



# TELEKOM MALAYSIA BERHAD

## 1Q 2017 RESULTS

### ANALYST BRIEFING

23 May 2017

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Easier™



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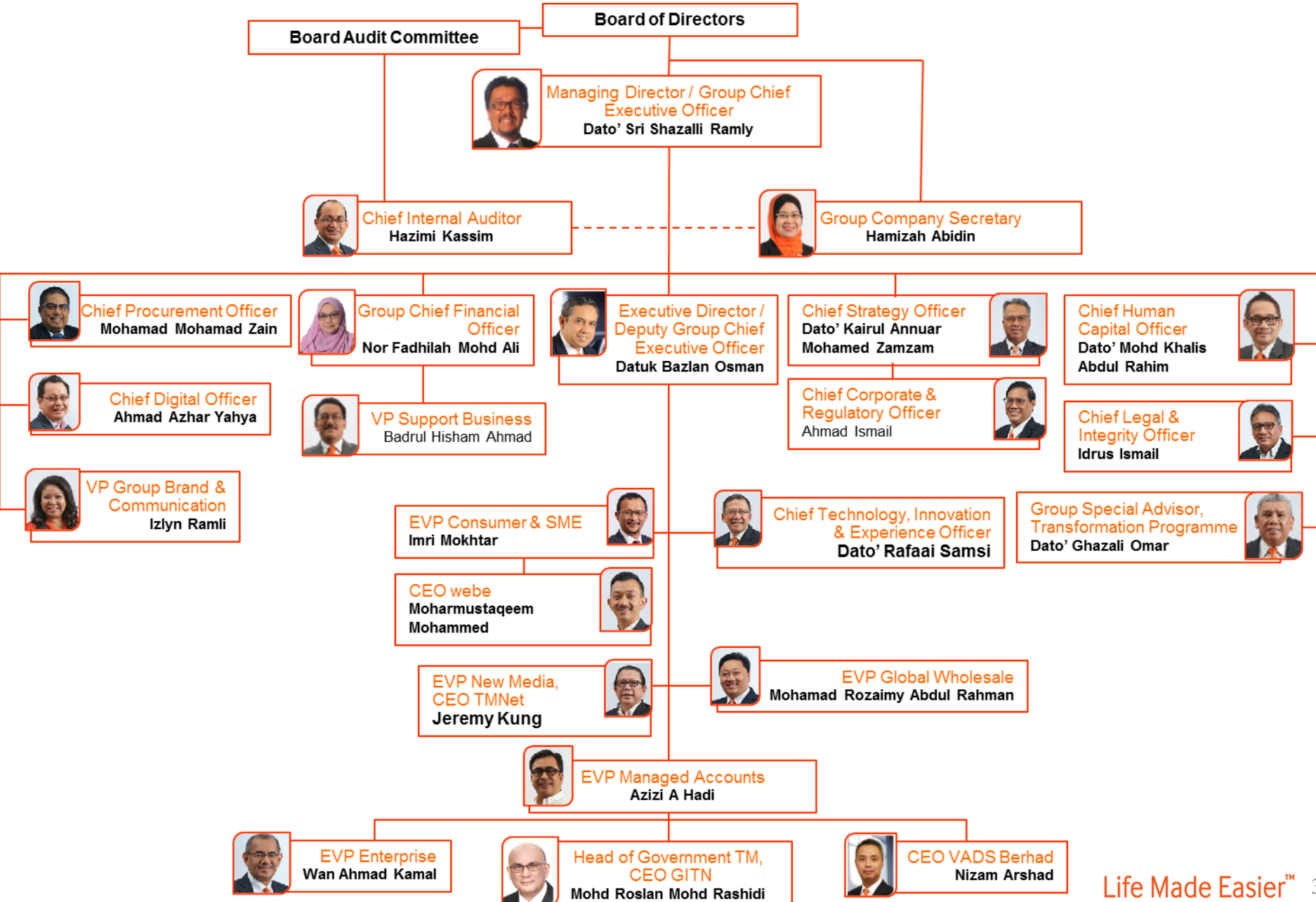
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## Leadership Line-Up As We Cement Our Position As Malaysia's Convergence Champion



1

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**SMARTER  
LIVING**

Life becomes effortless



**SMARTER  
BUSINESSES**

Businesses become agile



**SMARTER  
CITIES**

Cities become efficient



**SMARTER  
COMMUNITIES**

Communities become  
collaborative



**SMARTER  
NATION**

Nations become progressive

❖ Revenue	RM2.96bn (+3.8%)
❖ Reported EBITDA	RM949.6mn (+2.9%)
❖ Normalised EBITDA	RM957.7mn (+0.3%)
❖ Reported EBIT	RM303.8mn (+8.5%)
❖ Normalised EBIT	RM311.9mn (0.0%)
❖ Reported PATAMI	RM230.4mn (-28.5%)
❖ Normalised PATAMI	RM229.8mn (+13.2%)

- Total CAPEX/revenue at 11.9%
- Revenue growth across all customer clusters; 1Q operating revenue continues on uptrend
- New webe products to cater to SME's broadband needs  
(**webemobile** biz and **webebroadband** biz)

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## Group Results 1Q 2017



RM mn	Reported				
	1Q17	4Q16	% Change QoQ	1Q16	% Change YoY
Revenue	2,964.6	3,237.0	-8.4	2,855.4	+3.8
Other Operating Income	38.0	29.3	+29.7	41.4	-8.2
EBITDA	949.6	970.9	-2.2	923.0	+2.9
Depn & Amort.	645.8	685.0	-5.7	643.1	+0.4
EBIT	303.8	285.9	+6.3	279.9	+8.5
Other (Loss) / Gains	(4.7)	0.9	->100.0	50.5	->100.0
Net Finance Cost*	64.4	62.7	+2.7	47.7	+35.0
FX Gain /(Loss)	22.7	(120.5)	+>100.0	104.5	-78.3
Profit Before Tax (PBT)	263.7	110.6	+>100.0	393.2	-32.9
PATAMI	230.4	154.3	+49.3	322.4	-28.5
Normalised PATAMI	229.8	269.9	-14.9	203.0	+13.2

