

1Q 2018 RESULTS

Analyst Briefing

22 May 2018

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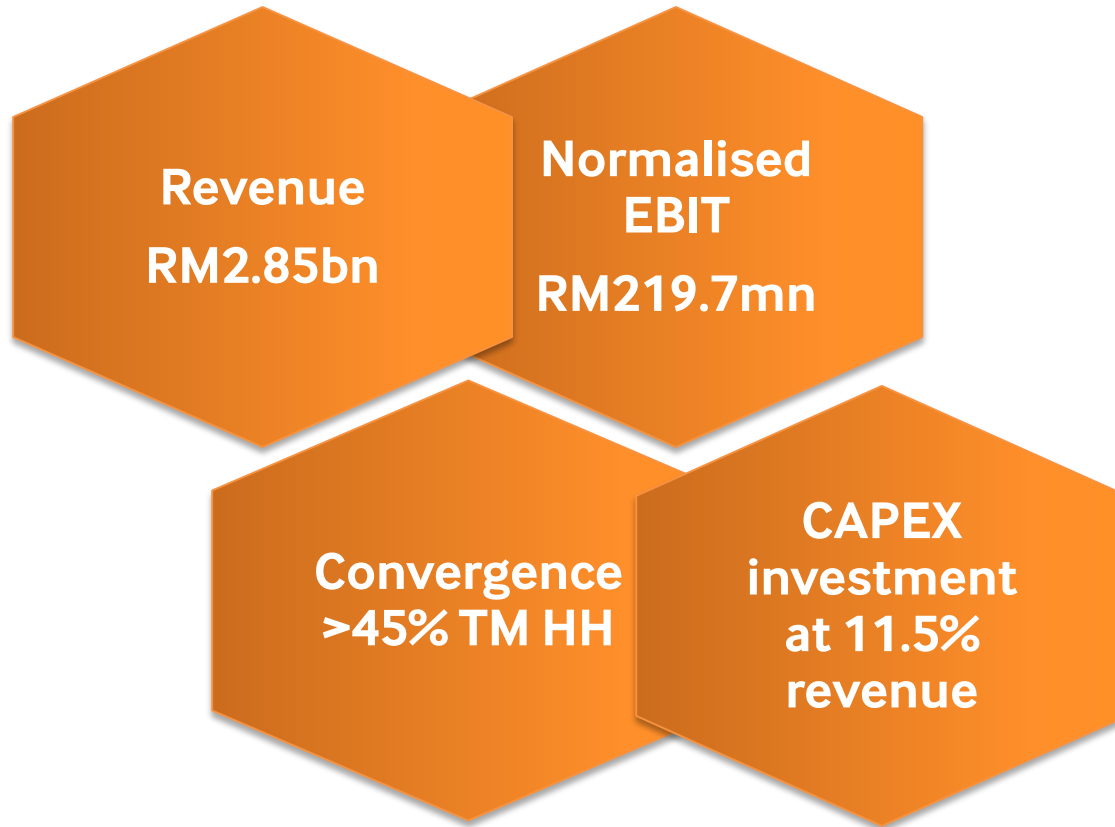
**Performance
Overview**

**Operating
Highlights**

**Concluding
Remarks**

1Q 2018 Highlights

Accelerating convergence and reprioritizing productivity



- PERFEXE 10 execution in progress
- Focus towards investment for growth and expansion in connectivity, digitalization and digitization
- Convergence penetration: >45% TM Households are on 3P and above
- Capex at 11.5% revenue in line with expansion plans

**The current and comparative figures are based on pre adoption of MFRS 15 accounting principle.
A summary of the application of MFRS 9 and MFRS 15 is included in Appendix.*

