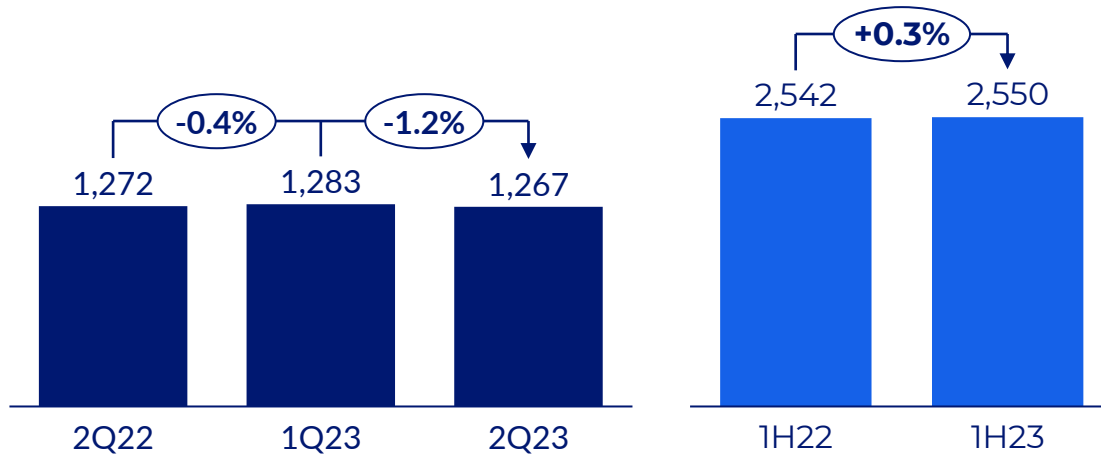


- **Solid subscriber mobile base growth** helped soften the impact of **reduction in interconnect rates**
- Healthy growth in Home Fibre, **leveraging on mobile base and channels** coupled with **affordable products**

- Net adds of 599K Y-Y and 185K Q-Q driven by **steady take-ups of affordable, segmented and flexible product**

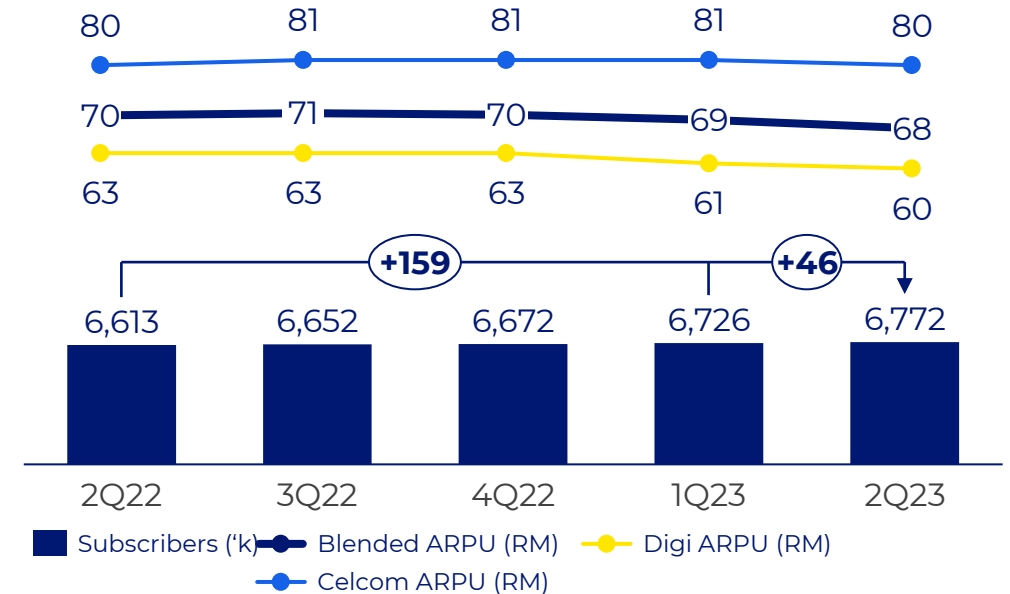
Stable Underlying Revenue Growth Offsetting Revision In Interconnect Rate¹⁴