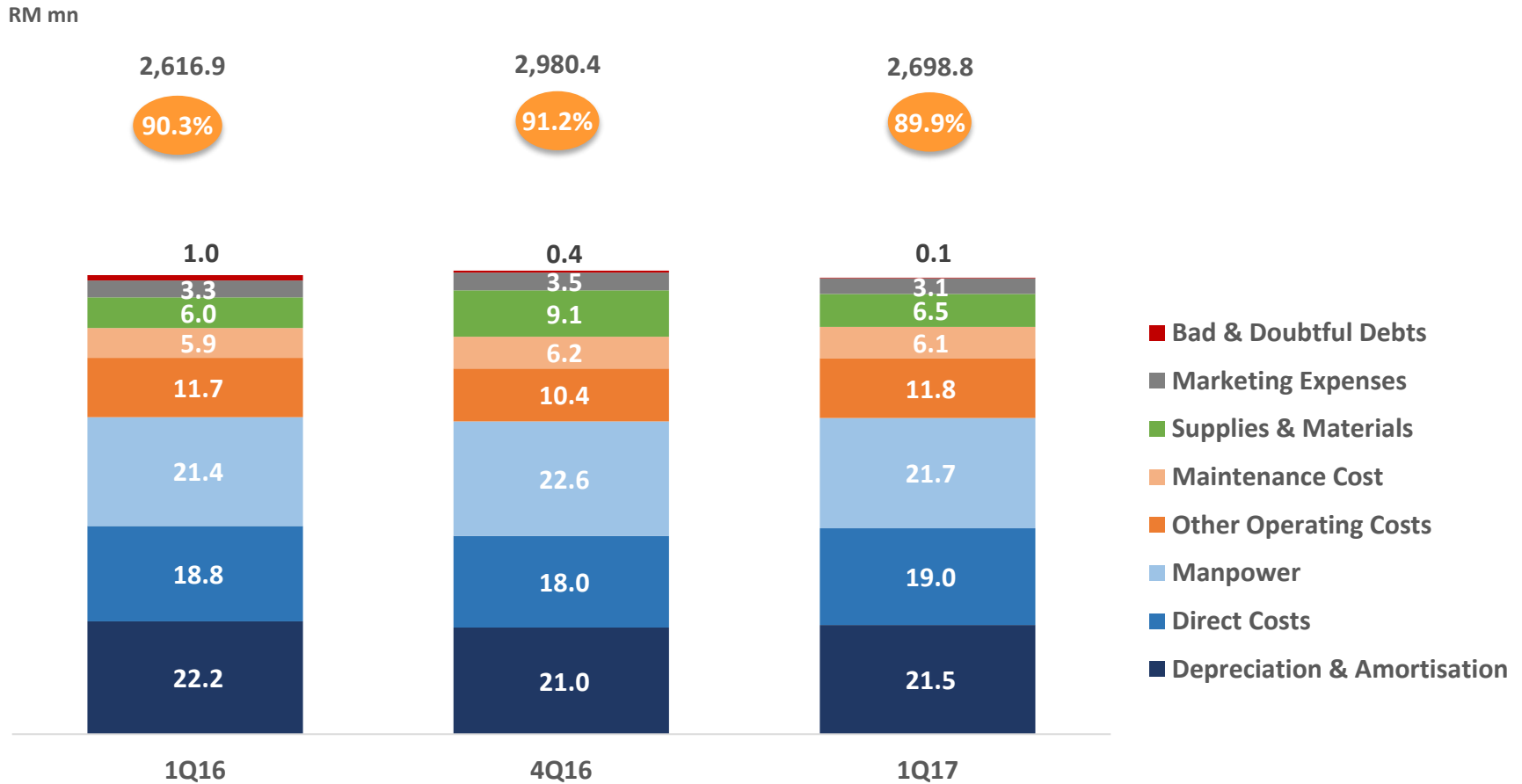
Note:

Unless stated otherwise all figures shall be inclusive of Webe

\*Excludes FX Gain/(Loss)

# Cost % Revenue<sup>1</sup>

Improved collections and cost efficiencies



Total Cost / Revenue (%)