Group Results 1Q 2018



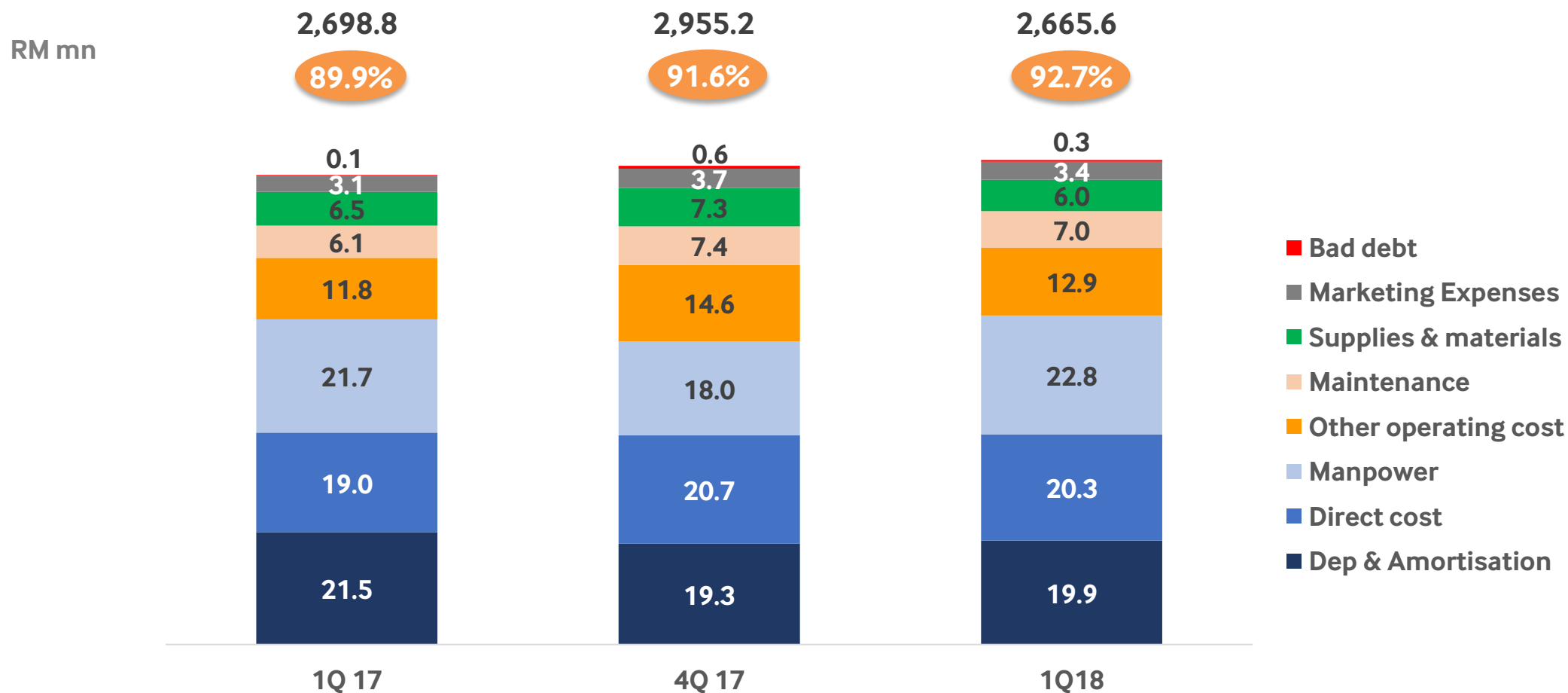
RM mn	Reported					Without MFRS 15
	1Q18	4Q17	Change QoQ	1Q17	Change YoY	
Revenue	2,845.3	3,199.9	-11.1%	2,964.6	-4.0%	
Other Operating Income	29.0	25.6	+13.3%	38.0	-23.7%	
EBITDA	779.8	893.5	-12.7%	949.6	-17.9%	
Normalised EBITDA	790.8	922.3	-14.3%	957.7	-17.4%	
Depn & Amort.	571.1	623.2	-8.4%	645.8	-11.6%	
EBIT	208.7	270.3	-22.8%	303.8	-31.3%	
Normalised EBIT	219.7	299.1	-26.5%	311.9	-29.6%	
Other Gains / (Losses)	(1.7)	14.0	->100.0%	(4.7)	+>63.8%	
Net Finance Cost*	74.3	56.8	+30.9%	64.4	+15.4%	
FX Gain / (Loss)	69.1	74.8	-7.6%	22.7	+>100.0%	
Profit Before Tax (PBT)	207.3	307.6	-32.6%	263.7	-21.4%	
PATAMI	167.1	277.0	-39.7%	230.4	-27.5%	
Normalised PATAMI	115.3	222.0	-48.0%	229.8	-49.8%	

*Excludes FX Gain/(Loss)

Cost % Revenue¹

Costs in line with convergence expansion

Without MFRS 15



Total Cost / Revenue (%)

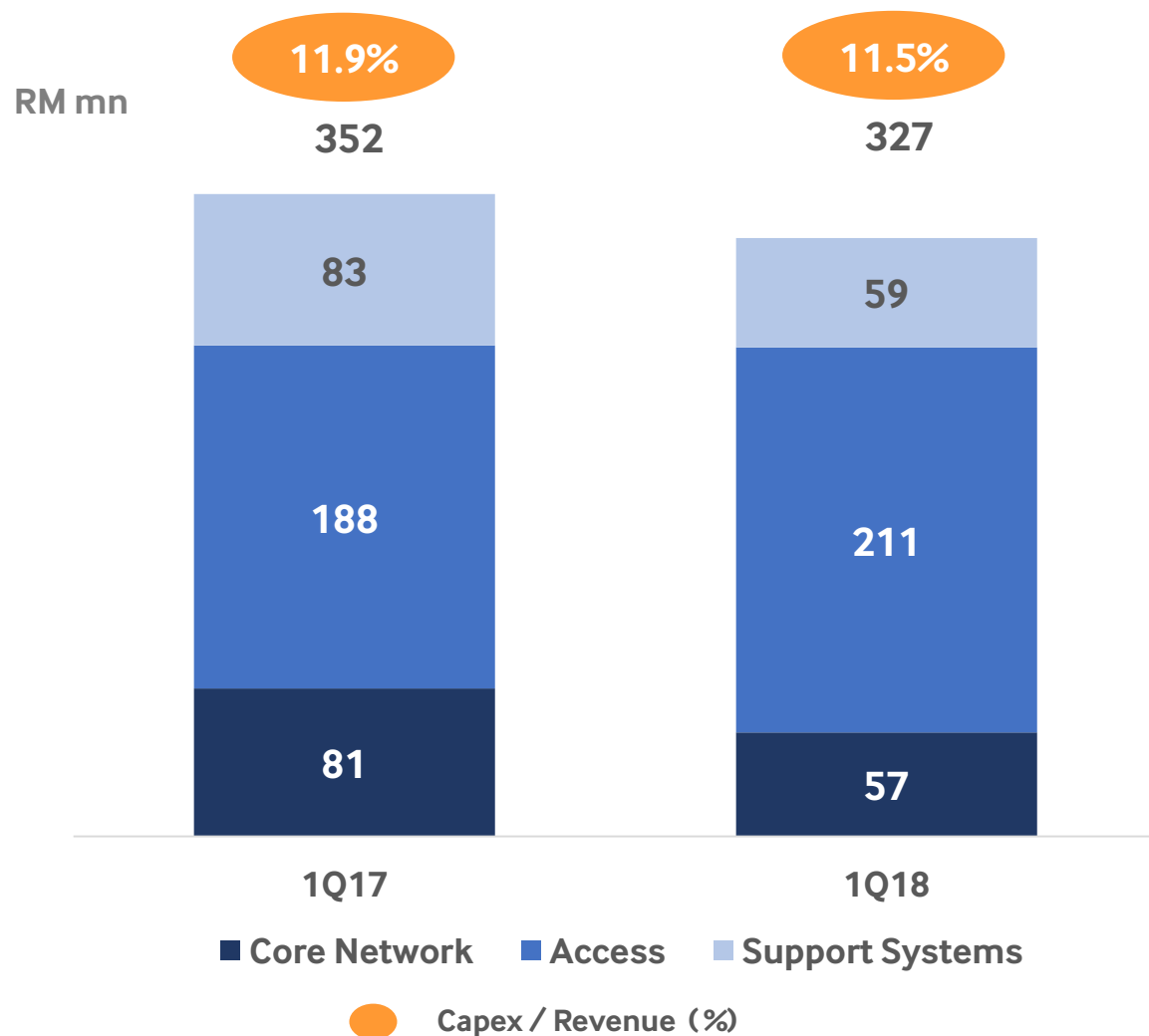
¹ Revenue = Operating Revenue + Other Operating Income