Postpaid Revenue (RM'm)



- 2Q23: Impacted by **interconnect rate reduction, lower on-demand services** and curbed messaging traffic
- 1H23: Revenue growth in tandem with **continued subscription growth and international roaming rebound**

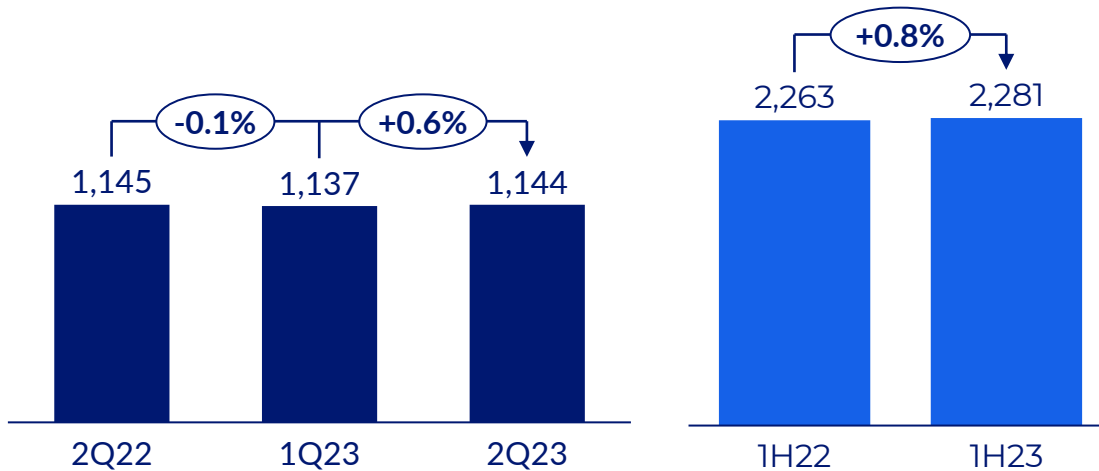
Subscribers & ARPU



- **Higher take-ups** of smart and family bundles
- ARPU impacted by **interconnect rate reduction and curbed messaging traffic**

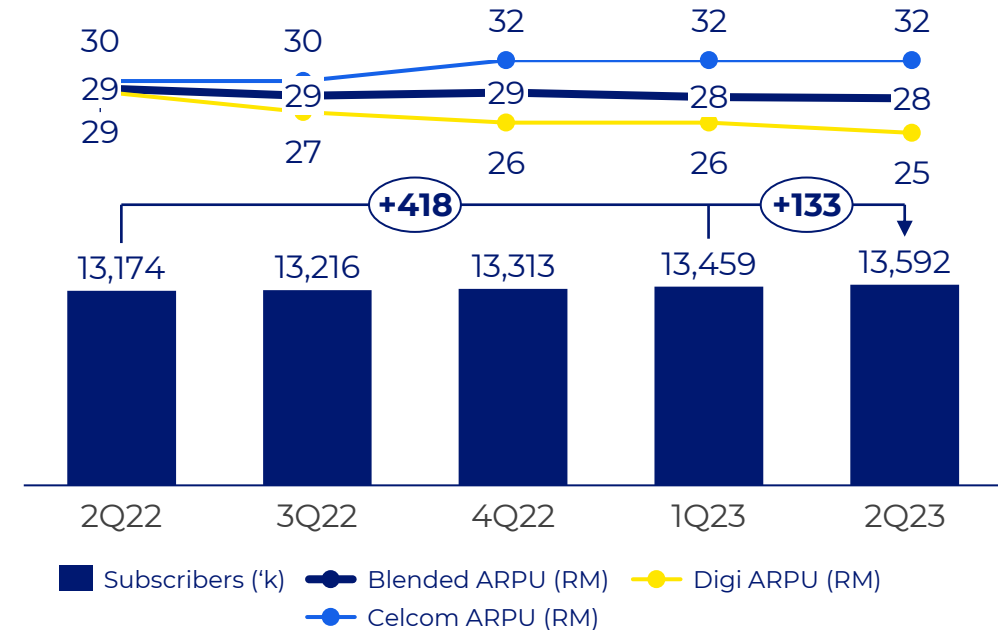
Prepaid Revenue Sustained By Higher Data Demands & Subs Additions