<sup>1</sup> 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

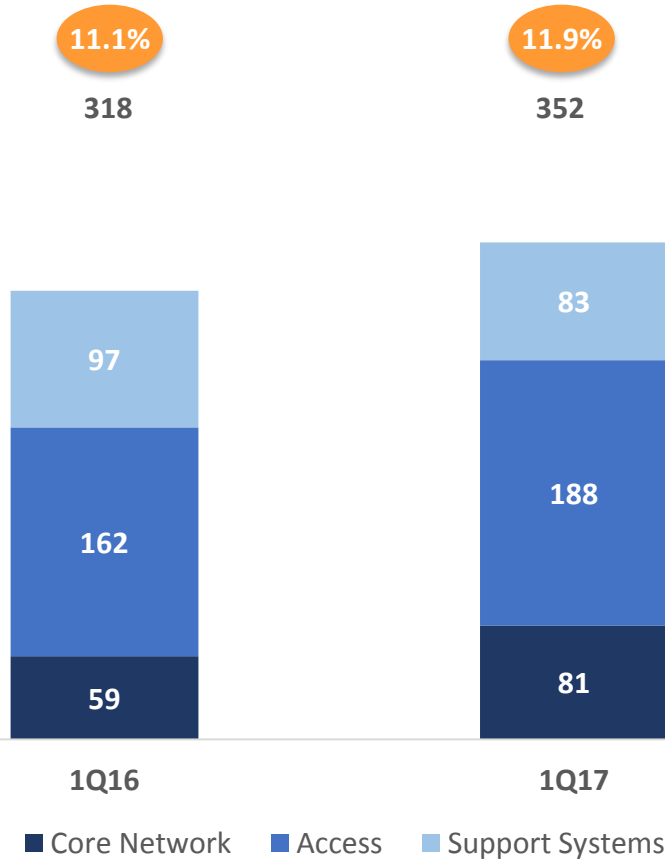


# Group Capital Expenditure

CAPEX investment continues for network expansion for broadband and LTE



RM mn



- CAPEX/Revenue ratio at 11.9%
- 23% Core Network  
53% Access  
24% Support Systems

CAPEX/Revenue (%)

## Group Cash Flow

RM mn	1Q17	1Q16
Cash & cash equivalent at start	2,925.2	3,510.8
Cash flows from operating activities	391.7	528.3
Cash flows used in investing activities	(673.0)	(769.9)
Capex	351.5	317.6
Cash flows used in financing activities	(599.6)	(77.8)
Effect of exchange rate changes	(12.2)	(0.3)
Cash & cash equivalent at end	2,032.1	3,191.1
Free cash-flow (EBITDA – Capex)	598.1	605.4

## Key Financial Ratios

	31 Mar 17	31 Dec 16
<b>Return on Invested Capital<sup>1</sup></b>	6.25%	6.25%
<b>Return on Equity<sup>2</sup></b>	12.16%	10.03%
<b>Return on Assets<sup>1</sup></b>	5.07%	4.80%
<b>Current Ratio<sup>3</sup></b>	1.16	1.15
<b>WACC</b>	7.11%	7.17%

	31 Mar 17	31 Dec 16
<b>Gross Debt to EBITDA</b>	2.18	2.10
<b>Net Debt/EBITDA</b>	1.53	1.25
<b>Gross Debt/Equity</b>	1.10	1.09
<b>Net Debt/Equity</b>	0.83	0.71
<b>Net Assets/Share (sen)</b>	198.7	204.7

<sup>1</sup> Based on Normalised EBIT

<sup>2</sup> Based on Normalised PATAMI

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Businesses become agile



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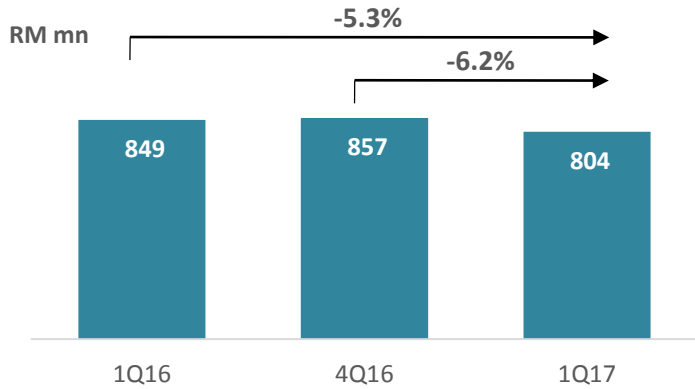


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NATION

Nations become progressive

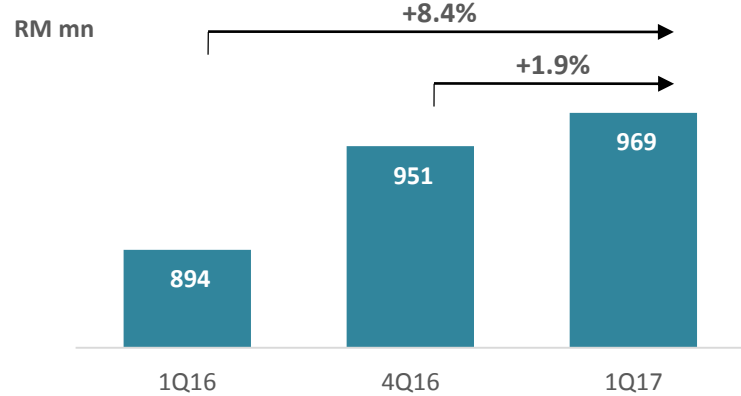
# Group Total Revenue by Product

## Voice



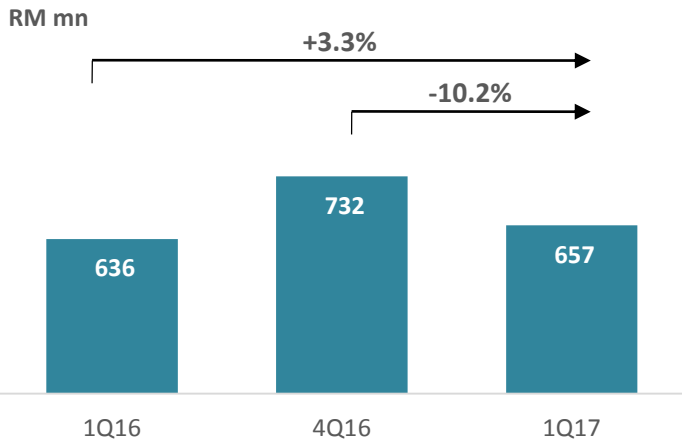
YoY: Decreased traffic minutes and lower bilateral revenue across all customer clusters

