

1H 2017 RESULTS

ANALYST BRIEFING

29 August 2017

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- 1** Performance Overview
- 2** Operating Highlights
- 3** Concluding Remarks

- Growth and cost headwinds for the industry, but TM is still steady
- Quicken the pace of our execution, to deliver on our plans: Perfexe 10



- Brand consolidation
- Empowerment of digitisation
- Expedite fiber rollout
- Liberating WiFi and strengthening mobility
- Key execution leadership appointments
- Accelerate and simplify GTM
- Reorganise Managed Accounts into TM One
- Workforce segmentation to increase manpower productivity
- Rewiring delivery of customer experience
- Inculcate creativity and innovation towards smarter cost management

- | | | |
|-------------------|---------------------|-----------------------|
| ➤ Revenue | | RM5.94bn
(+0.7%) |
| ➤ Reported EBIT | | RM560.9mn
(0.0%) |
| | ❖ Normalised EBIT | RM616.4mn
(+7.2%) |
| ➤ Reported PATAMI | | RM440.9mn
(-4.5%) |
| | ❖ Normalised PATAMI | RM437.8mn
(+18.2%) |
-
- Internet revenue driven by UniFi – crossed threshold of 1mn customers
 - LTE coverage expansion - >80% in major cities
 - webe at 5.6% TM Household penetration
 - Interim dividend of 9.4 sen per share or approximately RM353.2mn

Group Results 1H 2017



RM mn	Reported							
	2Q17	1Q17	% Change QoQ	2Q16	% Change YoY	1H17	1H16	% Change YTD
Revenue	2,980.2	2,964.6	+0.5%	3,045.4	-2.1%	5,944.8	5,900.8	+0.7%
Other Operating Income	58.4	38.0	+53.7%	31.6	+84.8%	96.4	73.0	+32.1%
EBITDA	854.6	949.6	-10.0%	953.9	-10.4%	1,804.2	1,876.9	-3.9%
Depn & Amort.	597.5	645.8	-7.5%	672.8	-11.2%	1,243.3	1,315.9	-5.5%
EBIT	257.1	303.8	-15.4%	281.1	-8.5%	560.9	561.0	0.0%
Other Gains / (Losses)	1.1	(4.7)	+>100.0%	(1.1)	+>100.0%	(3.6)	49.4	->100.0%
Net Finance Cost*	75.2	64.4	+16.8%	57.7	+30.3%	139.6	105.4	+32.4%
FX Gain /(Loss)	50.0	22.7	+>100.0%	(34.7)	+>100.0%	72.7	69.8	+4.2%
Profit Before Tax (PBT)	241.2	263.7	-8.5%	195.9	+23.1%	504.9	589.1	-14.3%
PATAMI	210.5	230.4	-8.7%	139.5	+50.9%	440.9	461.9	-4.5%
Normalised PATAMI	208.0	229.8	-9.5%	167.5	+24.2%	437.8	370.5	+18.2%

Note:

Unless stated otherwise all figures shall be inclusive of Webe

*Excludes FX Gain/(Loss)

Normalised EBIT

RM mn	2Q17	1Q17	2Q16	1H17	1H16
Reported EBIT	257.1	303.8	281.1	560.9	561.0
Non Operational					
Unrealised FX Loss/(Gain) on International Trade Settlement	47.2	7.9	(18.1)	55.1	13.8
Loss on Sale of Assets	0.2	0.2	-	0.4	0.2
Normalised EBIT	304.5	311.9	263.0	616.4	575.0
Normalised EBIT Margin	10.0%	10.4%	8.5%	10.2%	9.6%
Reported EBIT Margin	8.5%	10.1%	9.1%	9.3%	9.4%

EBIT is calculated as Total Revenue (Operating Revenue + Oth. Operating Income) less Operating Cost

