

3Q 2017 RESULTS

ANALYST BRIEFING

22 November 2017

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



- Consolidation of brand – webe now “*unifi mobile*”, TM Wifi now “*wifi@unifi*”
- Reorganization of businesses – TMOne and TM Global
- Digitized and cemeterised old processes
- New digital applications – “*ifoundit!*” for wifi@unifi, “*Flow*” for employee engagement
- unifi ebiz and edu packages introduced this month
- Iskandar Puteri Data Centre officially launched

3Q 2017 Highlights

- YTD Sept 2017 revenue growth of 0.7%, to RM8.89bn, driven by Internet revenue, partially offset by Data and customer projects
- unifi mobile achieved 8% TM Household penetration earlier than expected
- Profitability in line with guidance with Normalised EBIT up 0.4% at RM888.3mn
- Normalised PATAMI up 11.0% at RM641.3mn

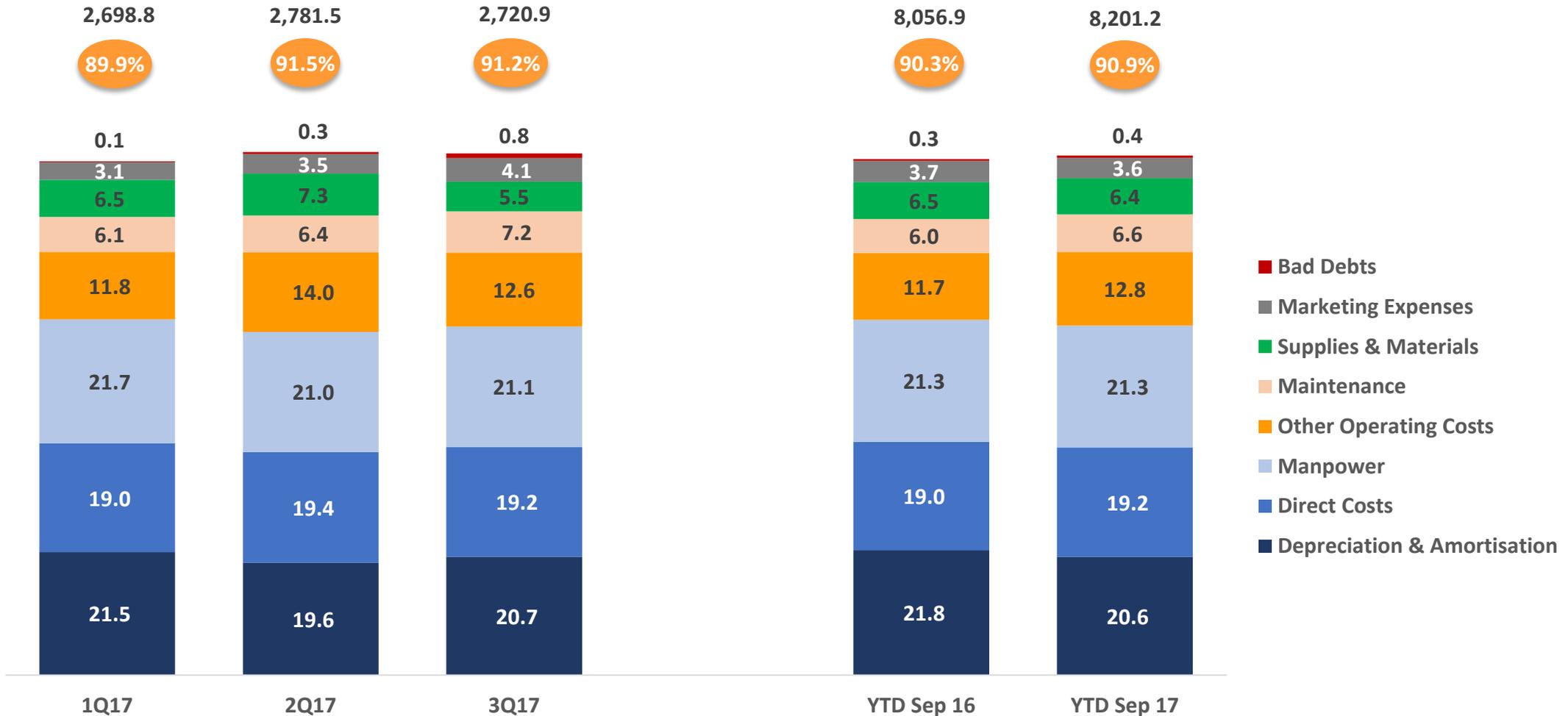
RM mn	Reported							
	3Q17	2Q17	% Change QoQ	3Q16	% Change YoY	YTD Sep 17	YTD Sep 16	% Change YTD
Revenue	2,940.4	2,980.2	-1.3%	2,923.1	+0.6%	8,885.2	8,823.9	+0.7%
Other Operating Income	42.0	58.4	-28.1%	28.1	+49.5%	138.4	101.1	+36.9%
EBITDA	878.7	854.6	+2.8%	940.8	-6.6%	2,682.9	2,817.7	-4.8%
Normalised EBITDA	889.1	902.0	-1.4%	943.8	-5.8%	2,748.8	2,834.7	-3.0%
Depn & Amort.	617.2	597.5	+3.3%	633.7	-2.6%	1,860.5	1,949.6	-4.6%
EBIT	261.5	257.1	+1.7%	307.1	-14.8%	822.4	868.1	-5.3%
Normalised EBIT	271.9	304.5	-10.7%	310.1	-12.3%	888.3	885.1	+0.4%
Other (Losses) / Gains	(1.9)	1.1	->100.0%	(3.1)	+38.7%	(5.5)	46.3	->100.0%
Net Finance Cost*	58.9	75.2	-21.7%	57.3	+2.8%	198.5	162.7	+22.0%
FX Gain / (Loss)	27.0	50.0	-46.0%	(36.0)	+>100.0%	99.7	33.8	+>100.0%
Profit Before Tax (PBT)	235.5	241.2	-2.4%	218.8	+7.6%	740.4	807.9	-8.4%
PATAMI	211.8	210.5	+0.6%	159.8	+32.5%	652.7	621.7	+5.0%
Normalised PATAMI	203.5	208.0	-2.1%	207.5	-1.9%	641.3	578.0	+11.0%