## Internet



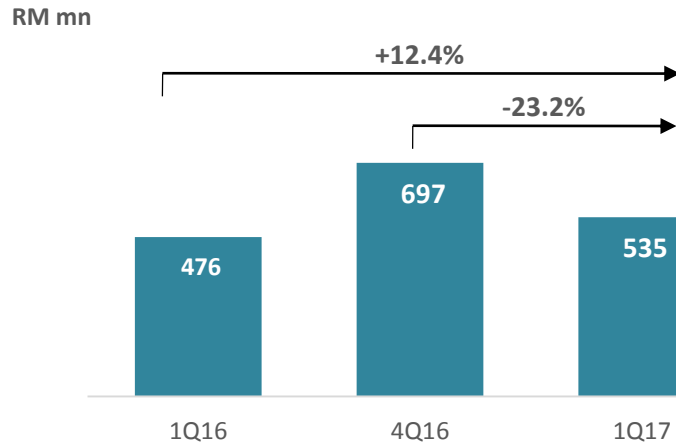
YoY: Higher UniFi and IPTV content revenue

## Data



YoY: Increased International and Domestic Leased revenue

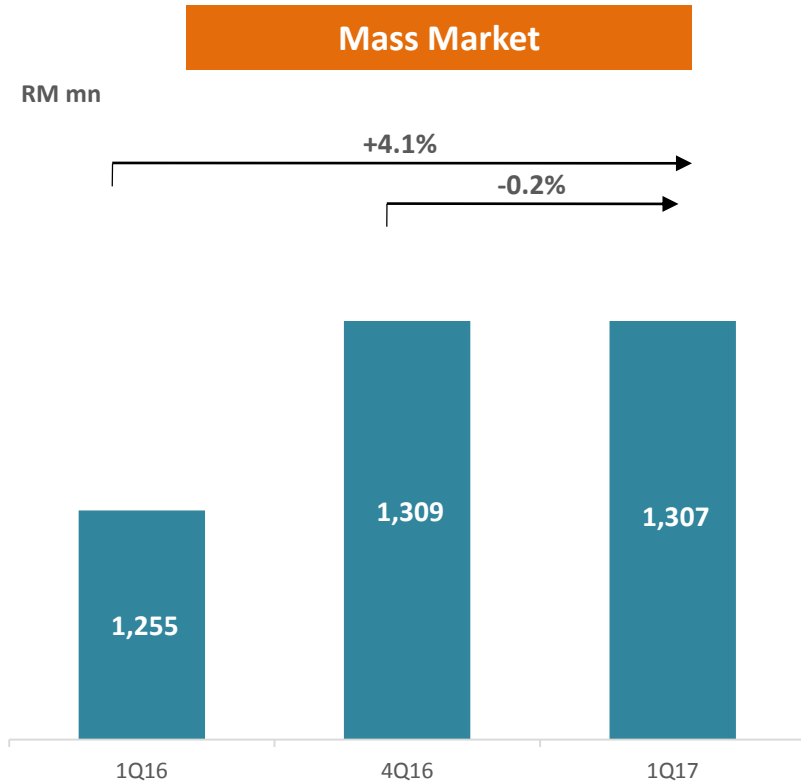
## Others\*



YoY: Higher customer projects and ICT/BPO revenue

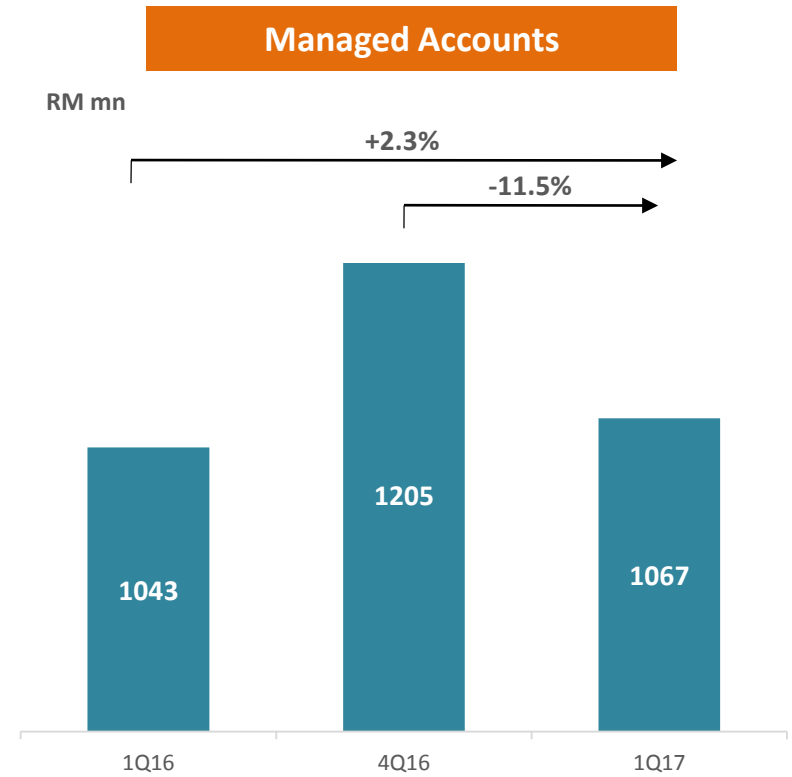
\*Others comprise other telco and non-telco services (i.e. ICT-BPO, UTSB tuition fees, customer projects)