Prepaid Revenue (RM'm)



- Driven by **solid subscriber additions and continued strong data traction**, 2Q23 Y-Y impacted by interconnect rate reduction

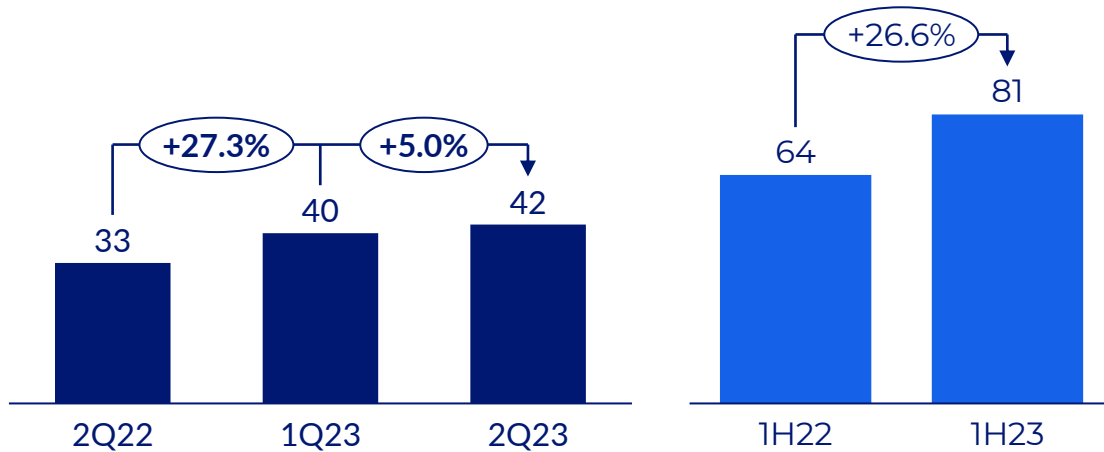
Subscribers & ARPU



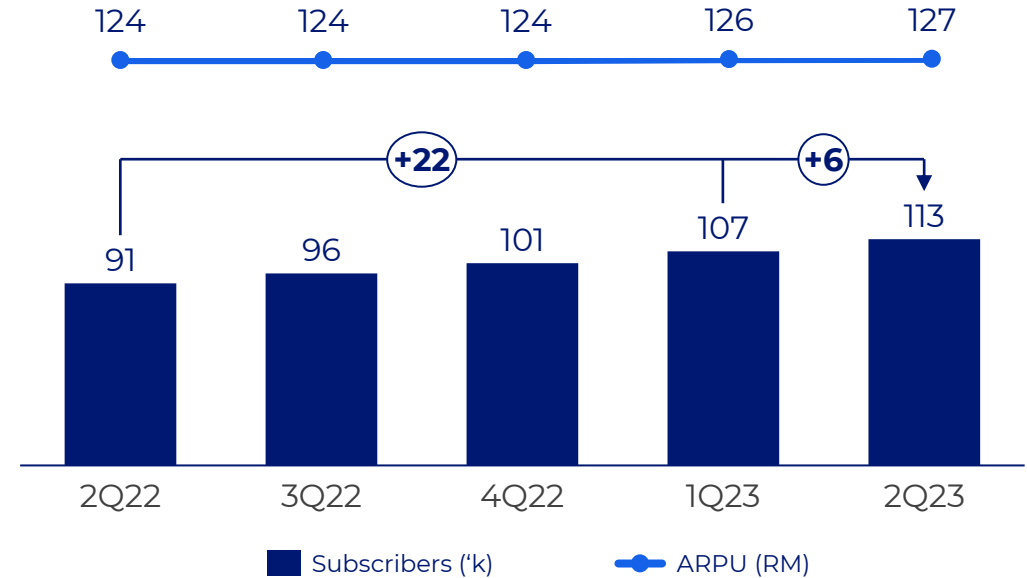
- Continuous streak of subscriber additions** with healthy data adoption is seen