Note: The classification of cost is as per financial reporting

Group Capital Expenditure

Expansion of network development for convergence. More than 3 million highspeed ports have been delivered

Without MFRS 15



- Capex/Revenue ratio at 11.5%
- 17% Core Network
65% Access
18% Support Systems

Group Cash Flow

Cash flow remains stable

With MFRS 15

RM mn	1Q18	1Q17
Cash & cash equivalent at start	1,719.0	2,925.2
Cash flows from operating activities	239.1	391.7
Cash flows used in investing activities	(502.9)	(673.0)
Capex	327.4	351.5
Cash flows used in financing activities	(3.1)	(599.6)
Effect of exchange rate changes	11.2	(12.2)
Cash & cash equivalent at end	1,463.3	2,032.1
Free cash-flow (EBITDA – Capex)	439.3	598.1

	31 Mar 18	31 Dec 17
Return on Invested Capital ¹	3.84%	5.80%
Return on Equity ²	5.47%	11.11%
Return on Assets ¹	3.36%	4.77%
Current Ratio ³	0.96	0.98
WACC	6.57%	6.61%

	31 Mar 18	31 Dec 17
Gross Debt to EBITDA	2.64	2.31
Net Debt/EBITDA	2.12	1.66
Gross Debt/Equity	1.06	1.04
Net Debt/Equity	0.87	0.82
Net Assets/Share (sen)	201.3	208.7

¹ Based on Normalised EBIT

² Based on Normalised PATAMI

³ Lower Current Ratio was mainly due to reclassification of Long Term Borrowing to Short Term Borrowing



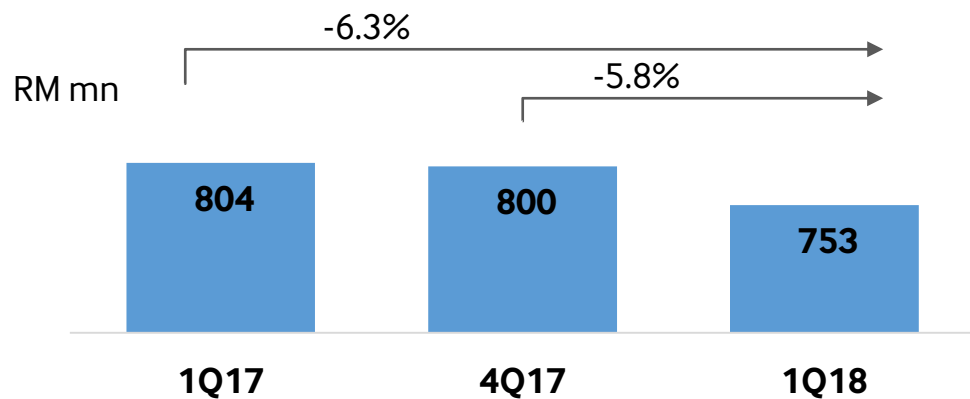
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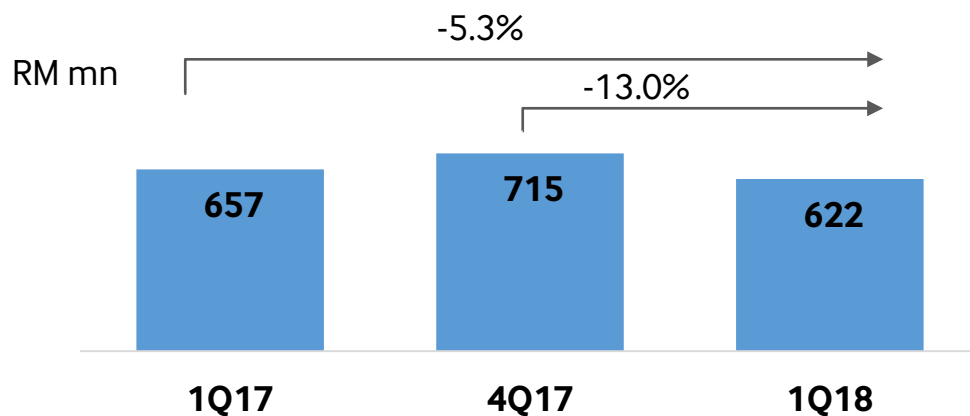
Group Total Revenue by Product

