

Strong beginning for CelcomDigi with solid 4Q2022 results for both Celcom and Digi businesses

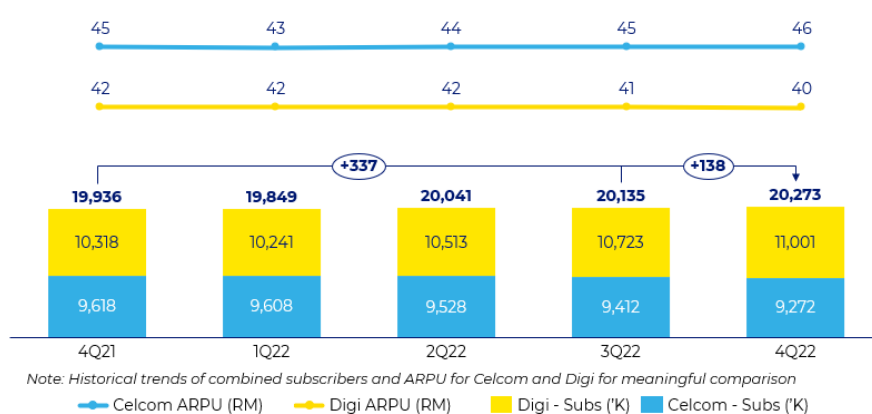
On 30 November 2022, Celcom and Digi successfully completed the merger and became the largest telco by subscriber size in Malaysia. Accordingly, the figures of this report include the results and metrics from Celcom from 1 December 2022 onwards. Therefore, the Quarter-on-Quarter (QoQ), Year-on-Year (YoY) and full year (FY) comparatives are not on a like-for-like basis. In addition, 4Q 2022 results include merger-related costs and accounting adjustments to harmonise the accounting policies and estimates within CelcomDigi (the Group). This report shows both reported results inclusive of all adjustments, as well as results excluding non-recurring items where applicable.

For information on transaction details of the merger, please refer to the [Bursa Announcement](#) issued on 30 November 2022.

- Celcom and Digi closed the merger transaction on 30 November 2022, the largest technology transaction in the history of Malaysia, bringing together approximately 4,000 employees and more than 20 million consumer and business subscribers.
- The new CelcomDigi corporate brand was introduced and the integration activities are underway.
- Strong topline performance where the Group sustained the underlying Service Revenue growth momentum for YoY and QoQ driven by strong contribution from Postpaid, Enterprise and Fibre businesses on the back of effective execution and bundling strategies for all segments.
- Total customer base including fibre strengthened to 20.3 million, of which 11.0 million and 9.3 million are from Digi and Celcom, respectively.
- 4Q 2022 EBITDA excluding non-recurring items for CelcomDigi was RM971 million, with the margin at 44.5%, on the back of positive top line development, prudent spending and disciplined credit management.
- Accordingly, 4Q 2022 Profit After Tax excluding non-recurring items stood at RM368 million at a margin of 16.9%.

4Q 2022 AND FY2022 OPERATIONAL HIGHLIGHTS

Total subscribers and blended ARPU

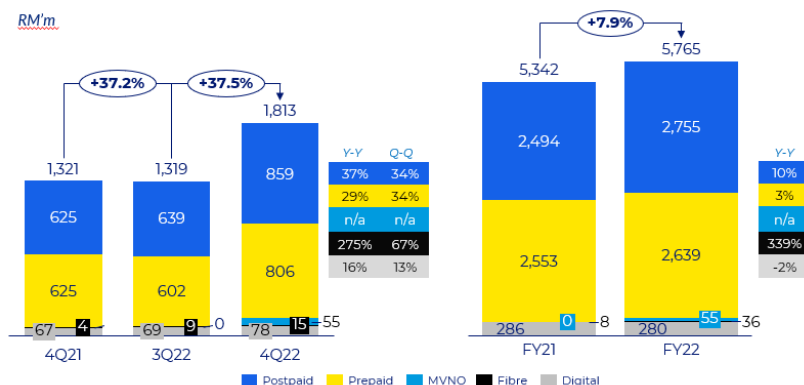


- Strong debut for CelcomDigi as the largest telco by subscriber base in all segments with solid subscriber and ARPU development.

- Total subscriber base of 20.3 million comprised 66.8% prepaid subscribers, 32.9% postpaid subscribers and a small, fast growing fibre base at 0.3%.
- The Digi brand saw robust customer growth in the quarter with net additions of 278k from Postpaid, Enterprise and Prepaid offerings.
- Celcom's subscriber base contracted by 140k QoQ following quality base management measures which lifted blended ARPU by RM1 to RM46.
- Relatively stable ARPU trends for both Celcom and Digi in the quarter.