Home Fibre Continues Its Growth Trajectory

Home Fibre Revenue (RM'm)



Subscribers & ARPU



- Revenue backed by **strong take-up of high value CelcomDigi Fibre offerings** launched in 1Q23

- Strong take-up of high value Fibre offerings continues, garnering **solid subscriber and ARPU growths**

Cost Optimisation Mitigating Increased Traffic Growth And One-off Costs

| RM'm | 2Q22 | 2Q23 | Y-Y | Q-Q | 1H22 | 1H23 | YTD |
|----------------------------|----------------|----------------|--------|--------|----------------|----------------|-------|
| COGS | (631) | (644) | 2.1% | -12.4% | (1,254) | (1,379) | 10.0% |
| Cost of materials | (450) | (449) | -0.2% | -18.8% | (894) | (1,002) | 12.1% |
| Traffic charges | (181) | (195) | 7.7% | 6.6% | (359) | (377) | 5.0% |
| OPEX | (974) | (999) | 2.6% | 7.0% | (1,940) | (1,932) | -0.4% |
| Sales & marketing | (187) | (196) | 4.8% | 14.0% | (370) | (368) | -0.5% |
| Staff costs | (222) | (219) | -1.4% | 0.5% | (441) | (437) | -0.9% |
| Operations & maintenance | (223) | (268) | 20.2% | 8.5% | (434) | (515) | 18.7% |
| USP funds and license fees | (182) | (139) | -23.6% | -22.3% | (364) | (318) | 12.6% |
| Credit loss allowance | (16) | (23) | 43.8% | 27.8% | (36) | (42) | 16.7% |
| Other expenses | (143) | (154) | 7.7% | 55.6% | (295) | (253) | 14.2% |
| TOTAL COST | (1,605) | (1,643) | 2.4% | -1.6% | (3,194) | (3,311) | 3.7% |