Voice



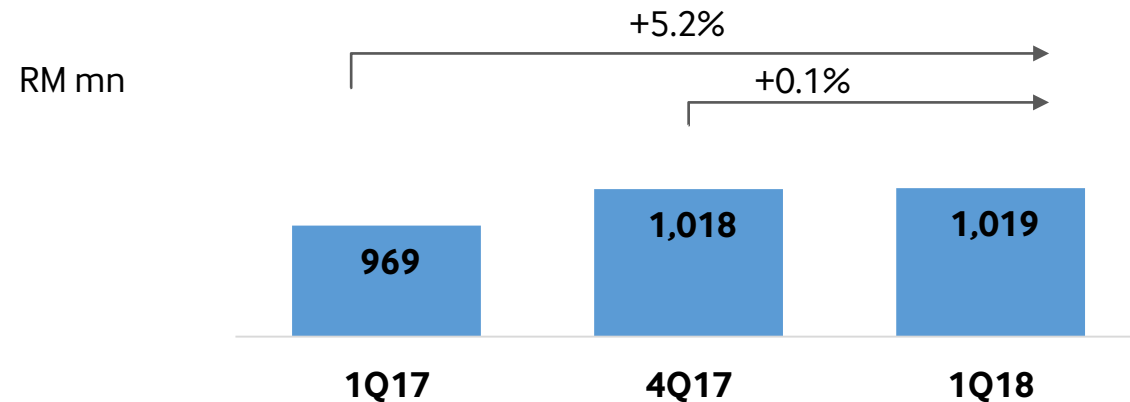
- Lower traffic minutes and lower cumulative customers

Data



- Lower domestic leased bandwidth and other data services

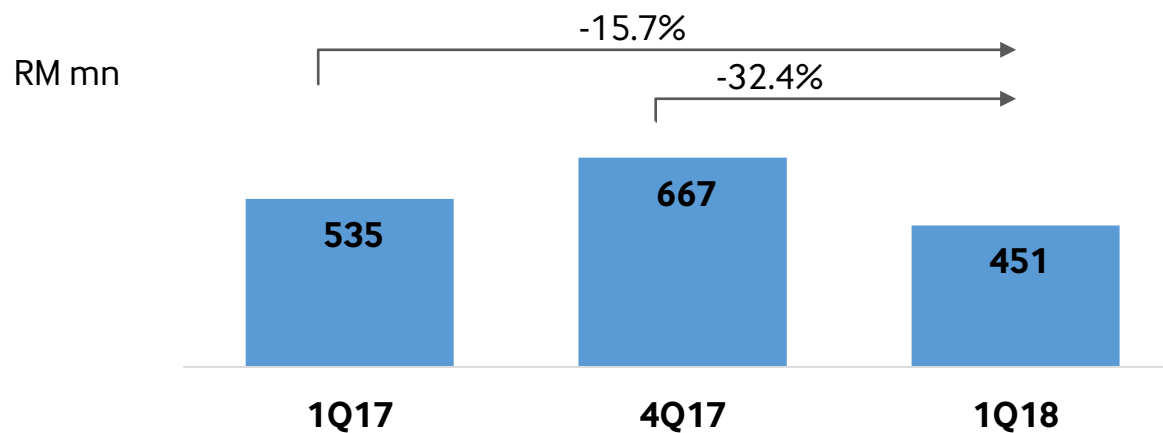
Internet



- Higher contribution from unifi mobile in line with higher customer base as well as higher content