4Q 2022 and FY2022 FINANCIAL SUMMARY

Service Revenue



4Q2022 QoQ

- Service revenue increased to RM1,813 million with 1 month contribution from Celcom of RM491 million in December 2022.

- Celcom's service revenue in December 2022 was supported by positive traction in Prepaid products and higher contribution from Enterprise and MVNO businesses.
- Digi's service revenue of RM1,331 million increased 0.9% backed by improvements across all segments:
 - Postpaid and Fibre revenue increased 0.5% and 22.5% respectively driven by continued subscription growth and healthy demand for smart bundles.
 - Enterprise growth momentum continued with a growth of 13.1% whilst Prepaid revenue was up by 0.5% with higher roaming and voice usage.

4Q2022 YoY

- Service revenue increased with the inclusion of Celcom's 1 month contribution which was supported by its healthy Prepaid traction and contribution from the Enterprise segment following the completion of the acquisitions of two subsidiaries.
- Digi's Postpaid revenue grew 2.7% on the back of subscribers' growth for the 9th consecutive quarter.
- Digi also saw continued strong performance from Fibre and Enterprise of 175.0% and 15.3% respectively, in line with the aspiration to support the digitalisation needs of Malaysian businesses and consumers.
- Digi's Prepaid revenue was lower by 3.2% with the end of the Jaringan Prihatin programme.

FY2022 YoY

- FY2022 service revenue rose to RM5,765 million following the inclusion of RM491 million from Celcom's 1 month contribution.
- Excluding Celcom's 1 month contribution, the full year service revenue contracted -1.1% to RM5,283 million from RM5,342 million a year ago.
- This was slightly below the Management's previous guidance of service revenue to "Return to growth" as the solid growth in Postpaid, Fibre and Enterprise were unable to compensate for Prepaid's decline upon the conclusion of Jaringan Prihatin and ongoing macro pressures affecting consumption power.
- Fibre and Enterprise businesses continued their strong trend with upticks of 300% and 15.1% respectively signalling healthy underlying growth in these segments.

Cost of Goods Sold (COGS) and Operating Expenditures (OPEX)

RM'm	4Q	3Q	4Q	YoY	QoQ	FY21	FY22	Y-Y %
	2021	2022	2022	%	%			
Cost of materials	284	225	396	39%	76%	1,040	1,053	1%
Traffic charges	159	164	199	25%	21%	714	696	-3%
CelcomDigi – COGS	443	389	595	34%	53%	1,754	1,749	0%
Digi-COGS	443	389	495	12%	27%	1,754	1,649	-6%
Sales & marketing	97	90	117	21%	30%	377	398	6%
Staff costs	61	64	124	103%	94%	244	314	29%
O&M	66	75	143	117%	91%	221	351	59%
USP fund & license fees	83	77	123	48%	60%	327	365	12%
Other expenses	80	88	241	201%	174%	349	504	44%
Credit loss allowances	14	-	57	307%	-	55	80	45%
CelcomDigi – OPEX	401	394	805	101%	104%	1,573	2,012	28%
Digi-OPEX	401	394	573	43%	45%	1,573	1,780	13%
CelcomDigi - Total Costs	844	783	1,400	66%	79%	3,327	3,761	13%
Digi-Total costs	844	783	1,068	27%	36%	3,327	3,429	6%

4Q2022 QoQ

- Total cost of the Group at RM1,400 million increased with the inclusion of Celcom’s cost for December 2022 of RM356 million, merger-related expenses of RM129 million and non-recurring accounting adjustments of RM61 million, collectively termed as “one-offs”.
- Digi’s total cost of RM1,068 million increased by 36.4%, and comprised COGS of RM495 million and Opex of RM573 million:
 - The increase of 27.2% in COGS was in line with higher demand for devices, high-speed fibre connectivity and a broad range of digital services.
 - Opex increased by 45.4% with the inclusion of the one-offs and higher network and staff costs.

4Q2022 YoY

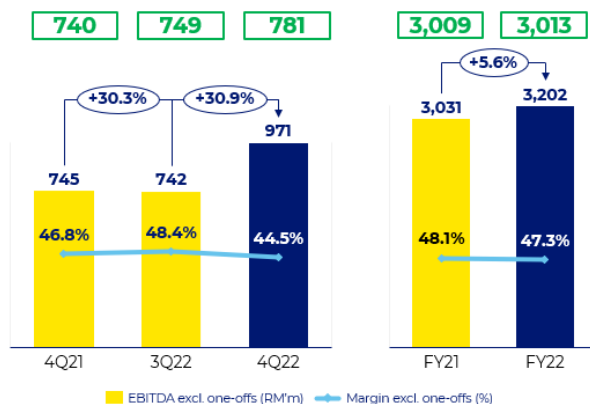
- Digi’s total cost increased by 26.5% from RM844 million with increases in:
 - COGS by 11.7% in line with higher traffic and device costs to support increased revenue.
 - Opex by 42.9% due to the one-offs, network and IT modernisation initiatives and higher staff cost.