EBIT Margin is calculated as percentage of EBIT against Total Revenue

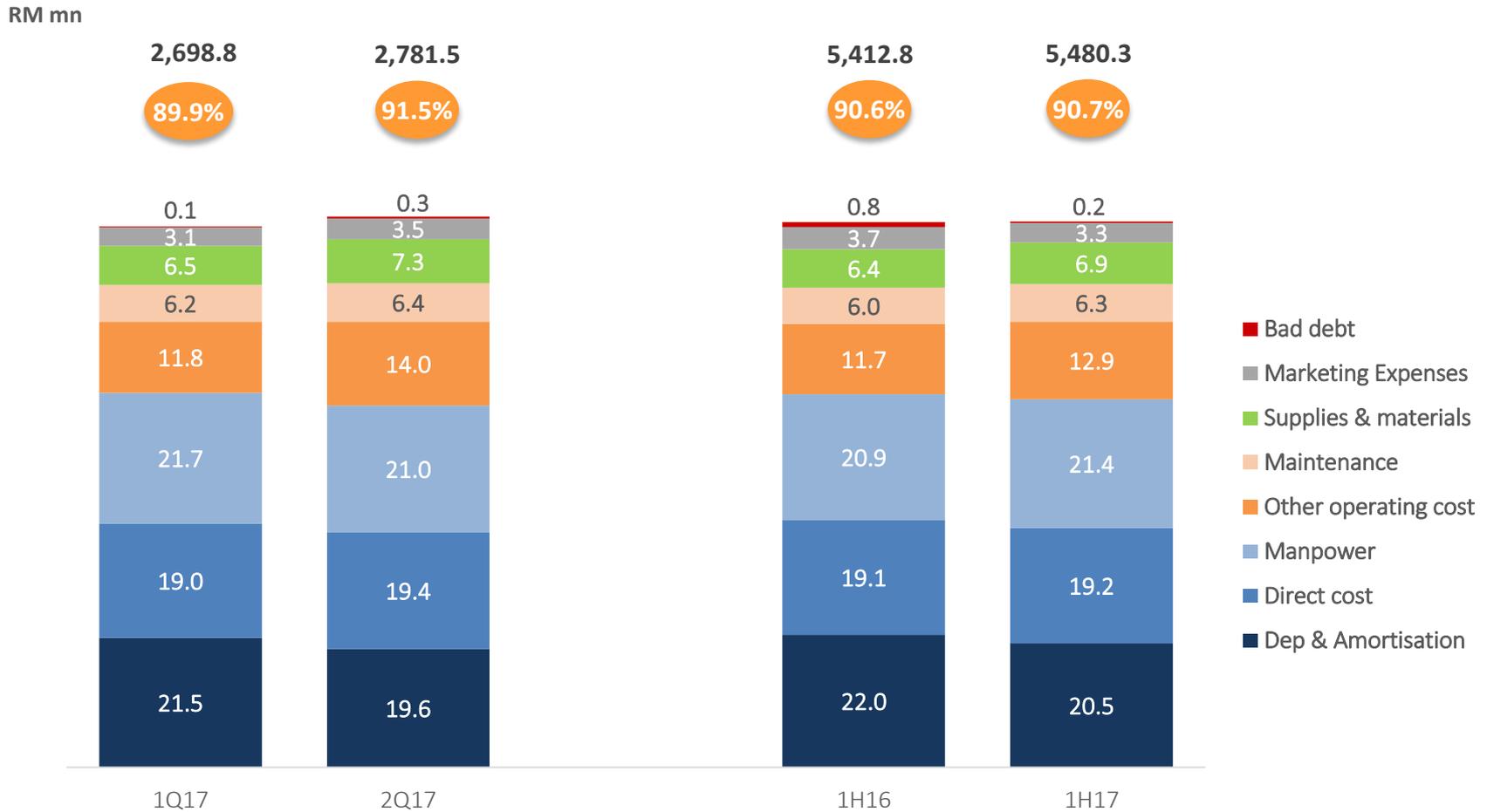
Normalised EBIT Margin is calculated as percentage of Normalised EBIT against Normalised Total Revenue (Operating Revenue + Oth. Operating Income – Loss on Sale of Assets)

Normalised PATAMI

RM mn	2Q17	1Q17	2Q16	1H17	1H16
Reported PATAMI	210.5	230.4	139.5	440.9	461.9
Non Operational					
Unrealised FX Loss/(Gain) on International Trade Settlement (net of tax)	40.4	9.2	(14.8)	49.6	13.0
Other (Gain)/Losses ¹	(0.9)	4.9	1.1	4.0	(49.2)
Unwinding of discount on put option over shares of a subsidiary	8.0	8.0	7.0	16.0	14.6
Unrealised FX (Gain)/Loss on Long Term loans	(50.0)	(22.7)	34.7	(72.7)	(69.8)
Normalised PATAMI	208.0	229.8	167.5	437.8	370.5

¹*Comprise of fair value (FV) changes of FVTPL (FV through P&L) investment, gain/loss on disposal for AFS (available for sale) investments, (gain)/loss Sale of Assets and option over shares of a subsidiary*

Cost % Revenue¹



Total Cost / Revenue (%)

¹ Revenue = Operating Revenue + Other Operating Income

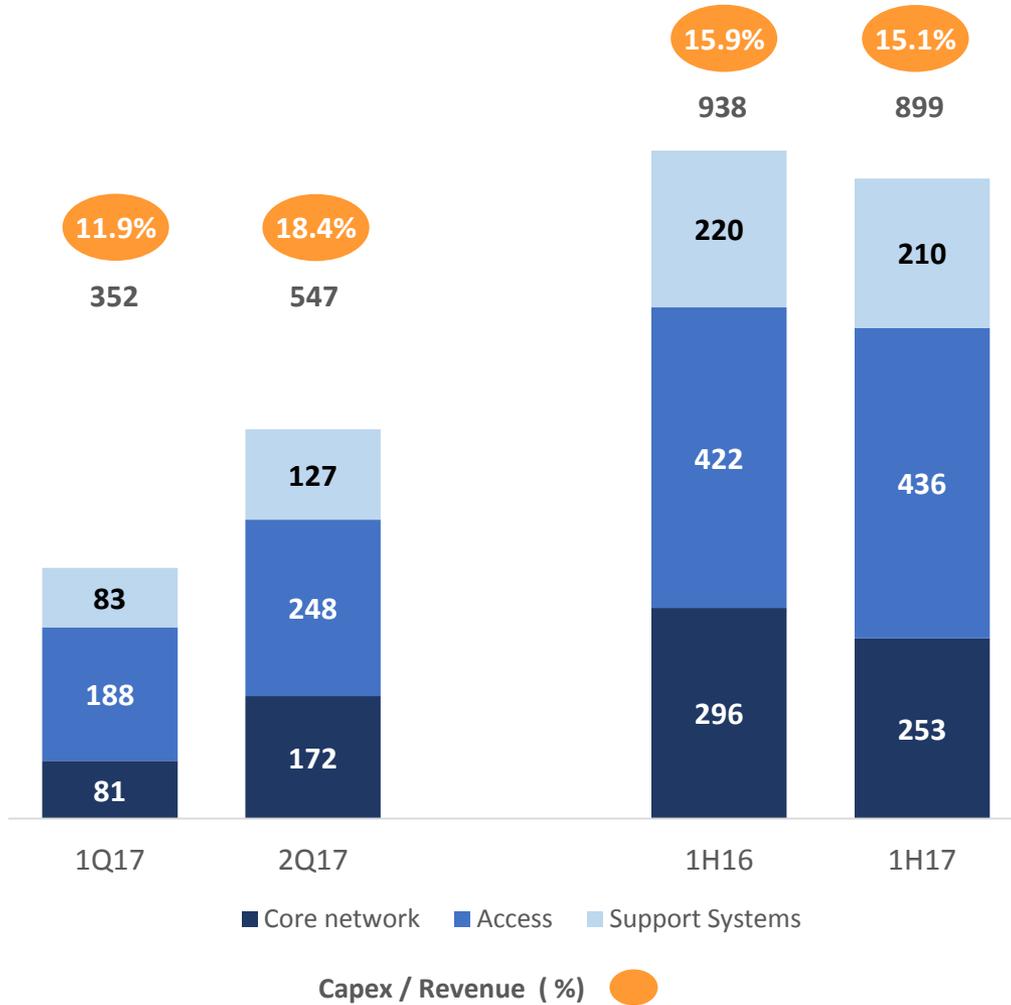
Note: The classification of cost is as per financial reporting