Without MFRS 15

Others*

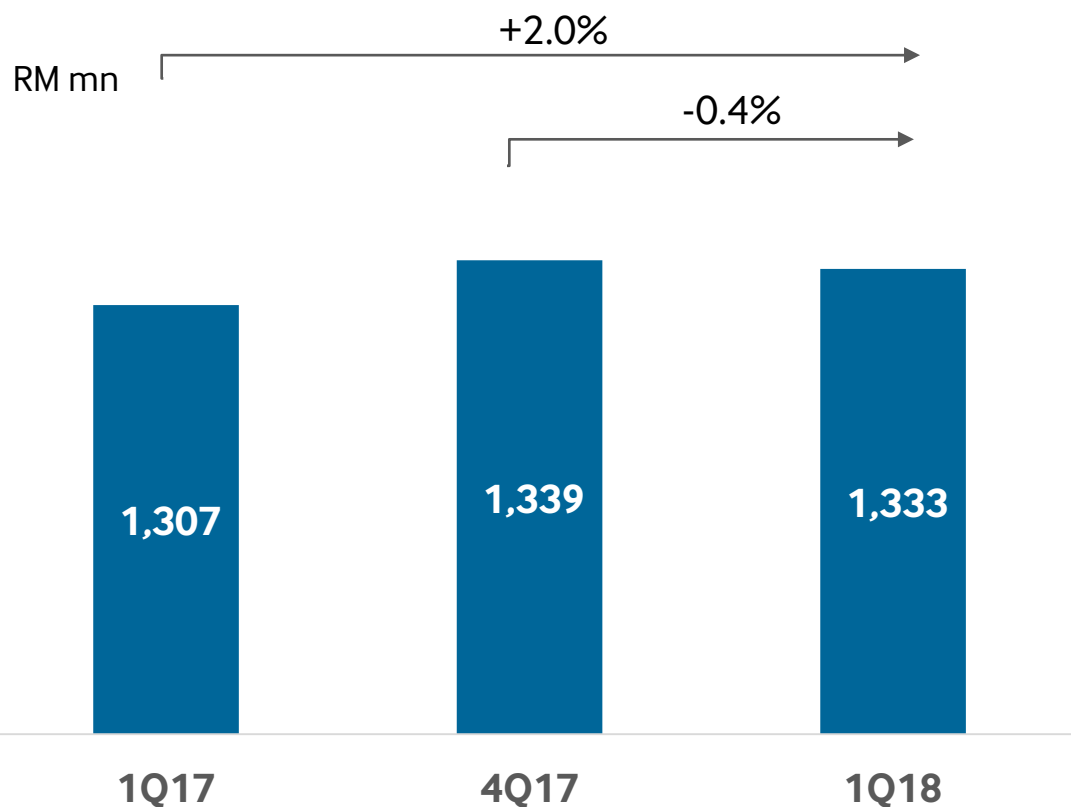


- Lower USP revenue recognition, lower contribution from ICT & BPO

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

Revenue by Customer Clusters

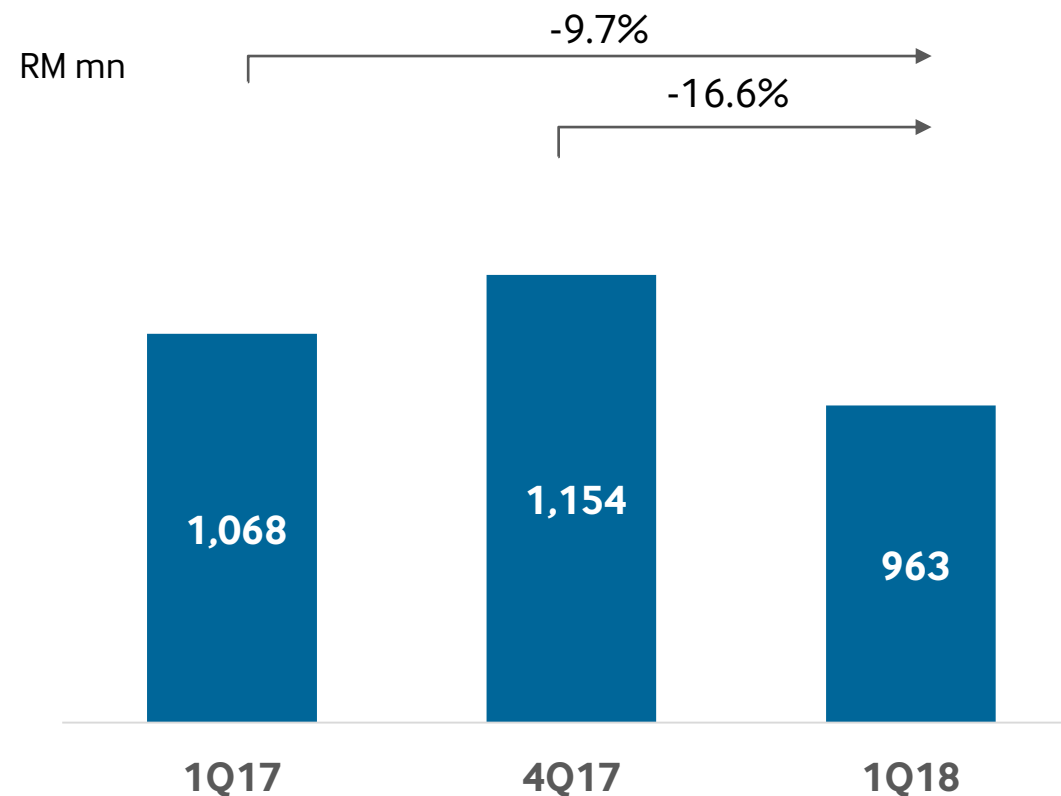
unifi



- Higher contribution from unifi mobile in line with higher customer base

TM ONE