*Excludes FX Gain/(Loss)

Cost % Revenue¹

Higher cost in line with expanded network coverage

RM mn



Total Cost / Revenue (%)

¹ Revenue = Operating Revenue + Other Operating Income

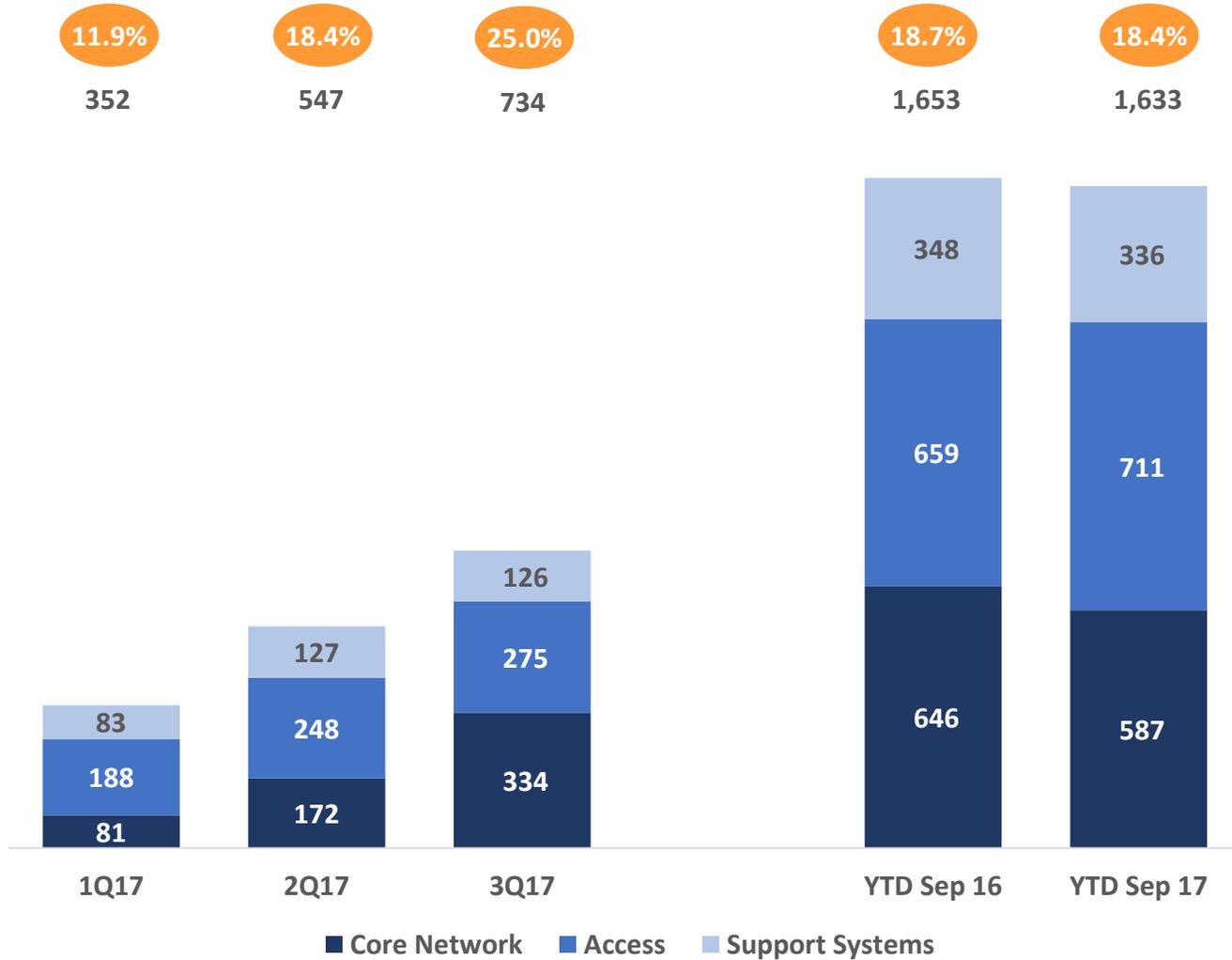
Note: The classification of cost is as per financial reporting

Group Capital Expenditure

Capex expected to accelerate in 4Q 2017 to high-20's as % of revenue



RM mn



- Capex/Revenue ratio at 18.4%
- 36% Core Network
43% Access
21% Support Systems

Capex / Revenue (%) ●

Group Cash Flow

RM mn	YTD Sep 17	YTD Sep 16
Cash & cash equivalent at start	2,925.2	3,510.8
Cash flows from operating activities	1,220.3	1,459.1
Cash flows used in investing activities	(1,925.5)	(2,251.8)
Capex	1,633.1	1,653.0
Cash flows used in financing activities	(184.8)	(126.5)
Effect of exchange rate changes	(41.2)	(0.4)
Cash & cash equivalent at end	1,994.0	2,591.2
Free cash-flow (EBITDA – Capex)	1,049.8	1,164.7