(Please refer to Appendix for breakdown)

Note : Unless stated otherwise all figures shall be inclusive of Webe

Group Capital Expenditure

RM mn



- Capex/Revenue ratio at 15.1%
- 28% Core Network
49% Access
23% Support Systems

Group Cash Flow

RM mn	1H17	1H16
Cash & cash equivalent at start	2,925.2	3,510.8
Cash flows from operating activities	418.8	933.8
Cash flows used in investing activities	(1,130.2)	(1,558.6)
Capex	899.2	938.5
Cash flows used in financing activities	(622.9)	(281.7)
Effect of exchange rate changes	(35.6)	(0.3)
Cash & cash equivalent at end	1,555.3	2,604.0
Free cash-flow (EBITDA – Capex)	905.0	938.4

Key Financial Ratios

	30 Jun 17	31 Dec 16
Return on Invested Capital ¹	6.07%	6.25%
Return on Equity ²	11.39%	10.03%
Return on Assets ¹	5.06%	4.80%
Current Ratio	1.17	1.15
WACC	6.94%	7.17%

¹ Based on Normalised EBIT

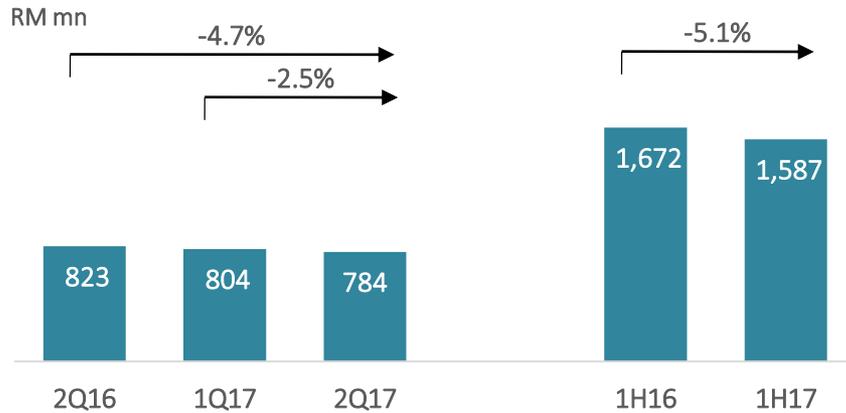
² Based on Normalised PATAMI

	30 Jun 17	31 Dec 16
Gross Debt to EBITDA	2.28	2.10
Net Debt/EBITDA	1.66	1.25
Gross Debt/Equity	1.06	1.09
Net Debt/Equity	0.86	0.71
Net Assets/Share (sen)	204.26	204.7

- 1** Performance Overview
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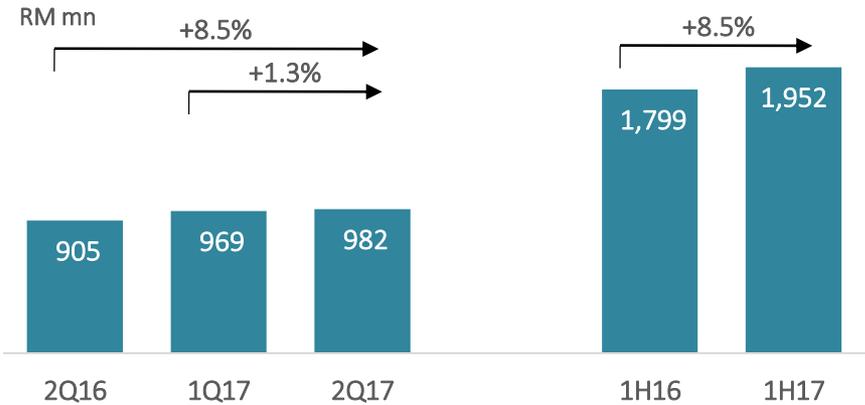
Group Total Revenue by Product