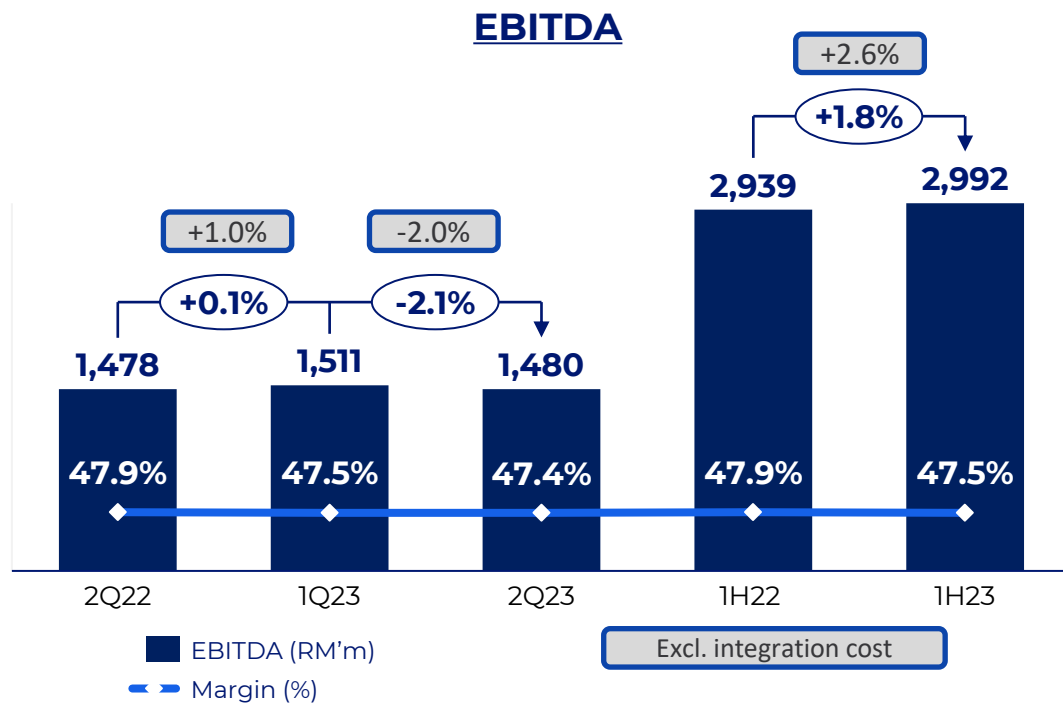
2Q23

- **Y-Y higher total cost** in line with higher devices sales, increase in network and IT costs to support traffic growths and higher sales and marketing spend, partially cushioned by lower regulatory compliance and management services costs
- **Q-Q lower total costs** in tandem with lower device sales and lower regulatory compliance costs, partially offset by higher network & IT costs and planned sales and marketing activities

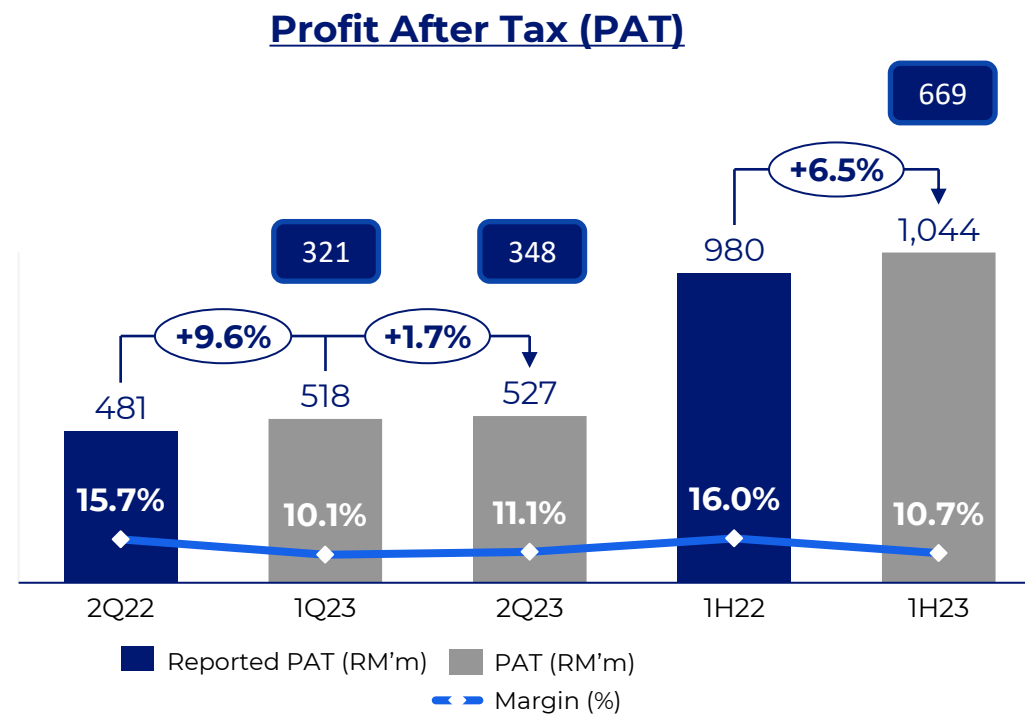
1H23

- **Higher COGS** in line with the higher device sales
- **OPEX stable** as lower regulatory compliance and management services costs offset the higher network and IT costs