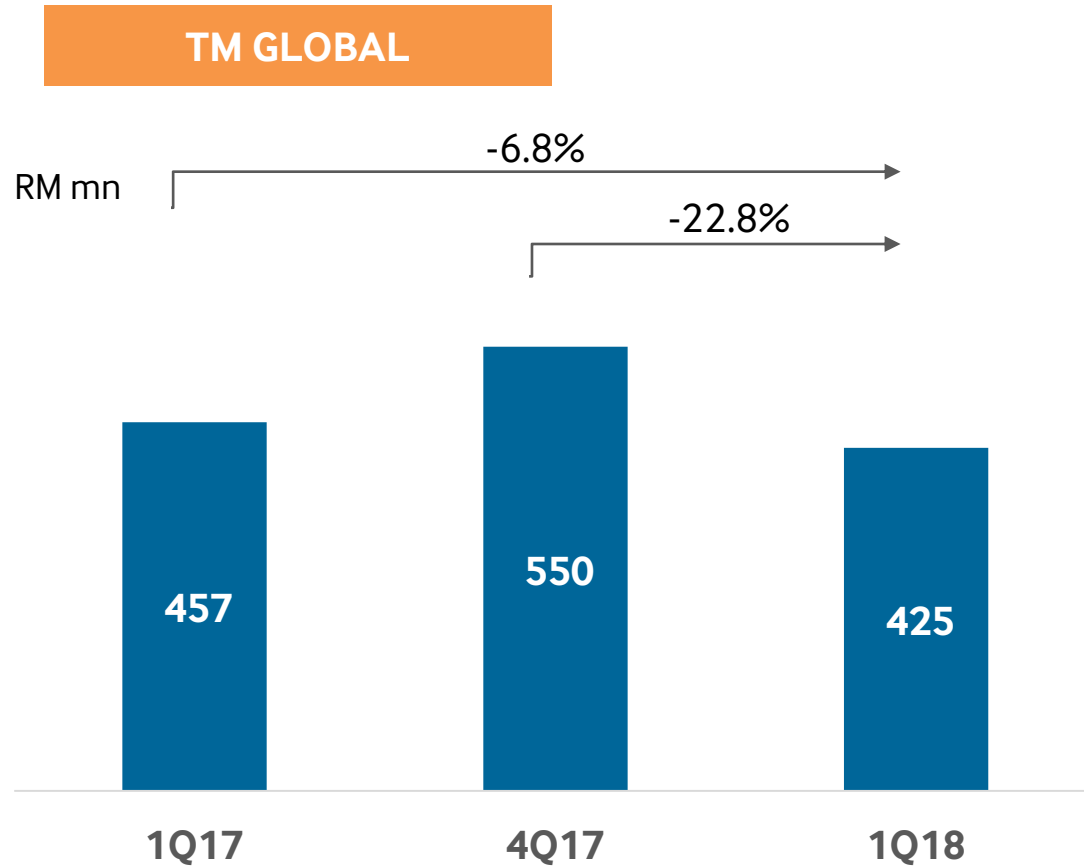
Without MFRS 15



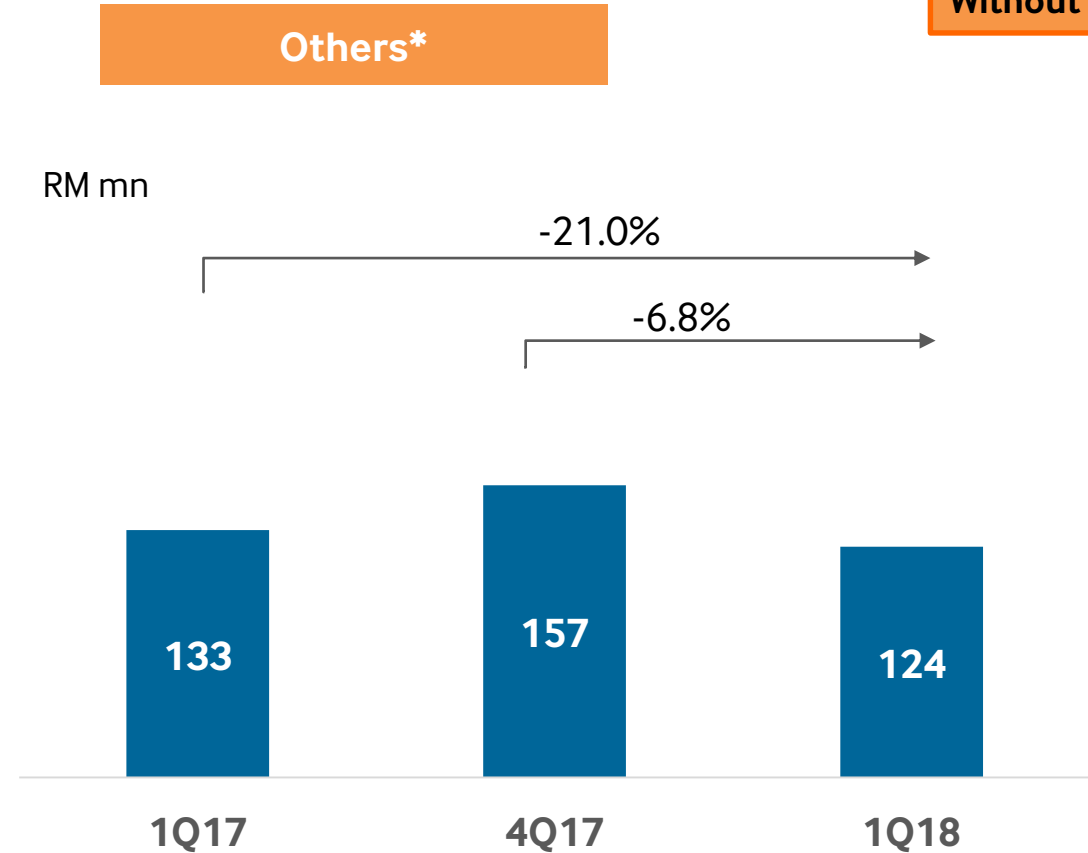
- Lower USP revenue recognition, lower ICT & BPO

Revenue by Customer Clusters

Without MFRS 15



- Lower traffic minutes and lower contribution from domestic leased revenue



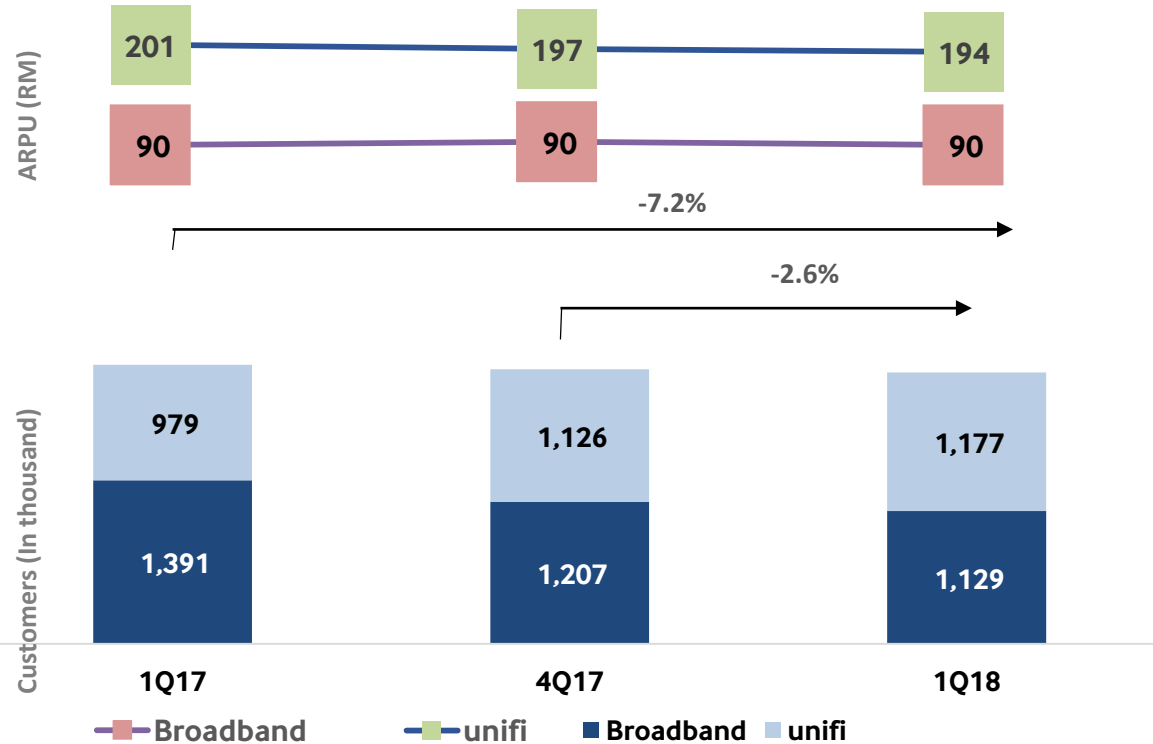
*Others include revenue from Property Development, TM R&D, UTSB & MKL