Key Financial Ratios

	30 Sep 17	31 Dec 16
Return on Invested Capital ¹	5.76%	6.25%
Return on Equity ²	11.23%	10.03%
Return on Assets ¹	4.76%	4.80%
Current Ratio	1.21	1.15
WACC	6.75%	7.17%

	30 Sep 17	31 Dec 16
Gross Debt to EBITDA	2.36	2.10
Net Debt/EBITDA	1.67	1.25
Gross Debt/Equity	1.13	1.09
Net Debt/Equity	0.86	0.71
Net Assets/Share (sen)	200.4	204.7

¹ Based on Normalised EBIT
² Based on Normalised PATAMI

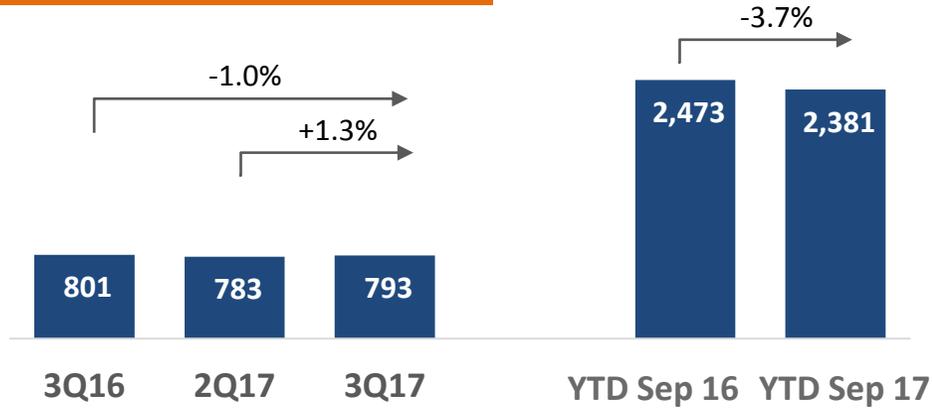
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Group Total Revenue by Product

Internet revenue crossed RM1bn mark in 3Q 2017



Voice



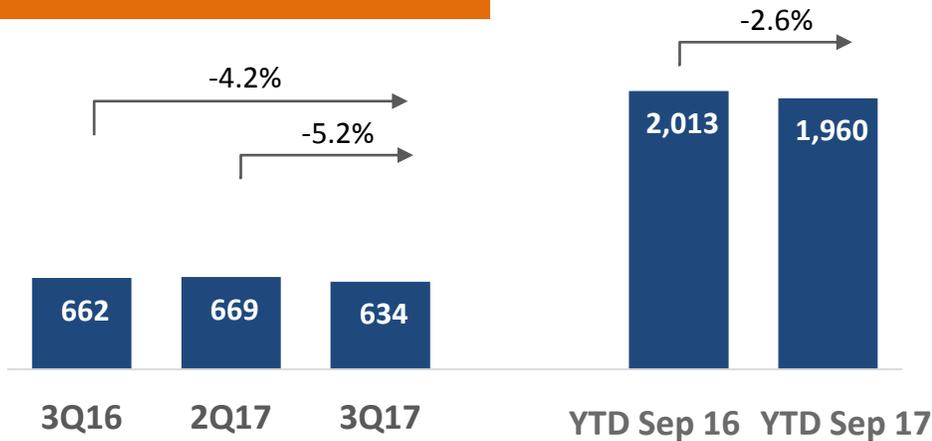
YTD: Decreased traffic minutes and lower customer base mainly at unifi and TM ONE

Internet



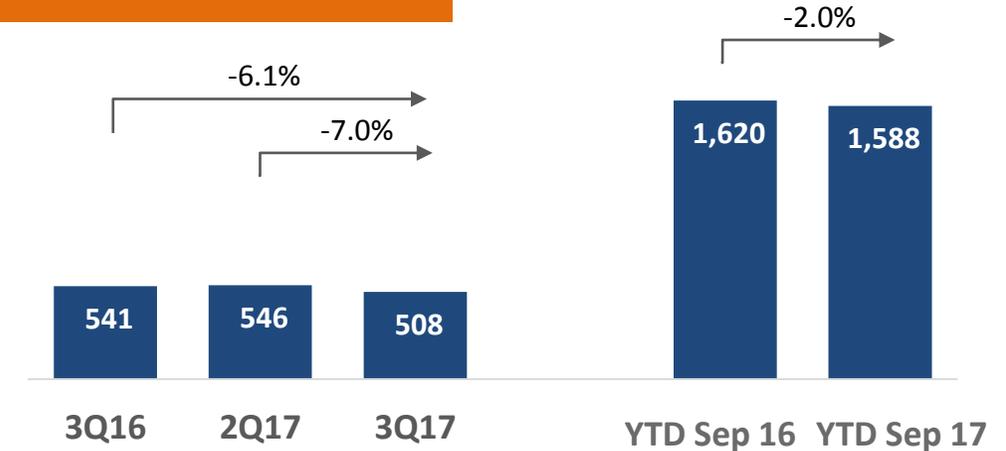
YTD: Higher unifi revenue and HyppTV in line with higher cumulative subscriber base

Data



YTD: Lower IRU revenue at TM GLOBAL as well as lower other data services at TM ONE