Voice



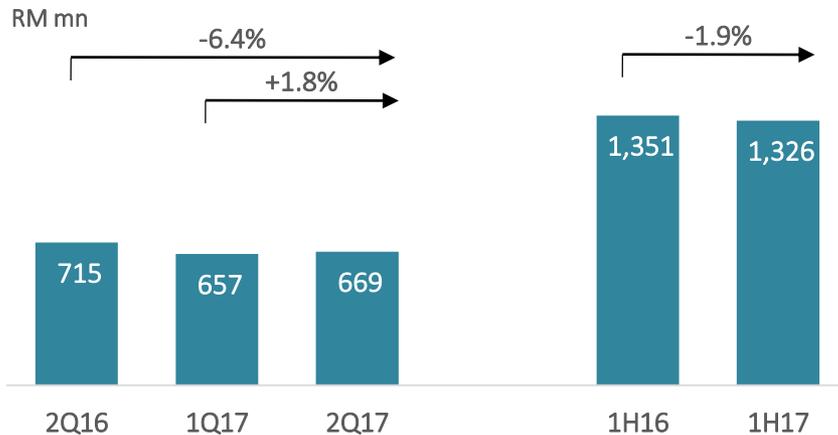
YTD: Decreased traffic minutes across customer clusters and lower cumulative DEL customers

Internet



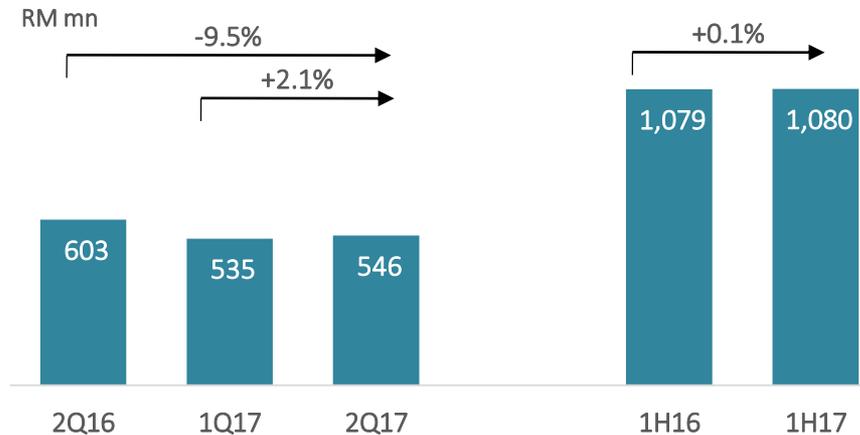
YTD: UniFi and IPTV content revenue – key driver of growth

Data



YTD: Lower IRU and IPVPN revenue partially offset by higher International and Domestic Leased revenue

Others*

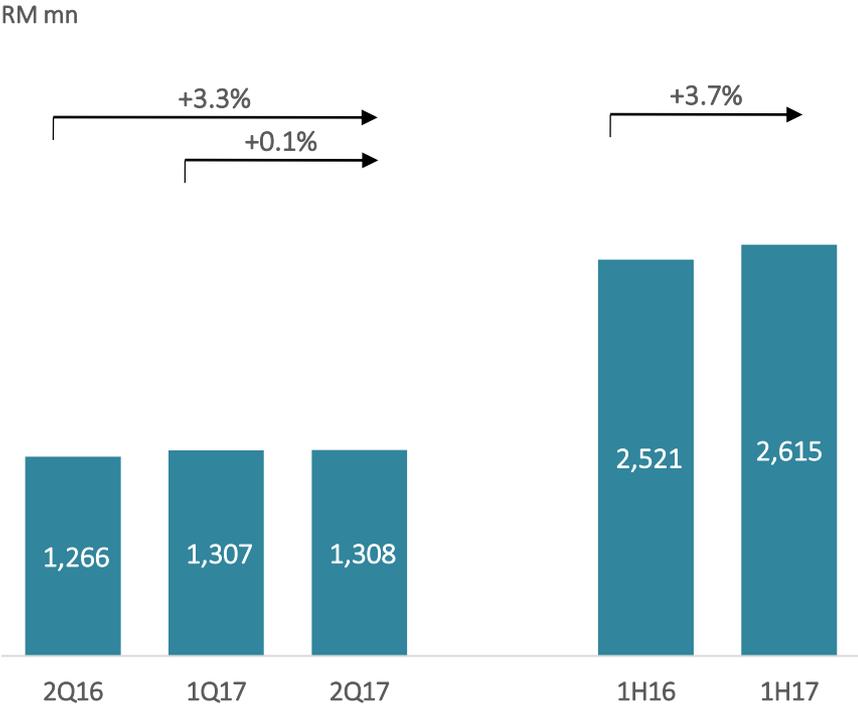


*Others comprise other telco and non-telco services (i.e ICT-BPO, UTSSB tuition fees, customer projects)