- Lower tuition fees at UTSB

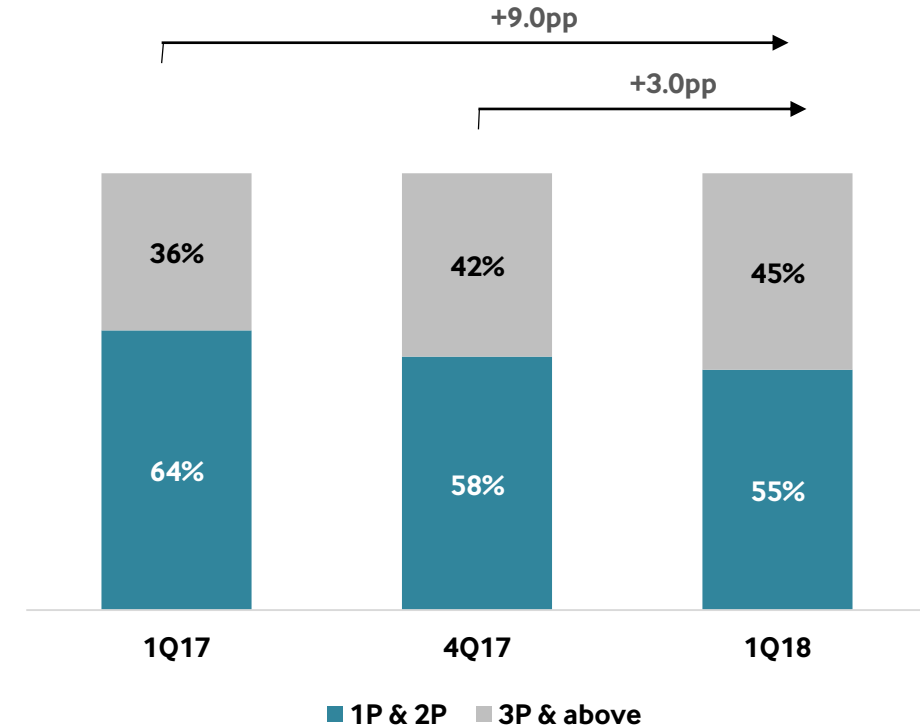
Convergence Updates

Without MFRS 15

Total Broadband Performance



Convergence HH Penetration



- Steady growth in number of unifi customers
- More customers moving up the value chain with convergence
- #Bebas take up of over 1.3mn SIMs
- Convergence / TM households now at 45%

MFRS 9 & 15 Impact to 1Q 2018 Financial Performance

Group Results

RM mn	1Q18 (pre MFRS 15)	1Q18 (post MFRS 15)	Delta
Revenue	2,845.3	2,848.0	2.7
Total Cost	2,665.6	2,681.4	15.8
EBITDA	779.8	766.7	(13.1)
Normalised EBITDA	790.8	777.7	(13.1)
EBIT	208.7	195.6	(13.1)
Normalised EBIT	219.7	206.6	(13.1)
Profit Before Tax (PBT)	207.3	194.2	(13.1)
PATAMI	167.1	157.1	(10.0)
Normalised PATAMI	115.3	105.3	(10.0)

Retained Earnings

Reported as at 31 December 2017 RM mn	MFRS 9 RM mn	MFRS15 RM mn	Restated as at 1 January 2018 RM mn
4,257.9	(13.1)	74.1	4,318.9

Key Takeaways

- Challenges across all customers clusters affected 1Q2018 revenue
- Close eye on cost yielding results
- Continued investment for long-term growth – cost and capex in line with expansion plans
- Strong customer traction in the mobile space with #Bebas plan, new broadband offerings to cater for underserved demographic
- Increasing % of TM households now having convergence (moving from 1P/2P to 3P/4P)
- Perfex 10 update:
 - Implementation of initiatives and studies relating to workforce,
 - Sweating assets

Appendices

Cost % Revenue

	1Q18 (Pre MFRS 15)	4Q17	1Q17	Comments (1Q18 vs. 1Q17)
Total Revenue* (RM mn)	2,874.3	3,225.5	3,002.6	
Direct Costs %	20.4	20.7	19.0	Network cost for mobile in line with higher cumulative subscriber base
RM mn	585.0	668.7	571.0	
Manpower %	22.8	18.0	21.7	Higher staff benefits
RM mn	655.0	579.2	651.9	
Supplies & Materials %	6.0	7.3	6.5	Lower cost of sales for customer projects
RM mn	172.3	236.3	193.9	
Bad & Doubtful Debts %	0.3	0.6	0.1	Higher impairment
RM mn	9.5	18.1	4.4	
Marketing Expenses %	3.4	3.7	3.1	Higher charges & commission at unifi
RM mn	99.0	119.0	93.3	
Maintenance Cost %	7.0	7.4	6.2	Increment seen mainly at Public Sector
RM mn	202.1	238.0	184.6	
Other Operating Costs %	12.9	14.6	11.8	Higher rental for LTE sites
RM mn	371.6	472.7	353.9	
Depreciation & Amortisation %	19.9	19.3	21.5	Lower impact from WiMAX acceleration, extension of submarine cable useful life
RM mn	571.1	623.2	645.8	
Total Cost (RM mn)	2,665.6	2,955.2	2,698.8	
Total (%)	92.7	91.6	89.9	