Others*



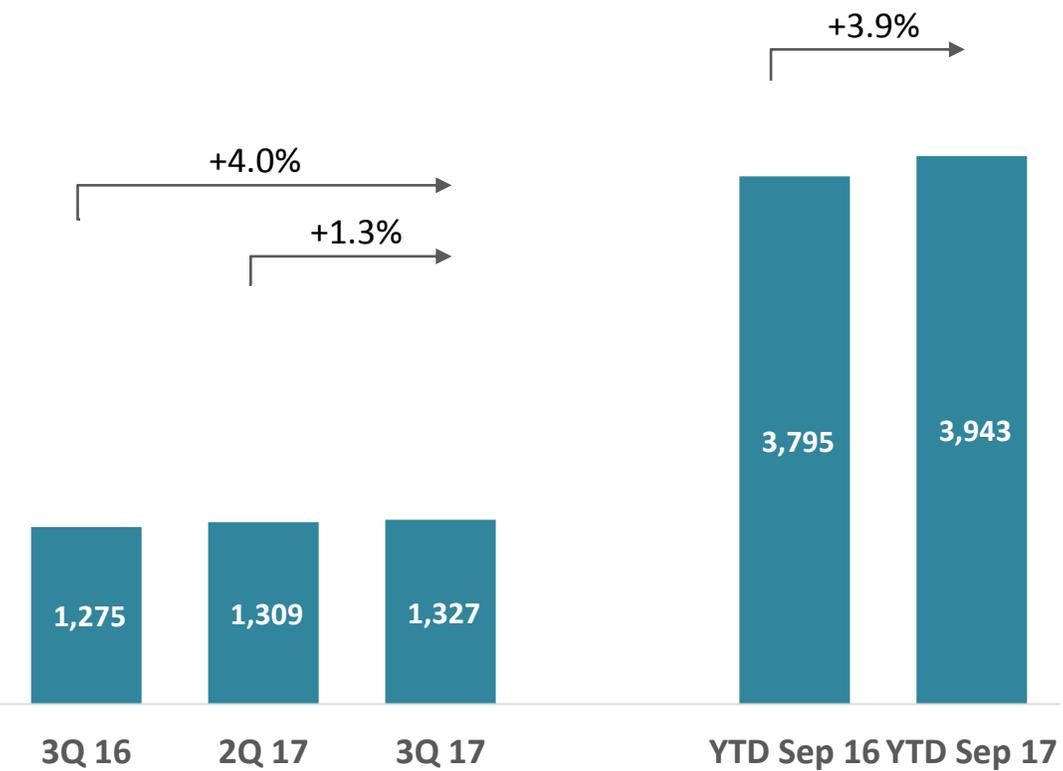
*Others comprise other telco and non-telco services (i.e ICT-BPO, UTSB tuition fees, customer projects)

YTD: Lower USP revenue recognition at TM ONE and lower tuition fees at UTSB

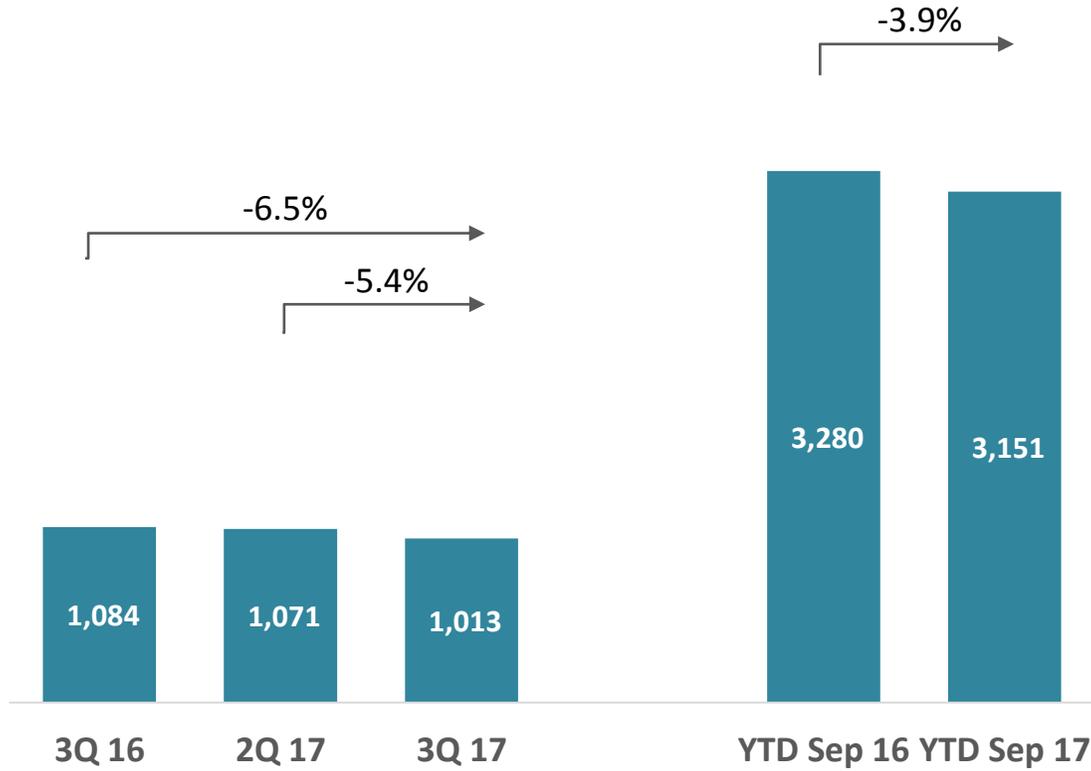
Group Total Revenue by Customer Clusters