FY2022 YoY

- Total costs for the Group for FY2022 increased 13.0% with the inclusion of RM356 million of Celcom’s December 2022 costs and the one-offs of RM196 million.
- Excluding Celcom’s costs, COGS reduction of 6.0% was mainly from lower device and digital costs in line with the softer revenue momentum in both device and digital businesses whilst Opex increase of 13.2% was impacted by the one-offs, network and IT modernisation costs as well as higher staff costs.

EBITDA

Reported EBITDA



4Q2022 QoQ and YoY

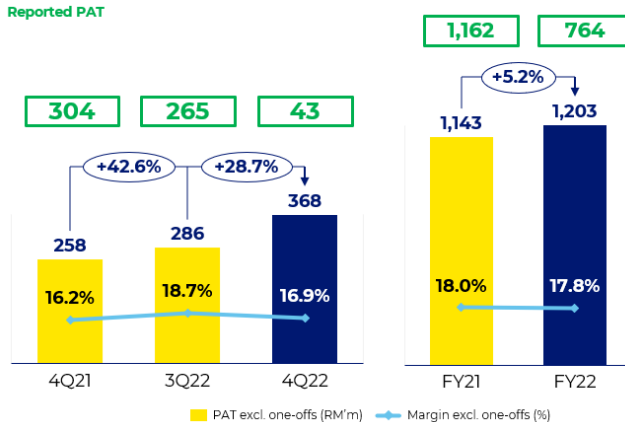
- EBITDA excluding one-offs for 4Q 2022 of RM971 million, with a margin of 44.5%, is made up of RM724 million from Digi and RM247 million from Celcom.
- Digi's EBITDA excluding the one-offs declined by -2.4% QoQ and -2.8% YoY due to higher staff cost, network and IT modernisation costs.

FY2022 YoY

- EBITDA for CelcomDigi was flat at RM3,013 million even after accounting for Celcom's 1 month contribution, impacted by the one-offs.
- Excluding the one-offs, EBITDA would have been higher at RM3,202 million, with a margin of 47.3%.

PAT

Reported PAT



4Q2022 QoQ and YoY

- Group PAT of RM43 million was impacted by additional depreciation and finance costs resulting from the harmonisation of accounting policies and estimates and the merger respectively; without which, PAT would have been higher at RM368 million, with a margin of 16.9%

FY2022 YoY

- Group PAT of RM764 million was impacted by additional depreciation and finance costs resulting from the harmonisation of accounting policies and estimates and the merger respectively, as well as Cukai Makmur.
- PAT excluding the harmonisation adjustments, merger-related one-offs, and Cukai Makmur for FY2022 would have been RM1,203 million, at a margin of 17.8%.

Prospects For The Financial Year Ending 31 December 2023

CelcomDigi is well placed to serve the diverse needs of Malaysian consumers and businesses and remains committed in supporting the Communications and Digital Ministry’s strategic plans towards “a digital golden decade” which centered around communications infrastructure, cyber security, and the digital economy. We are in a strong position through our combined scale and unique competencies to deliver on our ambitions.

Looking ahead for 2023, the data usage growth trend is expected to continue, primarily in 4G services, supported by some initial adoption of 5G technology and growing use of digital services and platforms. However, in a saturated telecoms market, overall subscriber and revenue growth is expected to be subdued in a challenging macro environment. Malaysia’s GDP growth is expected to moderate to 4.0% in 2023 from 8.7% in 2022 as forecasted by Fitch Solutions Country Risk as it expects fading of base effects and pent-up demand, tighter credit conditions, and a weakening global growth outlook.

Given the macroeconomic and industry outlook, CelcomDigi is taking strategic steps to position itself for the future, with an immediate focus to accelerate integration planning activities and secure the realisation of net synergies of over RM8 billion net present value as previously announced. We remain sharply committed to execute our strategies whilst advancing customers and society towards a digital future.

Our execution of strategy will be focused on 3 areas as follows:

1. Growth: Continuously strengthen core revenue and grow new segments, while investing in new synergistic platforms and new operating models
2. Synergies and scale efficiency: Capture synergies while accelerating digitalisation and innovation
3. Shareholder returns: Deliver sustainable dividend on the back of solid balance sheet and synergy potentials.

CelcomDigi is pleased to announce our inaugural FY2023 Guidance as summarised below:

Drivers	2023 Guidance
Service revenue growth	Maintaining growth momentum
EBITDA growth	Flat to low single-digit increase
Capex-to-total revenue ratio	15% to 18%