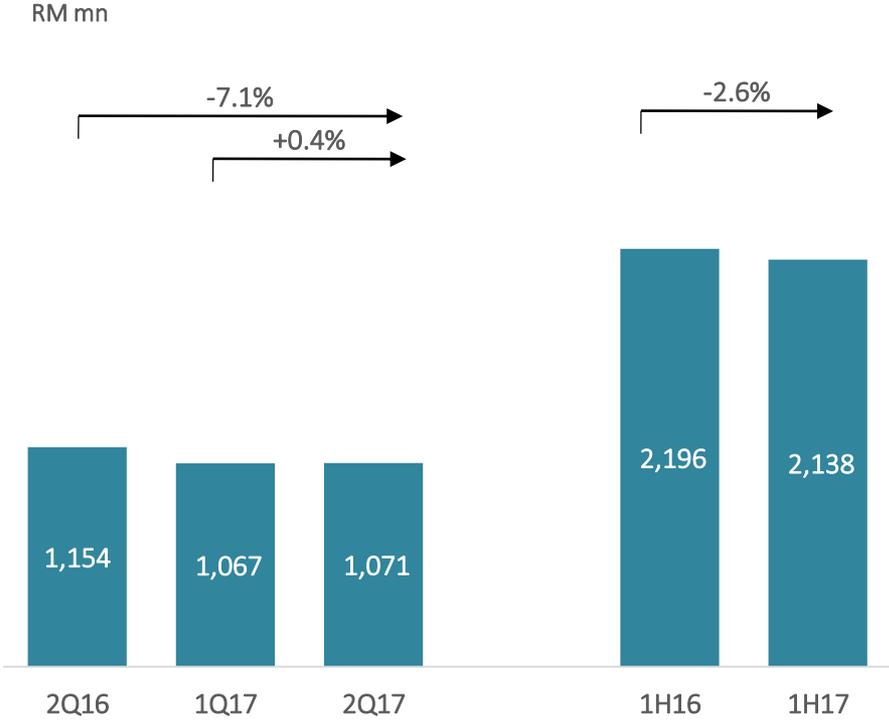
YTD: Higher ICT/BPO revenue, partially offset by lower tuition fees and reduction in revenue recognition from property development

Group Total Revenue by Customer Clusters

Mass Market



Managed Accounts



YTD

- Driven by UniFi and IPTV content revenue

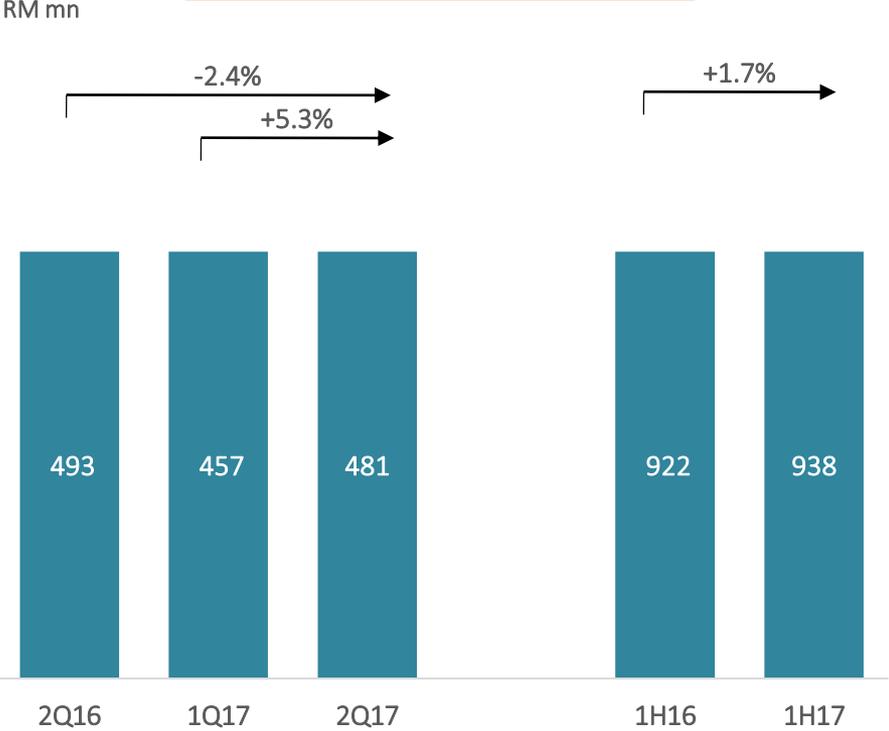
YTD

- Lower revenue from government projects, partially offset by higher ICT/BPO revenue and broadcast revenue

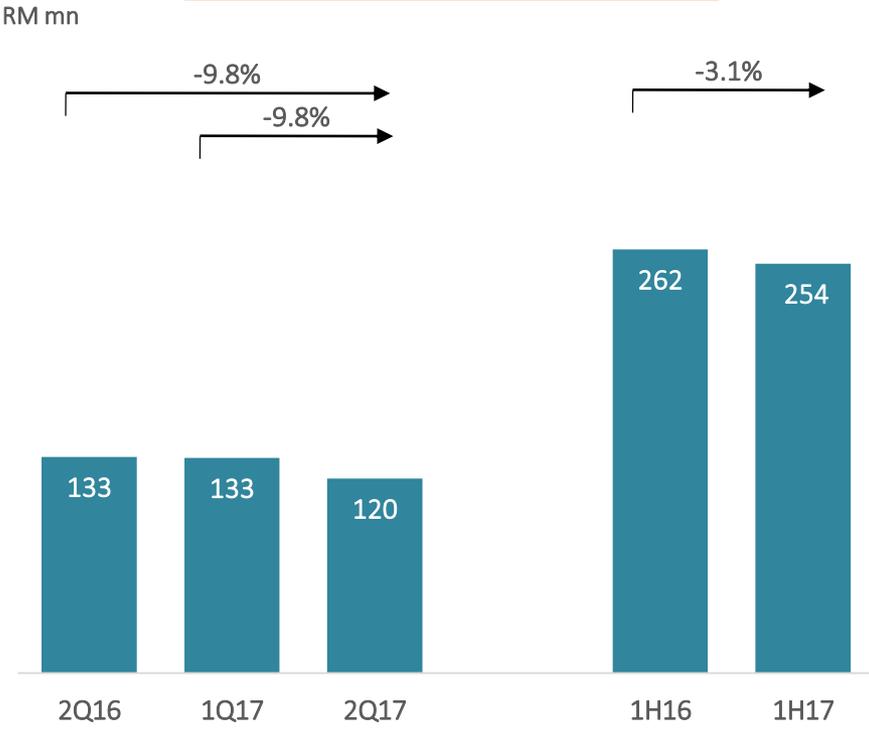
Note : Unless stated otherwise all figures shall be inclusive of Webe
 Total revenue is after inter-co eliminations