Growth at unifi and TM GLOBAL partially offset by challenges at TM ONE

unifi



TM ONE



YTD

- Strong take-up of unifi mobile and unifi

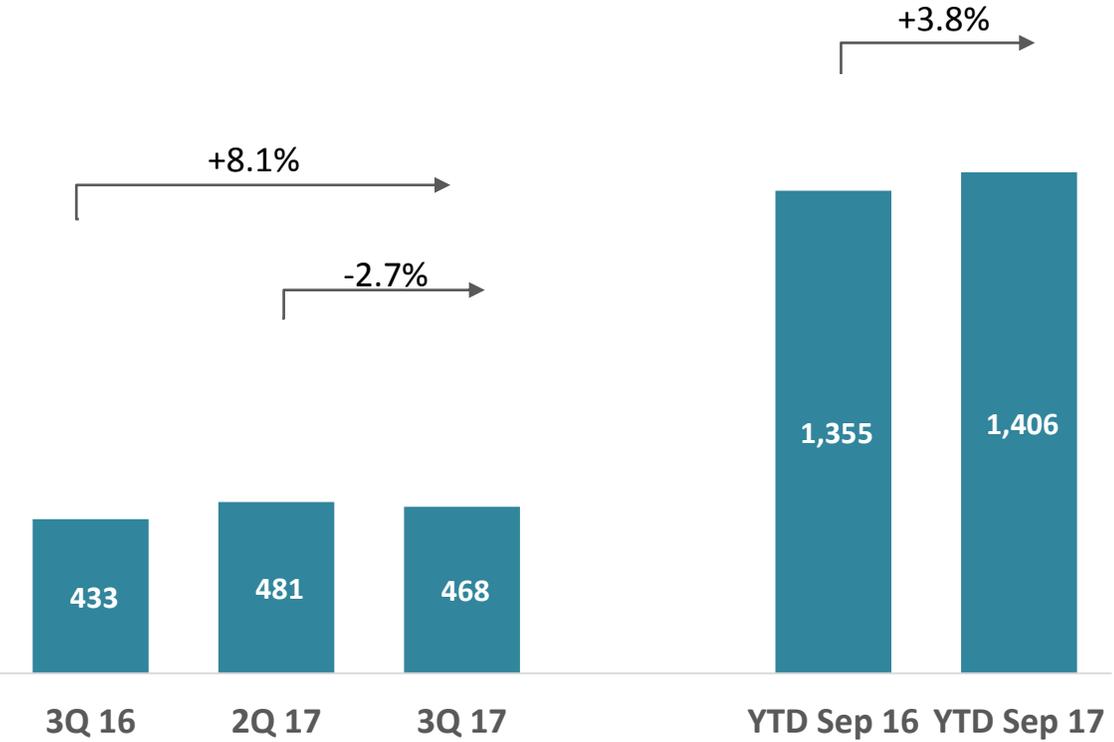
YTD

- Lower USP revenue recognition and customer projects at Public Sector

Note: Total revenue is after inter-co eliminations

Group Total Revenue by Customer Clusters

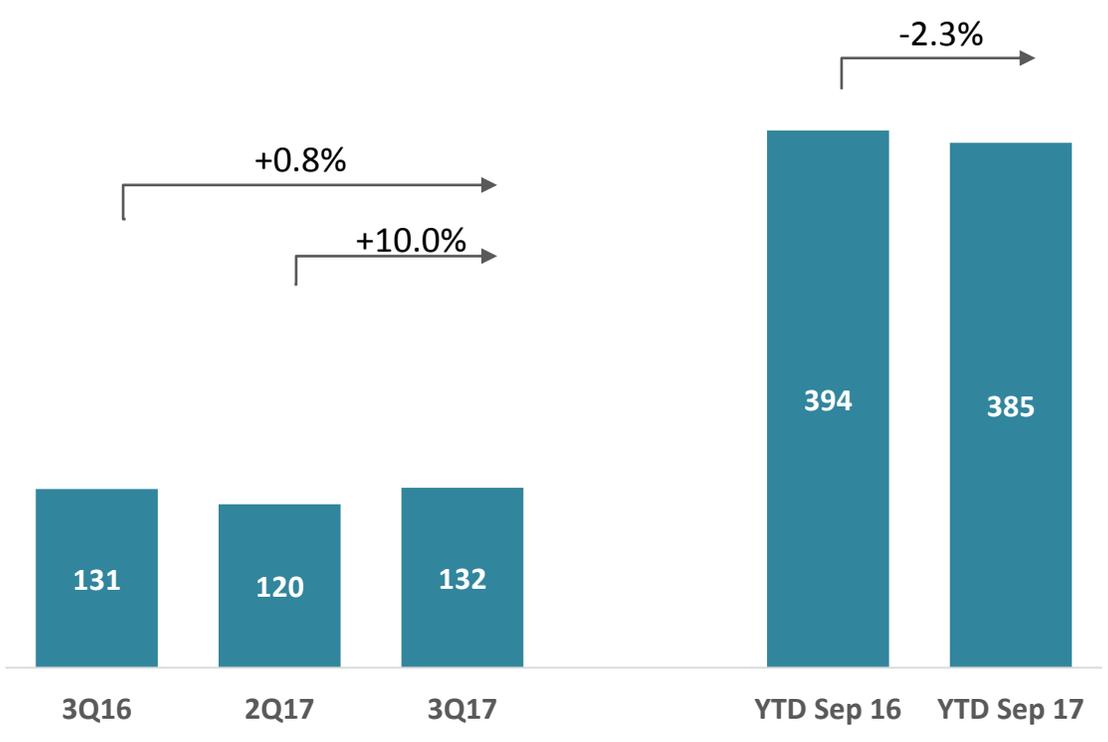
TM GLOBAL



YTD

- Higher Domestic Ethernet and other telco services revenues

Others*



YTD