# Group Total Revenue by Customer Clusters



## YoY

- Contributed by higher UniFi revenue and higher IPTV content revenue



## YoY

- Higher revenue from customer projects as well as higher ICT/BPO revenue

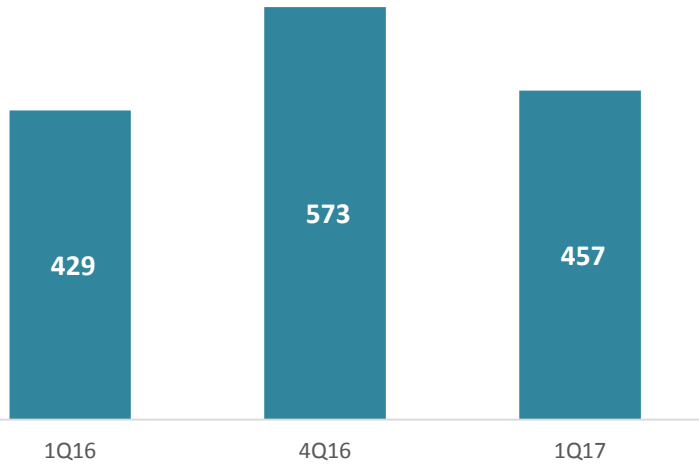
# Group Total Revenue by Customer Clusters

## Global & Wholesale

RM mn

+6.0%

-20.4%

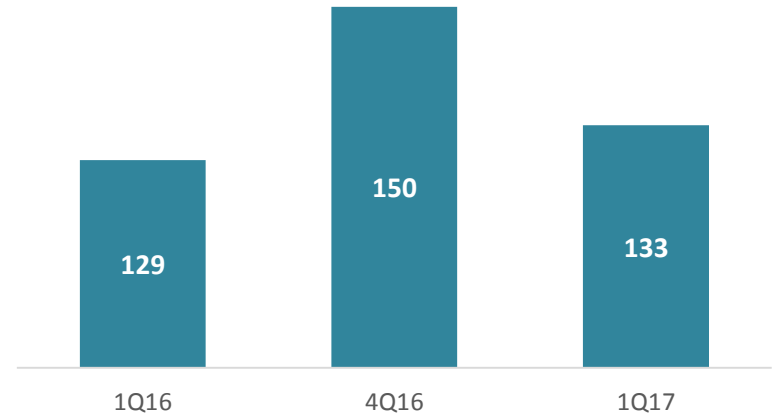


## Others\*

RM mn

+3.1%

-11.3%



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

### YoY

- Higher International Leased and Domestic Leased revenue

### YoY

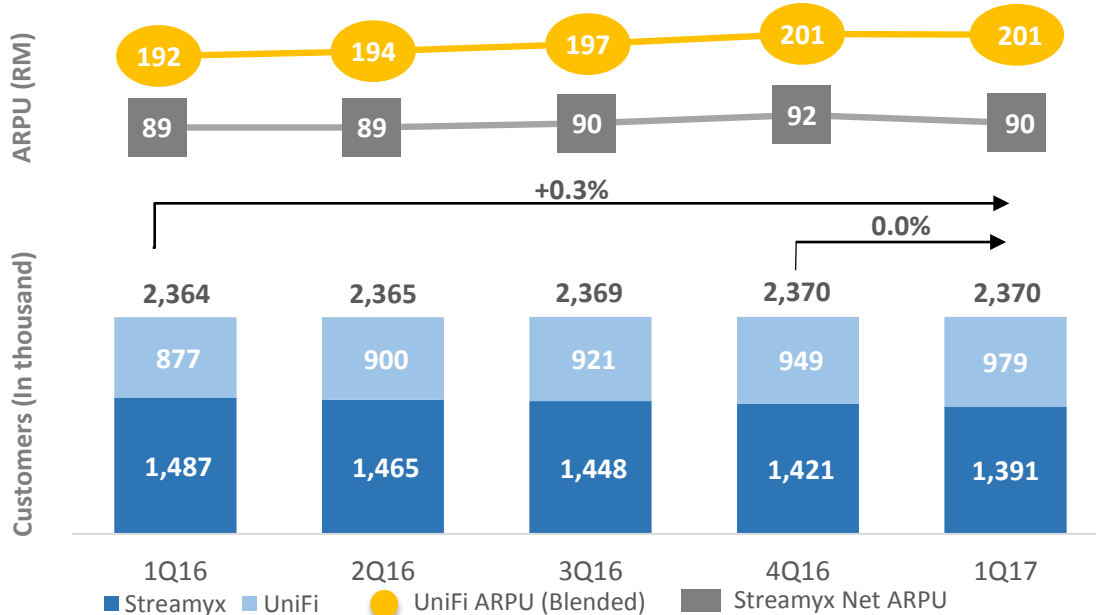
- Mainly from revenue recognition on share of GDV of property development

# Physical Highlights

## Healthy UniFi growth and stable ARPU



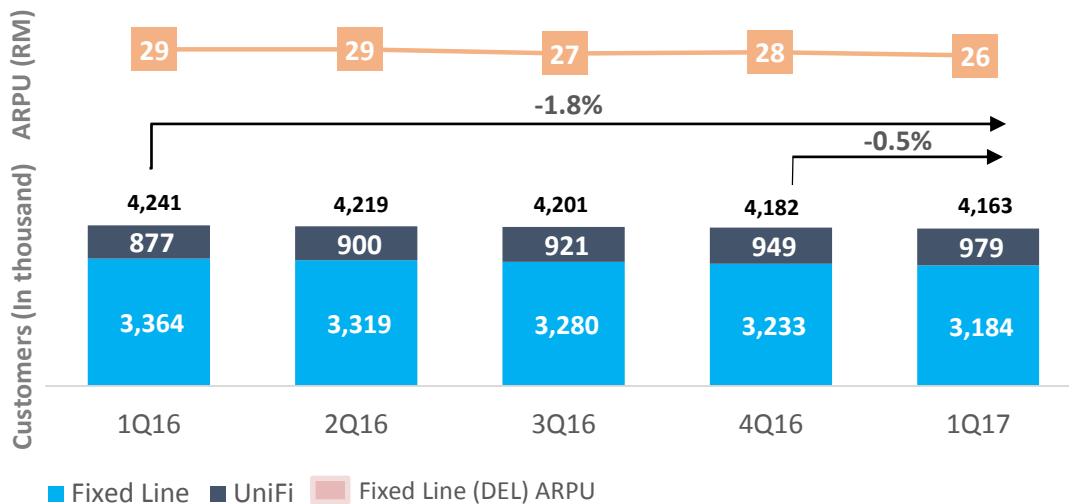
### Broadband



- UniFi customer base close to 979,000 customers
- Contribution from upselling and content revenue
- Webe achieved 4.2% penetration of TM Households\*

\*TM Household denotes households with at least 1 TM service

### Fixed Line



- ARPU at RM26

### webemobile biz™

One simple plan to take your business forward

**RM65** /month/line  
at 3 lines and above

RM79/month for every line, at 2 lines and below

We know simplicity and flexibility matters



Free 1GB per month tethering for your use any time.