Resilient Underlying PAT Growth On The Back Of Focused Core Execution



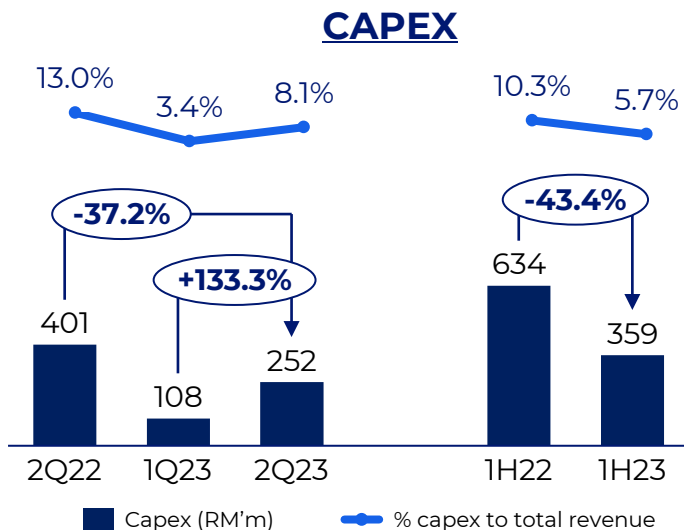
2Q23 EBITDA impacted by the flow through of higher costs albeit improved topline performance



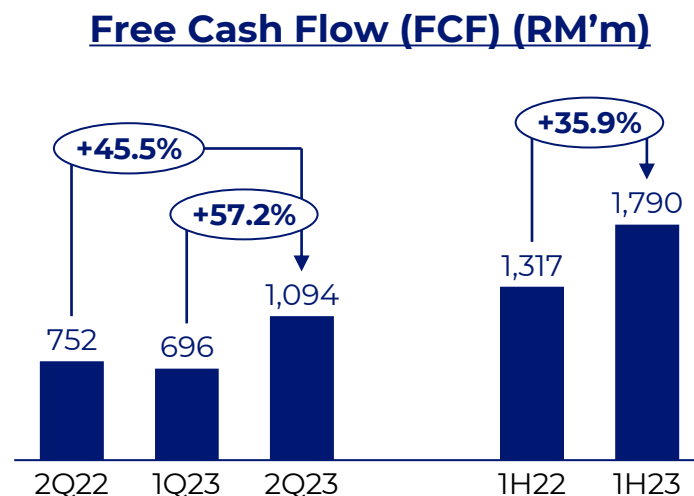
Normalised PAT improved Q-Q on lower net finance costs, one-off gain on fixed asset disposal & lower tax, Y-Y benefited from discontinuation of Prosperity Tax in 2023

Healthy Free Cash Flow to fund CAPEX and dividends

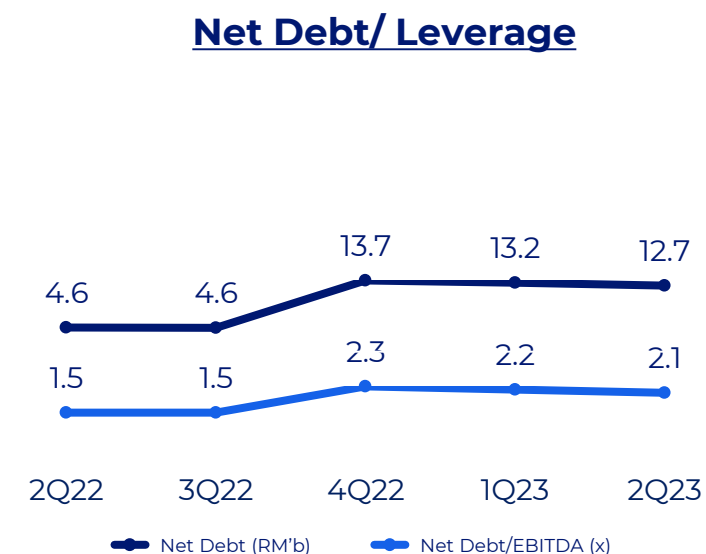
Declared 2nd interim dividend of 3.2sen per share, or payout of RM375m



- **Continued investments in Network Capacity Upgrades and IT Initiatives**
- Expect **higher CAPEX in 2H23** with ramping up of integration activities



- **Healthy FCF** underpinned by working capital initiatives



- Leverage trending down
- **Refinanced shareholder loan of RM2.4b** with external loans and internally funds
- **Credit rating of AAA/Stable** reaffirmed