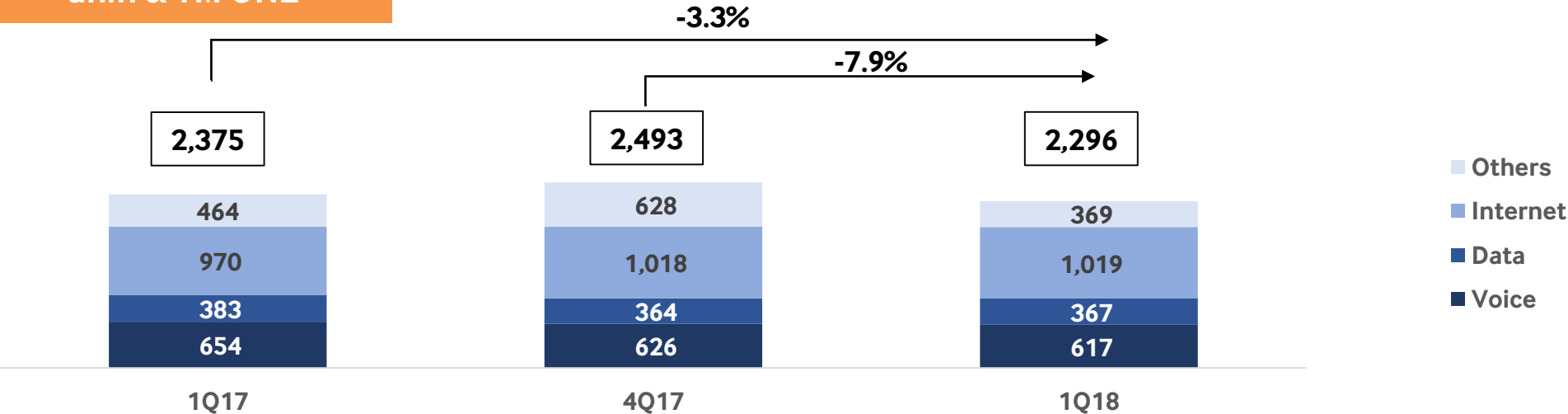
*Total Revenue = Operating Revenue + Other Operating Income

Revenue by Product by Customer Clusters

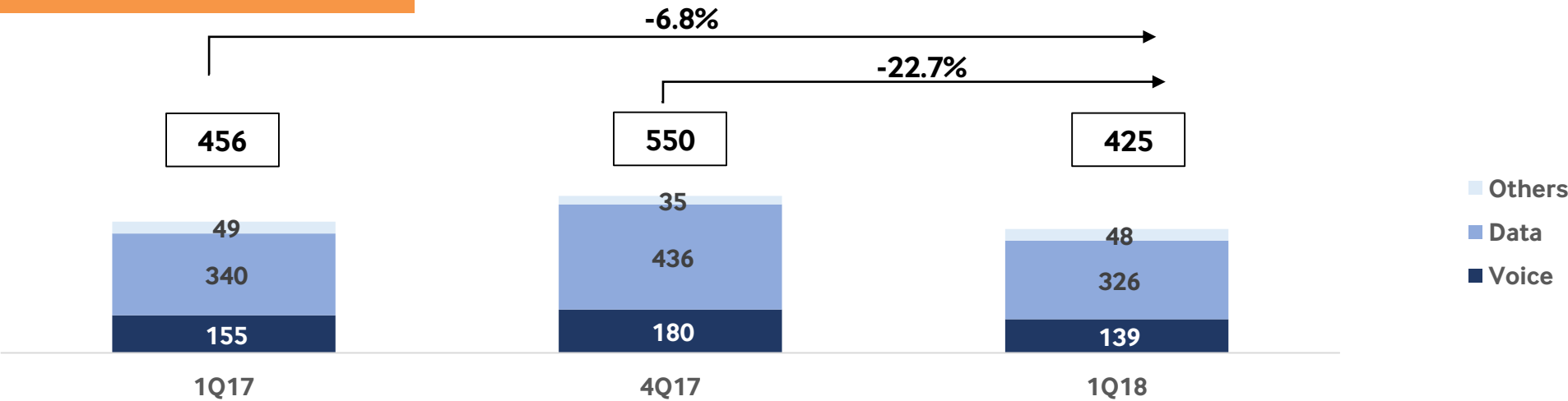


Without MFRS 15

unifi & TM ONE



TM GLOBAL



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)

Statement of Financial Position Post MFRS 9 and MFRS 15



RM mn	(Post MFRS15) As at	As at
	31 March 2018	31 Dec 2017
Shareholders' Funds	7,562.9	7,843.5
Non-Controlling Interests	(127.1)	(76.7)
Deferred & Long Term Liabilities	10,682.8	10,712.2
Long Term Borrowings	6,928.5	7,031.2
Derivative Financial Instruments	295.5	287.7
Deferred Tax	1,620.6	1,591.3
Deferred Income	1,832.2	1,796.5
Others	6.0	5.5
	18,118.6	18,479.0
Current Assets	6,003.2	6,133.1
Trade Receivables	2,505.7	2,540.0
Other Receivables	1,162.8	1,170.2
Cash & Bank Balances	1,462.6	1,719.8
Inventories	257.6	258.5
Contract assets	98.0	-
Others	516.5	444.6
Current Liabilities	6,284.1	6,282.8
Trade and Other Payables	3,408.1	3,934.2
Short Term Borrowings	1,121.2	1,119.0
Contract liabilities	55.3	-
Others	1,699.5	1,229.6
Net Current Assets/(Liabilities)	(280.9)	(149.7)
Non-Current Assets	18,399.5	18,628.7
Property Plant & Equipment	16,368.3	16,540.7
Other Non-Current Assets	2,031.2	2,088.0
	18,118.6	18,479.0

Thank you!

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