- Lower tuition fees at UTBSB

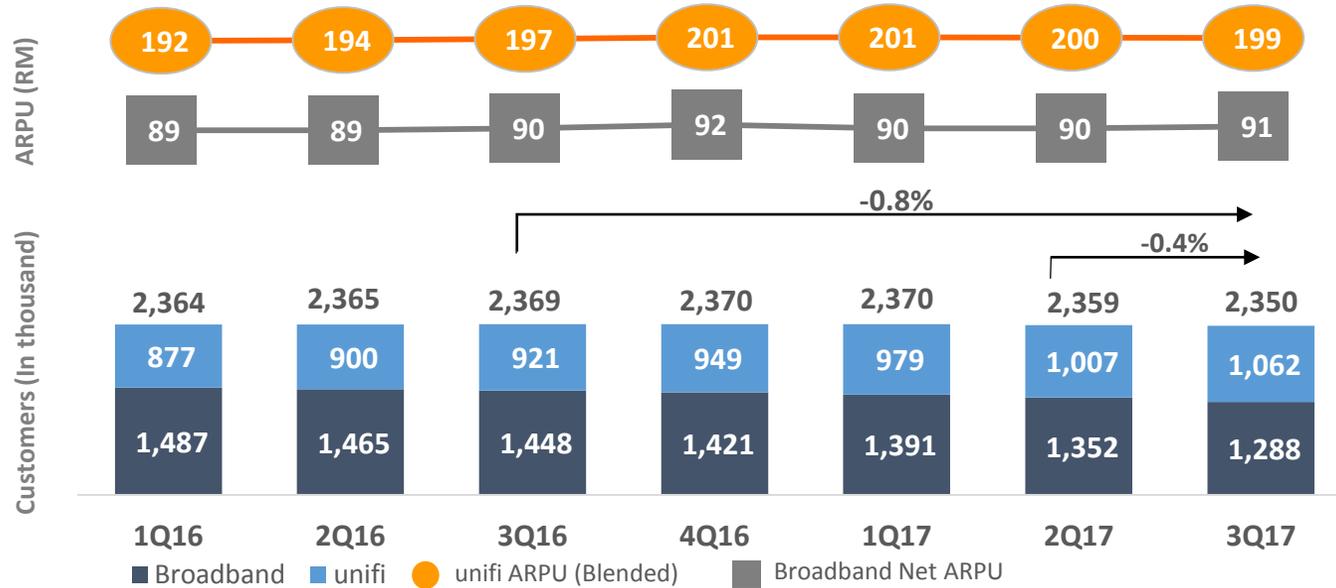
Total revenue is after inter-co eliminations

Physical Highlights

Highest net adds at unifi since 3Q 2012, unifi mobile FY 2017 target achieved



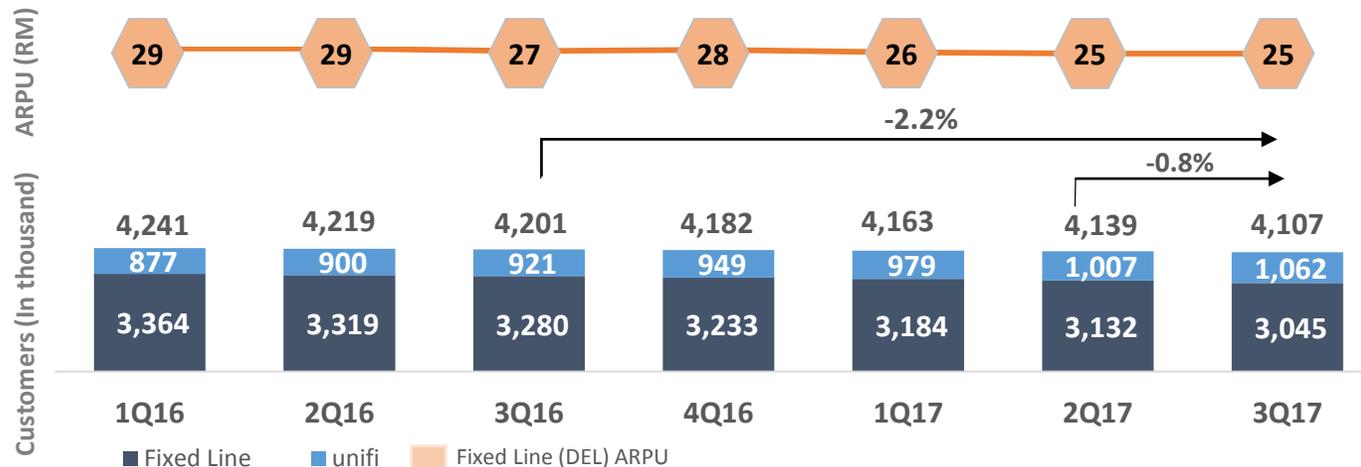
Total Broadband Performance



- unifi run rate doubled QoQ
- 94% unifi customers on 10Mbps & above
- unifi mobile penetration 8% of TM Households

Note: unifi previously known as "UniFi", while Broadband previously known as "Streamyx".