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Malaysiaku



Guidance

celcomdigi

2023 Guidance Reaffirmed With Positive Outlook

FY2023 Guidance

1H23



Service Revenue Growth

Maintaining growth momentum

On track



EBITDA Growth

Flat to low single digit increase

On track



Capex-to-total revenue ratio¹

Around 15% to 18%

In progress

¹ Total CAPEX will include all BAU planned investments and ongoing merger integration activities

2023 Gross synergy and integration cost

1H23

Gross synergy

~RM200 mil to RM250 mil

On track

Integration cost

~RM200 mil

Summary and Key Takeaways

1 Solid overall performance on track to achieve 2023 guidance

2 Network integration on track to deliver Malaysia's fastest and widest network

3 Strong market execution with clear 5G positioning across consumer and enterprise segments

4 Focusing on Operational Excellence to optimise costs, with stringent discipline on capital allocation

Q&A SESSION WITH MANAGEMENT



Datuk Idham



Albern



Lucy

Appendices

Appendix: Synergies and Integration Cost

Time to implement

3 yrs



In RM
Network

Net NPV Synergies
2023 - 2027



3 yrs



IT



<3.5 yrs



Others



Net NPV Synergies RM8.0 bil

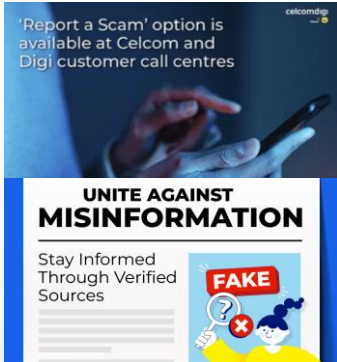
Gross Synergies 2023
RM200m to RM250m

~RM200m
(Estimate integration cost for 2023)

Appendix: Net Debt/EBITDA Reconciliation

| RM'mil | 1Q2022 | 2Q2022 | 3Q2022 | 4Q2022 | 1Q2023 | 2Q2023 |
|---|--------------|--------------|--------------|---------------|---------------|---------------|
| Borrowings | 2,514 | 2,290 | 2,224 | 8,876 | 8,292 | 7,429 |
| Term Loan (Islamic) | 294 | 495 | 567 | 4,361 | 4,290 | 2,479 |
| Islamic Medium-Term Note (IMTN)/ Sukuk | 1,799 | 1,499 | 1,499 | 3,248 | 3,248 | 4,248 |
| Revolving Credit (Islamic) | 25 | - | - | 450 | - | - |
| Term Loan (Conventional) | 271 | 221 | 158 | 813 | 749 | 696 |
| Revolving Credit (Conventional) | 125 | 75 | - | 1 | - | 1 |
| Banker's Acceptance | - | - | - | 3 | 4 | 4 |
| Lease Liabilities | 2,464 | 2,460 | 2,542 | 6,011 | 5,888 | 6,112 |
| Total Debt | 4,978 | 4,750 | 4,766 | 14,887 | 14,180 | 13,541 |
| Cash and Bank Balances | 182 | 138 | 185 | 1,221 | 965 | 834 |
| Net Debt | 4,796 | 4,612 | 4,581 | 13,666 | 13,214 | 12,707 |
| 4Q Rolling EBITDA | 3,012 | 3,011 | 2,972 | 5,957 | 6,007 | 6,009 |
| Net Debt/EBITDA | 1.6 | 1.5 | 1.5 | 2.3 | 2.2 | 2.1 |

1H2023 Highlights



Safeguarding Malaysians online

- Dedicated call-line
- >5 mil reach/impressions on scam awareness via digital platforms
- ~108,000 engaged