Group Total Revenue by Customer Clusters

Global Wholesale



Others*



*Others include revenue from Property Development, TM R&D, UTSB & MKL

YTD

- Steady contribution from International Leased, Domestic Leased and Wholesale Ethernet revenue

YTD

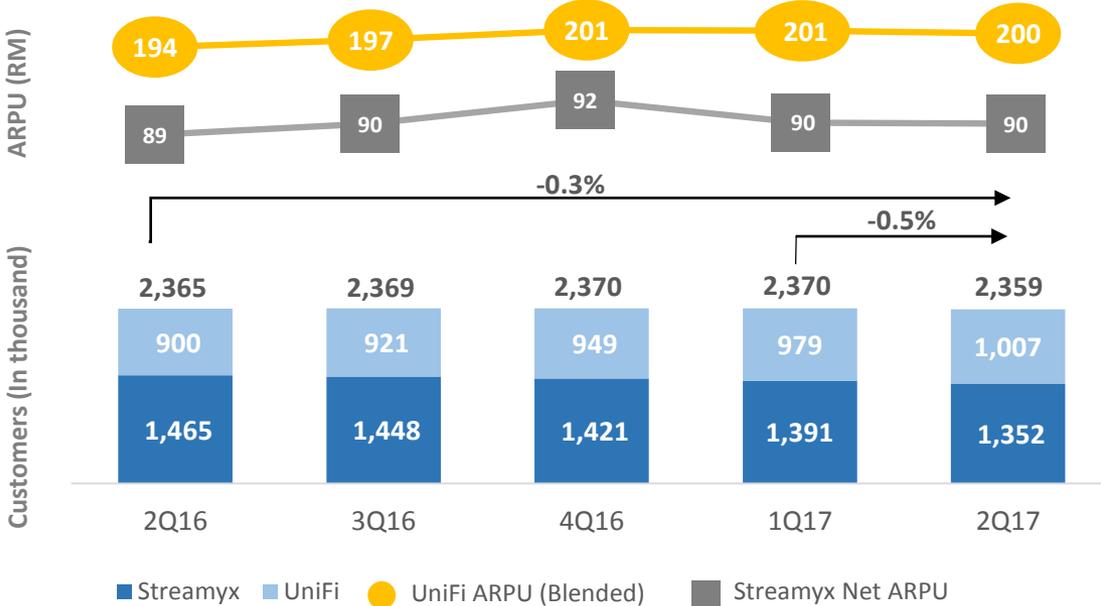
- Lower contribution from tuition fees and revenue recognition on share of GDV of property development

Note : Unless stated otherwise all figures shall be inclusive of Webe
Total revenue is after inter-co eliminations

Physical Highlights

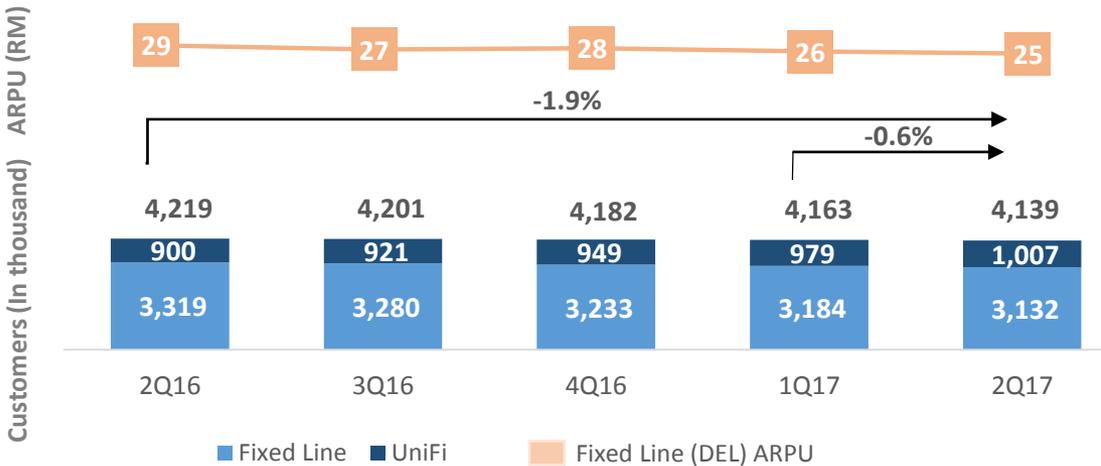
UniFi crosses 1 million mark

Broadband



- UniFi crossed 1 millionth customer mark
- 88% UniFi customers on 10Mbps & above
- ARPU stable at RM200
- webe at 5.6% of TM Household penetration