Fixed Line



- ARPU at RM25

- 1 Performance Overview
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- Revenue growth remains challenging mainly at TM ONE
- Normalised EBIT within guidance
- Higher Normalised PATAMI by 11.0%
- Capex/revenue % expected to be at high 20's for this year



- Initiatives in place
- Aspirational targets included in business planning process

Appendices

Normalised EBIT

RM mn	3Q17	2Q17	3Q16	YTD Sep 17	YTD Sep 16
Reported EBIT	261.5	257.1	307.1	822.4	868.1
Non Operational					
Unrealised FX Loss/(Gain) on International Trade Settlement	10.4	47.2	2.8	65.5	16.6
Loss on Sale of Assets	-	0.2	0.2	0.4	0.4
Normalised EBIT	271.9	304.5	310.1	888.3	885.1
Normalised EBIT Margin	9.1%	10.0%	10.5%	9.8%	9.9%
Reported EBIT Margin	8.8%	8.5%	10.4%	9.1%	9.7%

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 EBITDA

RM mn	3Q17	2Q17	3Q16	YTD Sep 17	YTD Sep 16
Reported EBITDA	878.7	854.6	940.8	2,682.9	2,817.7
Non Operational					
Unrealised FX Loss/(Gain) on International Trade Settlement	10.4	47.2	2.8	65.5	16.6
Loss on Sale of Assets	-	0.2	0.2	0.4	0.4
Normalised EBITDA	889.1	902.0	943.8	2,748.8	2,834.7
Normalised EBITDA Margin	29.8%	29.7%	32.0%	30.5%	31.8%
Reported EBITDA Margin	29.5%	28.1%	31.9%	29.7%	31.9%

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 PATAMI



RM mn	3Q17	2Q17	3Q16	YTD Sep 17	YTD Sep 16
Reported PATAMI	211.8	210.5	159.8	652.7	621.7
Non Operational					
Unrealised FX Loss/(Gain) on International Trade Settlement (net of tax)	8.7	40.4	1.4	58.3	14.4
Other (Gain)/Losses ¹	1.9	(0.9)	3.3	5.9	(45.9)
Unwinding of discount on put option over shares of a subsidiary	8.0	8.0	7.0	24.0	21.6
Unrealised FX (Gain)/Loss on Long Term loans	(26.9)	(50.0)	36.0	(99.6)	(33.8)
Normalised PATAMI	203.5	208.0	207.5	641.3	578.0

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

Normalised PBT



RM mn	3Q17	2Q17	3Q16	YTD Sep 17	YTD Sep 16
Reported PBT	235.5	241.2	218.8	740.4	807.9
Non Operational					
Unrealised FX Loss/(Gain) on International Trade Settlement	10.4	47.2	2.8	65.5	16.6
Other (Gain)/Losses*	1.9	(0.9)	3.3	5.9	(45.9)
Unwinding of discount on put option over shares of a subsidiary	8.0	8.0	7.0	24.0	21.6
Unrealised FX (Gain)/Loss on Long Term Loans	(26.9)	(50.0)	36.0	(99.6)	(33.8)
Normalised PBT	228.9	245.5	267.9	736.2	766.4

* 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

Cost % Revenue

	3Q17	2Q17	3Q16	YTD Sep 17	YTD Sep 16	Comments (YTD Sep 17 vs. YTD Sep 16)
Total Revenue* (RM mn)	2,982.4	3,038.6	2,951.2	9,023.6	8,925.0	
Direct Costs %	19.2	19.4	18.8	19.2	19.0	Higher network cost relating to unifi mobile
RM mn	571.4	589.5	554.6	1,731.8	1,693.3	
Manpower %	21.1	21.0	22.2	21.3	21.3	Increase in staff benefits
RM mn	627.5	638.8	656.0	1,918.2	1,903.8	
Supplies & Materials %	5.5	7.3	6.6	6.4	6.5	Lower customer acquisition cost at unifi and cable cost for customers projects
RM mn	163.1	222.1	195.4	579.1	578.0	
Bad & Doubtful Debts %	0.8	0.3	(0.7)	0.4	0.3	Higher YTD provision for impairment
RM mn	24.9	10.2	(20.3)	39.5	28.8	
Marketing Expenses %	4.1	3.5	3.7	3.6	3.7	Mainly incurred for promotional campaigns and partially offset with lower commission payout
RM mn	123.0	105.1	108.1	321.4	328.8	
Maintenance Cost %	7.2	6.4	5.8	6.6	6.0	Higher engineering cost at VADS and network maintenance works
RM mn	216.1	194.2	171.7	594.9	532.1	
Other Operating Costs %	12.6	14.0	11.7	12.8	11.7	Increase in site rental and license fee for unifi mobile and TM ONE, international submarine cable works at TM GLOBAL and FOREX loss on trade balance
RM mn	377.8	424.1	344.9	1,155.9	1,042.5	
Depreciation & Amortisation %	20.7	19.6	21.5	20.6	21.8	Reduction in accelerated depreciation and assets write-off on WIMAX related assets
RM mn	617.2	597.5	633.7	1,860.5	1,949.6	
Total Cost (RM mn)	2,720.9	2,781.5	2,644.1	8,201.2	8,056.9	
Total (%)	91.2	91.5	89.6	90.9	90.3	