Join us, we do not lock you down.

### webebroadband biz™

Instantly connect everyone at work from only

**RM99** /month

We know value and convenience matters



30GB + 20GB  
Free monthly quota



Join us, we do not lock you down.

## TM Cloud Summit 2017

- Held inaugural Cloud Summit 2017 for the Enterprise and Public Sector segments



- In April, we launched **webemobile biz** and **webebroadband biz** to cater to SME's broadband needs



- Deployment of Smart C-RAN for Smart Putrajaya project

- VADS' Twin Core Data Centres, in Iskandar Putri, Johor will be operational this year



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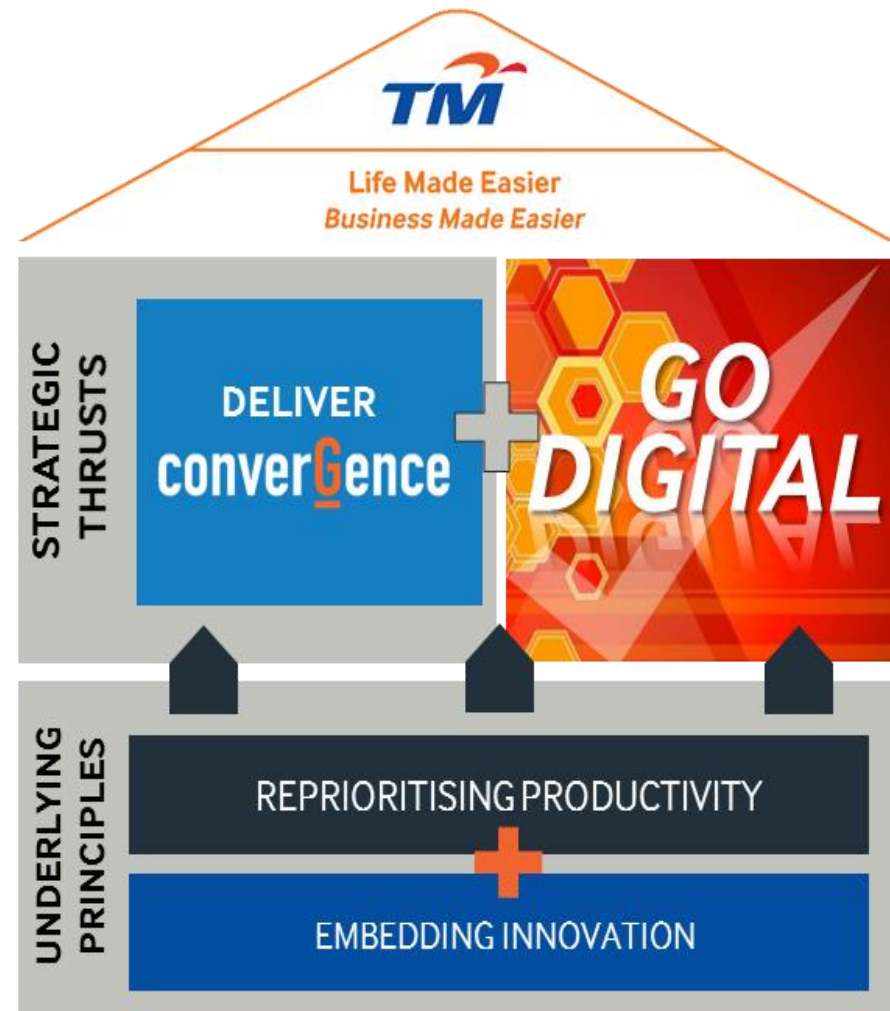
Communities become  
collaborative



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Nations become progressive

- Revenue higher by 3.8% YoY, driven by Internet, customer projects and ICT/BPO revenue
- Reported EBIT higher by 8.5% YoY to RM303.8mn  
Normalised EBIT at RM311.9mn
- Reported PATAMI lower by 28.5% YoY to RM230.4mn  
Normalised PATAMI higher by 13.2% YoY to RM229.8mn
- CAPEX/revenue ratio at 11.9%
- Malaysia Convergence Champion
  - Nationwide coverage for broadband & mobility
  - Good webe traction at 4.2% penetration of TM Households
  - 81% UniFi customers on packages 10Mbps and above
  - Stable ARPU



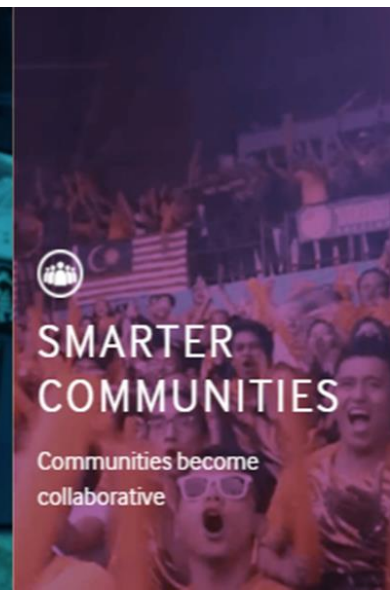
# Thank you!