Fixed Line



- ARPU at RM25

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Concluding Remarks

Refined execution of existing plans whilst we continue to invest for the future

- “Perfexe 10” execution approach to Accelerate Convergence and Empower Digitisation
 - Existing plans remain intact, with refinement on its execution
 - Encompassing branding and organisational culture by embracing digitisation
 - New exciting packages to be launched soon

- Steady performance amid a challenging landscape:
 - Revenue 0.7% higher at RM 5.94bn
 - Normalised EBIT 7.2% higher YTD at RM616.4mn
 - Normalised PATAMI higher by 18.2% YTD to RM437.8mn
 - Capex/revenue ratio at 15.1%

- Convergence Champion
 - UniFi customer base breached 1million threshold
 - webe achieved 5.6% TM Household penetration

- Interim dividend of 9.4 sen per share or approximately RM353.2mn



Appendices

Cost % Revenue

	2Q17	1Q17	2Q16	1H17	1H16	Comments (1H17 vs. 1H16)
Total Revenue* (RM mn)	3,038.6	3,002.6	3,077.0	6,041.2	5,973.8	
Direct Costs %	19.4	19.0	19.3	19.2	19.1	Higher network related cost
RM mn	589.4	571.0	594.3	1,160.4	1,138.8	
Manpower %	21.0	21.7	20.4	21.4	20.9	Higher staff benefits (annual increment)
RM mn	638.8	651.9	627.4	1,290.7	1,247.8	
Supplies & Materials %	7.3	6.5	6.7	6.9	6.4	Increased Cost of Sales for customer projects
RM mn	222.1	193.9	207.6	416.0	382.5	
Bad & Doubtful Debts %	0.3	0.1	0.6	0.2	0.8	Better collection trends
RM mn	10.2	4.4	19.0	14.6	49.1	
Marketing Expenses %	3.5	3.1	4.1	3.3	3.7	Lower commissions
RM mn	105.1	93.3	124.8	198.4	220.6	
Maintenance Cost %	6.4	6.2	6.2	6.3	6.0	Higher maintenance cost due to network expansion
RM mn	194.2	184.6	190.5	378.8	360.5	
Other Operating Costs %	14.0	11.8	11.7	12.9	11.7	Increase in sites rental and licensing fees
RM mn	424.2	353.9	359.5	778.1	697.6	
Depreciation & Amortisation %	19.6	21.5	21.9	20.5	22.0	Lower asset write-off and lower accelerated depreciation
RM mn	597.5	645.8	672.8	1,243.3	1,315.9	
Total Cost (RM mn)	2,781.5	2,698.8	2,795.9	5,480.3	5,412.8	
Total (%)	91.5	89.9	90.9	90.7	90.6	

*Total Revenue = Operating Revenue + Other Operating Income
Note : Unless stated otherwise all figures shall be inclusive of Webe

Normalised EBITDA

RM mn	2Q17	1Q17	2Q16	1H17	1H16
Reported EBITDA	854.6	949.6	953.9	1,804.2	1,876.9
Non Operational					
Unrealised FX Loss/(Gain) on International Trade Settlement	47.2	7.9	(18.1)	55.1	13.8
Loss on Sale of Assets	0.2	0.2	-	0.4	0.2
Normalised EBITDA	902.0	957.7	935.8	1,859.7	1,890.9
Normalised EBITDA Margin	29.7%	31.9%	30.4%	30.8%	31.7%
Reported EBITDA Margin	28.1%	31.6%	31.0%	29.9%	31.4%

EBITDA is calculated as Total Revenue (Operating Revenue + Oth. Operating Income) less Operating Cost (Exc. Depreciation, Amortisation & impairment).

EBITDA Margin is calculated as percentage of EBITDA against Total Revenue

Normalised EBITDA Margin is calculated as percentage of Normalised EBITDA against Normalised Total Revenue (Operating Revenue + Oth. Operating Income – Loss on Sale of Assets)

Normalised PBT

RM mn	2Q17	1Q17	2Q16	1H17	1H16
Reported PBT	241.2	263.7	195.9	504.9	589.1
Non Operational					
Unrealised FX Loss/(Gain) on International Trade Settlement	47.2	7.9	(18.1)	55.1	13.8
Other (Gain)/Losses*	(0.9)	4.9	1.1	4.0	(49.2)
Unwinding of discount on put option over shares of a subsidiary	8.0	8.0	7.0	16.0	14.6
Unrealised FX (Gain)/Loss on Long Term Loans	(50.0)	(22.7)	34.7	(72.7)	(69.8)
Normalised PBT	245.5	261.8	220.6	507.3	498.5

* Comprise fair value (FV) changes of FVTPL (FV through P&L) investment gain/loss on disposal for AFS (available for sale) investments, (gain)/loss on Sale of Assets and option over shares of a subsidiary