Empowering schools for digital learning

- >1,500 refurbished computers donated to 460 schools nationwide



Raising supply chain & health and safety standards

- Completed 12,000 training hours



FTSE4Good

Maintaining constituency in Bursa Malaysia's FTSE4Good Index

- Top 25 percentile of PLCs

ESG Strategy built on four priority focus areas

1 

Inclusive & Safe Digital Access

2 

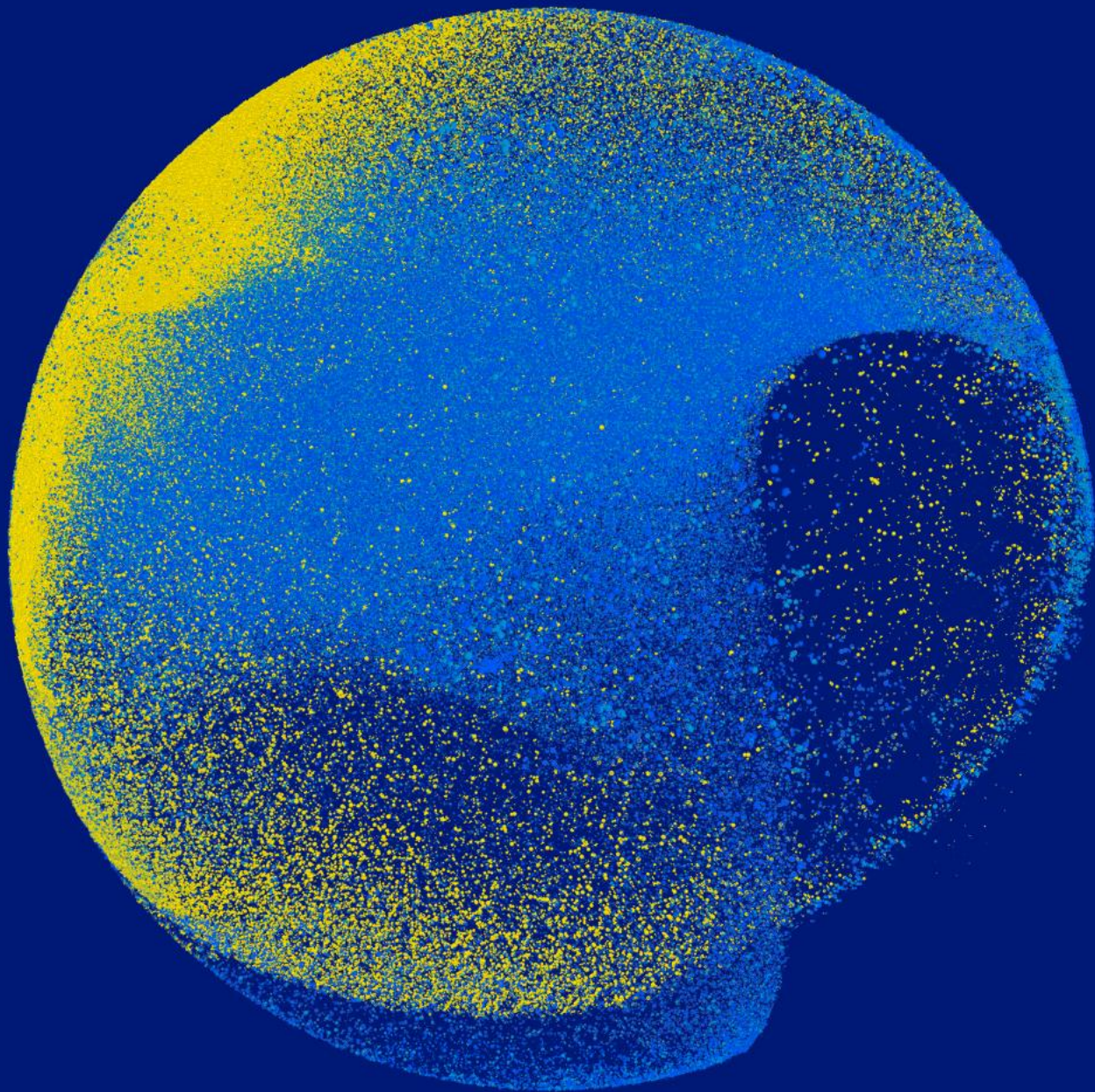
Sustainable Value Chain

3 

Governance & Performance Culture

4 

Environmental Impact & Action



THANK YOU

CELCOMDIGI BERHAD

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18 August 2023

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(Christine Lau, Head of Investor Relations)

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