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# Appendix



## Cost % Revenue

	1Q17	4Q16	1Q16	Comments (1Q17 vs. 1Q16)
<b>Total Revenue* (RM mn)</b>	<b>3,002.6</b>	3,266.3	2,896.8	
<b>Direct Costs %</b>	<b>19.0</b>	<b>18.0</b>	<b>18.8</b>	Increase in domestic roaming cost and higher cost of sales on ICT/BPO
RM mn	571.0	589.5	544.5	
<b>Manpower %</b>	<b>21.7</b>	<b>22.6</b>	<b>21.4</b>	Higher staff benefits
RM mn	651.9	737.2	620.4	
<b>Supplies &amp; Materials %</b>	<b>6.5</b>	<b>9.1</b>	<b>6.0</b>	Higher material and equipment cost at Managed Accounts
RM mn	193.9	298.2	174.9	
<b>Bad &amp; Doubtful Debts %</b>	<b>0.1</b>	<b>0.4</b>	<b>1.0</b>	Improvement in credit management & collection of bad debts
RM mn	4.4	11.9	30.1	
<b>Marketing Expenses %</b>	<b>3.1</b>	<b>3.5</b>	<b>3.3</b>	Lower commission on broadband packages and discontinuation of WiMax service
RM mn	93.3	115.6	95.9	
<b>Maintenance Cost %</b>	<b>6.1</b>	<b>6.2</b>	<b>5.9</b>	Expansion of comprehensive network managed services for ITNT and LTE services
RM mn	184.6	203.2	169.9	
<b>Other Operating Costs %</b>	<b>11.8</b>	<b>10.4</b>	<b>11.7</b>	Contribution from license fee on apparatus assignment and site rental in line with LTE rollout
RM mn	353.9	339.8	338.1	
<b>Depreciation &amp; Amortisation %</b>	<b>21.5</b>	<b>21.0</b>	<b>22.2</b>	Increased assetisation from major projects and submarine cable system
RM mn	645.8	685.0	643.1	
<b>Total Cost (RM mn)</b>	<b>2,698.8</b>	<b>2,980.4</b>	<b>2,616.9</b>	
<b>Total (%)</b>	<b>89.9</b>	<b>91.2</b>	<b>90.3</b>	

\*Total Revenue = Operating Revenue + Other Operating Income

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

## Normalised EBIT

RM mn	1Q17	4Q16	1Q16
<b>Reported EBIT</b>	<b>303.8</b>	<b>285.9</b>	<b>279.9</b>
Non Operational			
Unrealised FX Loss/(Gain) on International trade settlement	7.9	(62.1)	31.9
Loss on Sale of Assets	0.2	0.2	0.2
MESRA programme	-	76.3	-
<b>Normalised EBIT</b>	<b>311.9</b>	<b>300.3</b>	<b>312.0</b>
<b>Normalised EBIT Margin</b>	<b>10.4%</b>	<b>9.2%</b>	<b>10.8%</b>
<b>Reported EBIT Margin</b>	<b>10.1%</b>	<b>8.8%</b>	<b>9.7%</b>

*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	1Q17	4Q16	1Q16
<b>Reported PATAMI</b>	<b>230.4</b>	<b>154.3</b>	<b>322.4</b>
Non Operational			
Unrealised FX Loss/(Gain) on International trade Settlement (net of tax)	9.2	(53.6)	27.8
Other (Gain)/Losses <sup>1</sup>	4.9	(0.7)	(50.3)
Unwinding of discount on put option over shares of a subsidiary	8.0	7.0	7.6
Unrealised FX (Gain)/Loss on Long Term loans	(22.7)	120.5	(104.5)
MESRA programme	-	58.0	-
Tax Incentives <sup>2</sup>	-	(15.6)	-
<b>Normalised PATAMI</b>	<b>229.8</b>	<b>269.9</b>	<b>203.0</b>

<sup>1</sup>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

<sup>2</sup>2015 tax incentives that has been booked only in 4Q16

## Normalised EBITDA

RM mn	1Q17	4Q16	1Q16
<b>Reported EBITDA</b>	<b>949.6</b>	<b>970.9</b>	<b>923.0</b>
Non Operational			
Unrealised FX Loss/(Gain) on International trade Settlement	7.9	(62.1)	31.9
Loss on Sale of Assets	0.2	0.2	0.2
MESRA programme	-	76.3	-
<b>Normalised EBITDA</b>	<b>957.7</b>	<b>985.3</b>	<b>955.1</b>
<b>Normalised EBITDA Margin</b>	<b>31.9%</b>	<b>30.2%</b>	<b>33.0%</b>
<b>Reported EBITDA Margin</b>	<b>31.6%</b>	<b>29.7%</b>	<b>31.9%</b>

*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	1Q17	4Q16	1Q16
<b>Reported PBT</b>	<b>263.7</b>	<b>110.6</b>	<b>393.2</b>
Non Operational			
Unrealised FX Loss/(Gain) on International trade settlement	7.9	(62.1)	31.9
Other (Gain)/Losses*	4.9	(0.7)	(50.3)
Unwinding of discount on put option over shares of a subsidiary	8.0	7.0	7.6
Unrealised FX (Gain)/Loss on Long Term loans	(22.7)	120.5	(104.5)
MESRA programme	-	76.3	-
<b>Normalised PBT</b>	<b>261.8</b>	<b>251.6</b>	<b>277.9</b>