*Total Revenue = Operating Revenue + Other Operating Income

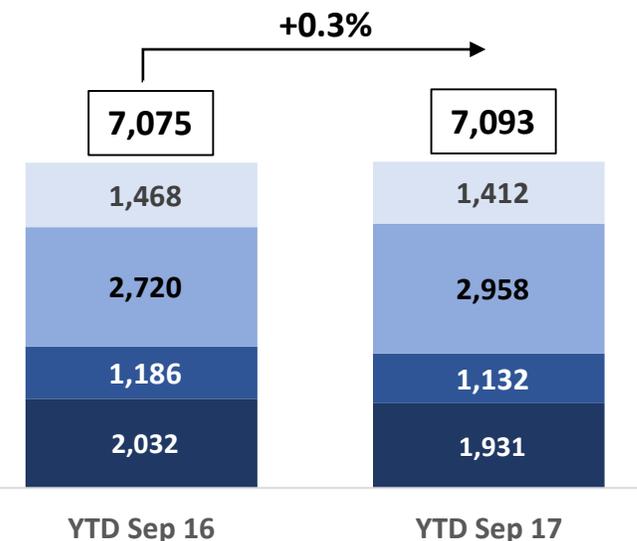
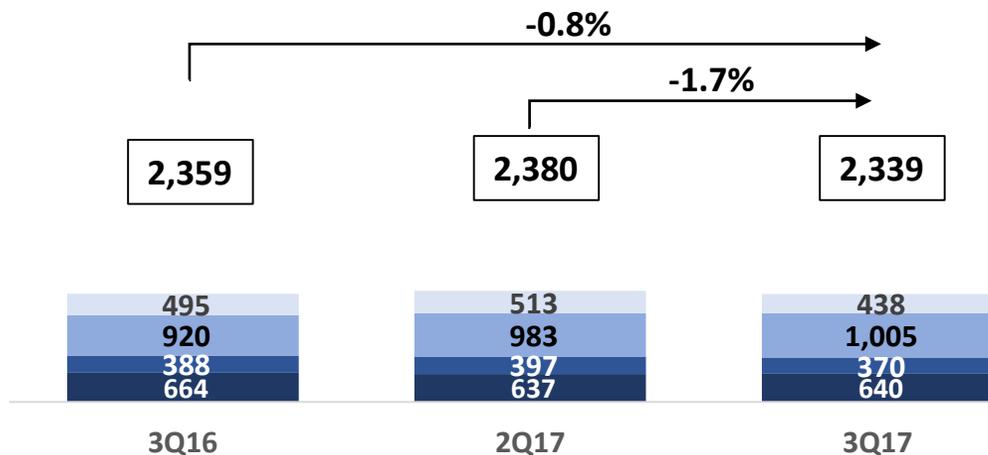
Group Balance Sheet



RM mn	As at 30 Sep 2017	As at 31 Dec 2016
Shareholders' Funds	7,530.4	7,692.3
Non-Controlling Interests	(21.9)	140.2
Deferred & Long Term Liabilities	11,689.5	11,194.4
Long Term Borrowings	7,986.6	7,662.6
Derivative Financial Instruments	326.0	301.9
Deferred Tax	1,584.5	1,514.8
Deferred Income	1,788.6	1,711.4
Others	3.8	3.7
	19,198.0	19,026.9
Current Assets	6,751.5	6,887.5
Trade Receivables	2,913.7	2,357.1
Other Receivables	1,024.0	801.1
Cash & Bank Balances	1,994.5	2,926.0
Inventories	257.0	207.1
Others	562.3	596.2
Current Liabilities	5,562.4	5,974.7
Trade and Other Payables	3,399.2	4,103.0
Short Term Borrowings	516.7	700.7
Others	1,646.5	1,171.0
Net Current Assets/(Liabilities)	1,189.1	912.8
Property Plant & Equipment	15,949.5	16,010.6
Other Non-Current Assets	2,059.4	2,103.5
	19,198.0	19,026.9

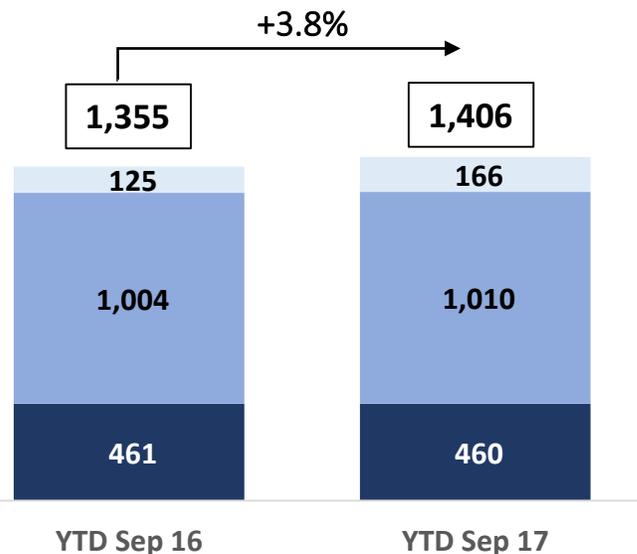
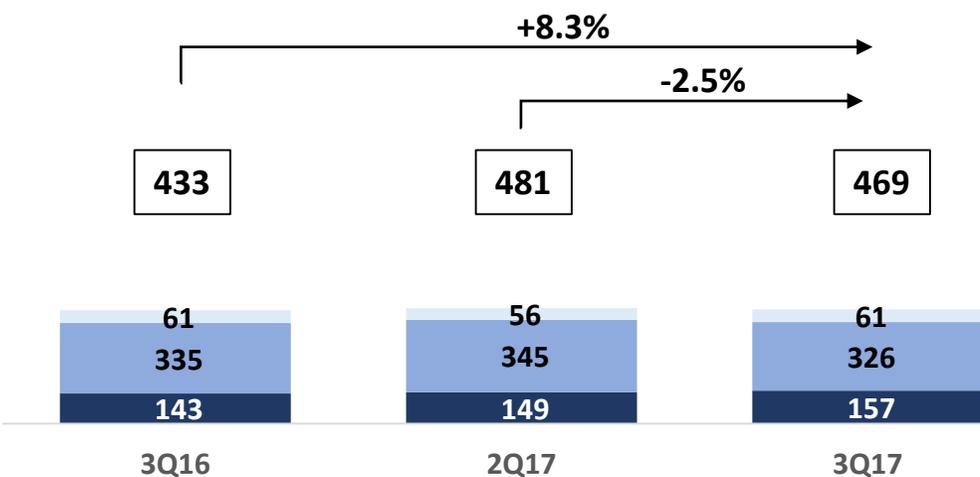
Revenue by Product by Customer Clusters

unifi and TM ONE



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

TM GLOBAL



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

Thank you!

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