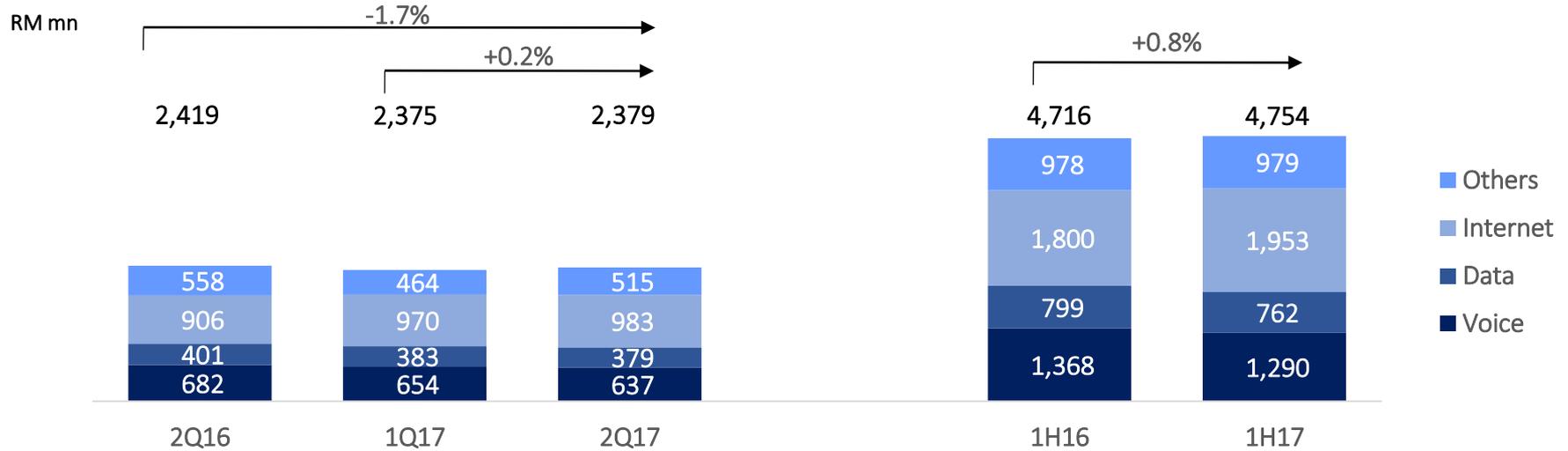
Group Balance Sheet



RM million	As at 30 Jun 2017	As at 31 Dec 2016
Shareholders' Funds	7,676.0	7,692.3
Non-Controlling Interests	22.5	140.2
Deferred & Long Term Liabilities	10,987.3	11,194.4
Long Term Borrowings	7,550.2	7,662.6
Derivative Financial Instruments	318.0	301.9
Deferred Tax	1,560.4	1,514.8
Deferred Income	1,555.6	1,711.4
Others	3.1	3.7
	18,685.8	19,026.9
Current Assets	5,916.9	6,887.5
Trade Receivables	2,703.9	2,357.1
Other Receivables	877.7	801.1
Cash & Bank Balances	1,554.5	2,926.0
Others	780.8	803.3
Current Liabilities	5,051.4	5,974.7
Trade and Other Payables	3,250.8	4,103.0
Short Term Borrowings	571.4	700.7
Others	1,229.2	1,171.0
Net Current Assets/(Liabilities)	865.5	912.8
Property Plant & Equipment	15,742.7	16,010.6
Other Non-Current Assets	2,077.6	2,103.5
	18,685.8	19,026.9

Revenue by Product by Customer Clusters

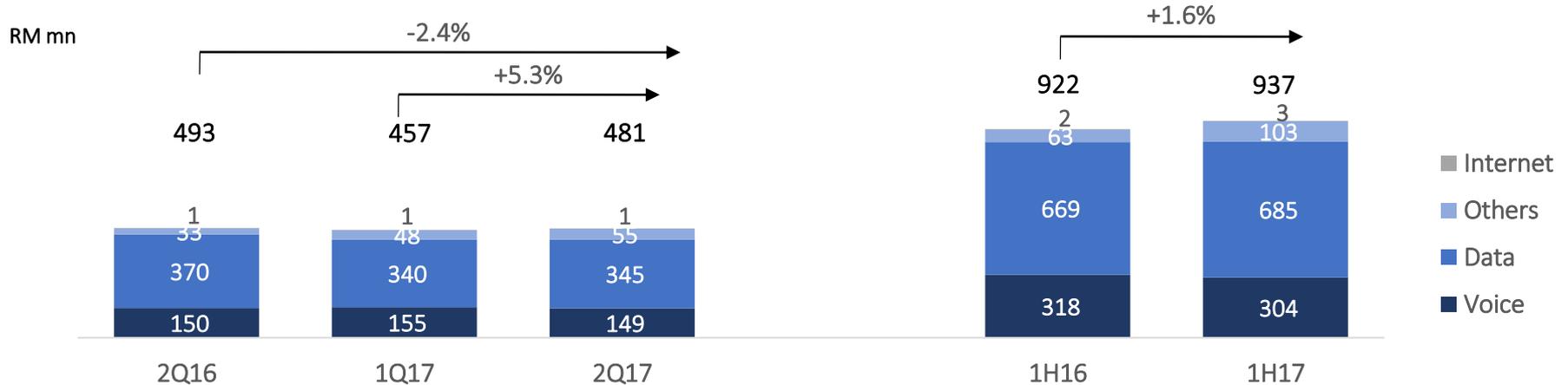
Mass Market & Managed Accounts



Note: Total revenue is after inter-co elimination. Revenue by product is before inter-co elimination

*Others comprise other telco and non-telco services (i.e: ICT-BPO, MMU tuition fees, customer projects)

Global Wholesale



Thank you!

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