\* 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

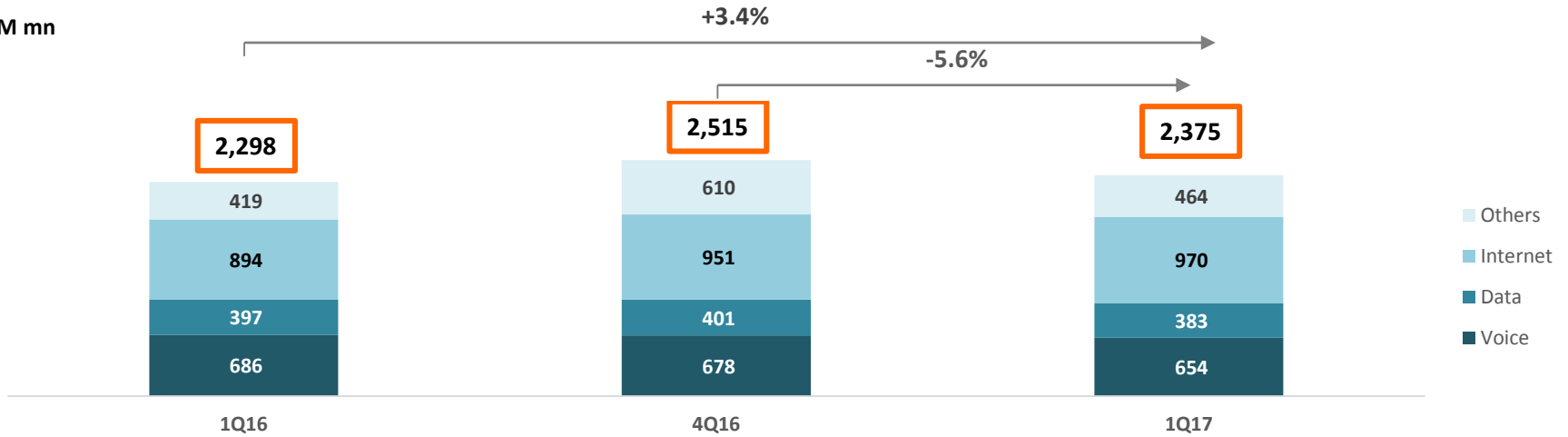


RM million	As at 31 Mar 2017	As at 31 Dec 2016
Shareholders' Funds	7,466.9	7,692.3
Non-Controlling Interests	94.2	140.2
Deferred & Long Term Liabilities	11,139.0	11,194.4
Long Term Borrowings	7,633.4	7,662.6
Derivative financial instruments	309.9	301.9
Deferred tax liabilities	1,541.8	1,514.8
Deferred income	1,649.6	1,711.4
Trade and other payables	4.3	3.7
	<b>18,700.1</b>	<b>19,026.9</b>
Current Assets	6,348.3	6,887.5
Trade Receivables	2,671.3	2,357.1
Other Receivables	810.8	801.1
Cash & Bank Balances	2,032.6	2,926.0
Others	833.6	803.3
Current Liabilities	5,487.8	5,974.7
Trade and Other Payables	3,679.8	4,103.0
Short Term Borrowings	584.1	700.7
Others	1,223.9	1,171.0
Net Current Assets/(Liabilities)	860.5	912.8
Property Plant & Equipment	15,729.4	16,010.6
Other Non-Current Assets	2,110.2	2,103.5
	<b>18,700.1</b>	<b>19,026.9</b>

# Revenue by Product by Customer Clusters

## Mass Market & Managed Accounts

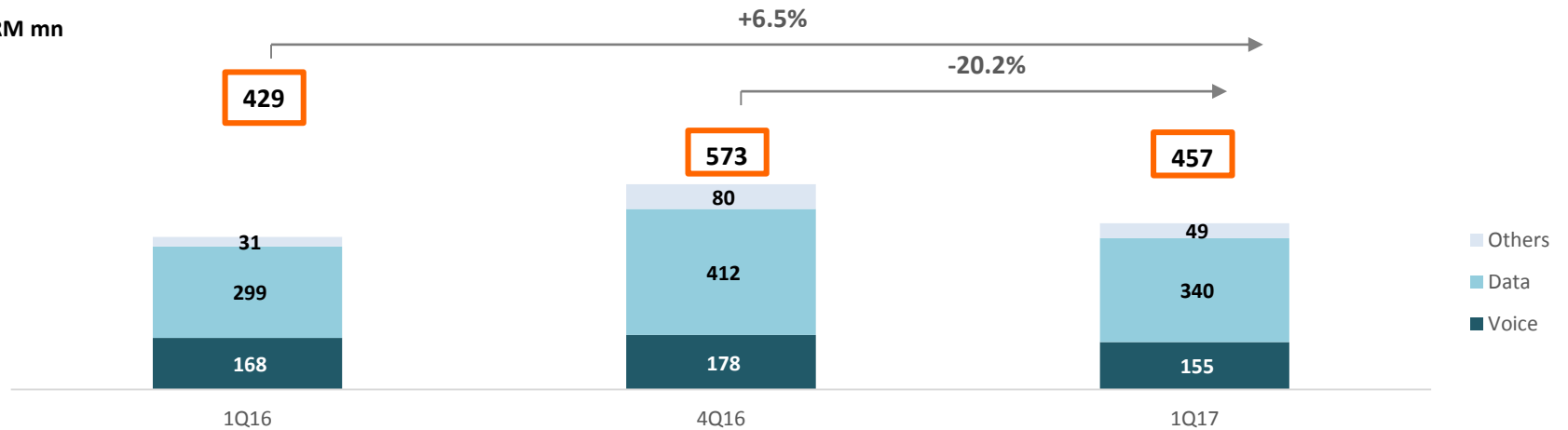
RM mn



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

## Global Wholesale

RM mn



Note: Total revenue is after inter-co elimination. Revenue by product is before inter-co elimination  
Unless stated otherwise all figures shall be inclusive of Webe

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