



#Enabling DigitalMalaysia

# Analyst Briefing 2Q 2020 Results

27 August 2020



# Management Representatives



**En. Imri Mokhtar**

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Managing Director / Group Chief Executive Officer



**En. Razidan Ghazalli**

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Group Chief Financial Officer



# Analyst Briefing

Smart Tourism

## 2Q 2020 Results

Performance Overview

Operating Highlights

Concluding Remarks

Appendices

TM 5G



Smart Tourism



Smart Parking



#Enabling DigitalMalaysia

Smart Traffic Lights



Smart Vehicle Management System

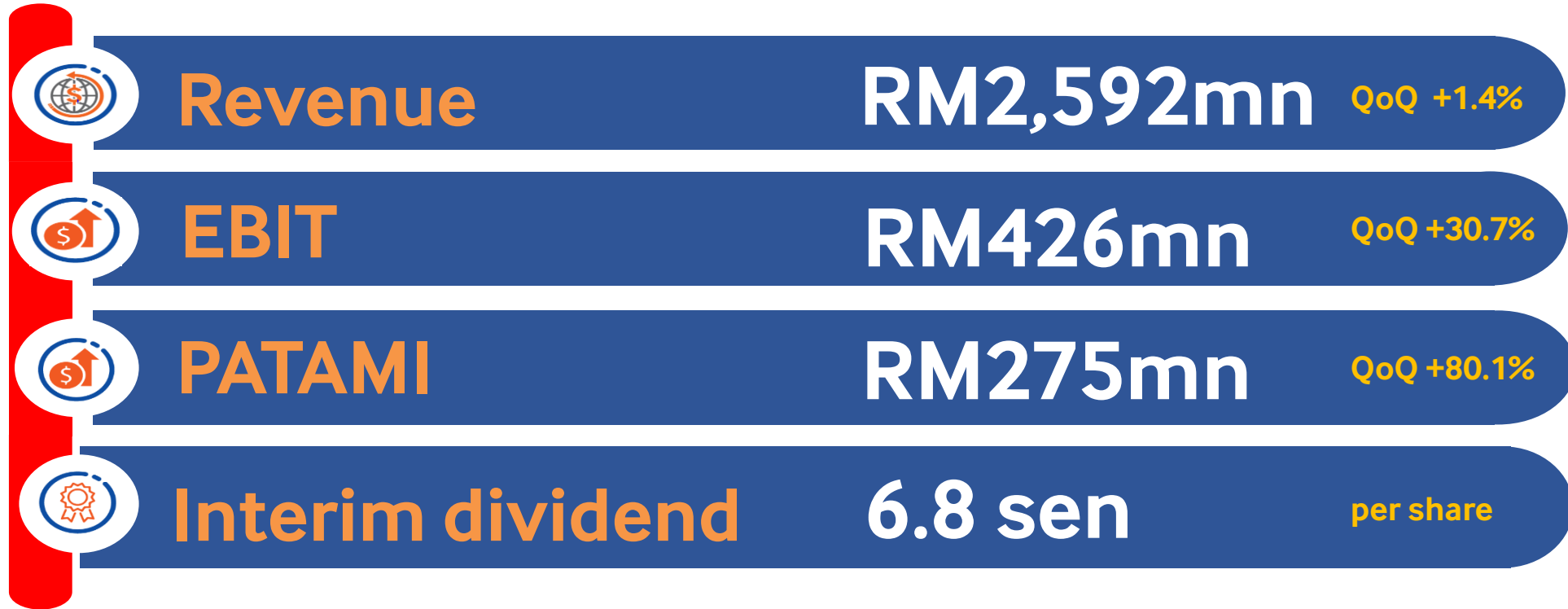


Smart Agriculture



# Key Highlights

## 2Q 2020



- Resilient QoQ performance during pandemic period
- Cost optimisation programs continue to yield results

# TM Group Results



## 1H 2020

RM mn	2Q 2019	1Q 2020	2Q 2020	1H 2020	QoQ	YoY	YTD
Revenue	2,768.6	2,557.1	2,592.0	5,149.1	1.4%	-6.4%	-7.2%
EBITDA	971.2	909.7	961.9	1,871.6	5.7%	-1.0%	-8.1%
Normalised EBITDA	960.9	918.5	965.9	1,884.4	5.2%	0.5%	-7.4%
Depreciation & Amortisation	698.1	583.6	535.6	1,119.2	-8.2%	-23.3%	-11.1%
EBIT	273.1	326.1	426.3	752.4	30.7%	56.1%	-3.3%
Normalised EBIT	387.4	334.9	430.3	765.2	28.5%	11.1%	-15.0%
Net Finance Cost*	102.2	84.7	95.0	179.7	12.2%	-7.0%	-7.5%
Profit Before Tax	147.5	160.1	345.2	505.3	>100.0%	>100.0%	-13.6%
PATAMI	114.2	152.5	274.7	427.2	80.1%	>100.0%	1.1%
Normalised PATAMI	226.8	240.8	267.6	508.4	11.1%	18.0%	-2.8%

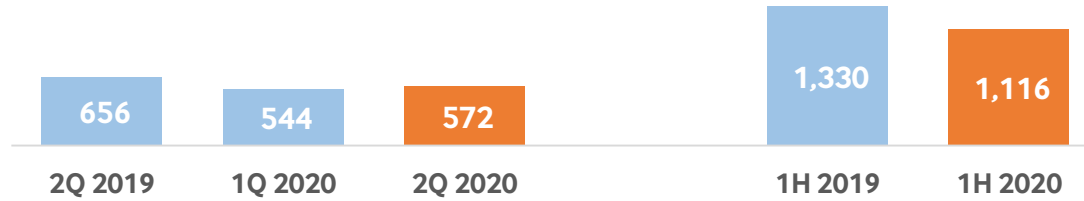
Notes:

\*Excluding FX gain/loss

# Group Total Revenue by Product



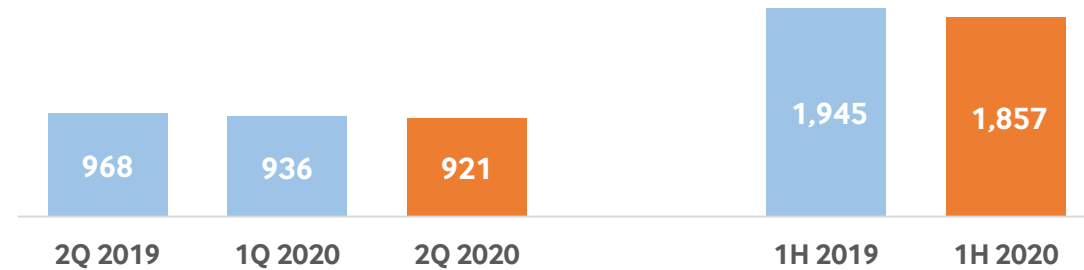
Voice



QoQ +5.2%  
YoY -12.8%  
YTD -16.1%



Internet



QoQ -1.7%  
YoY -4.9%  
YTD -4.5%



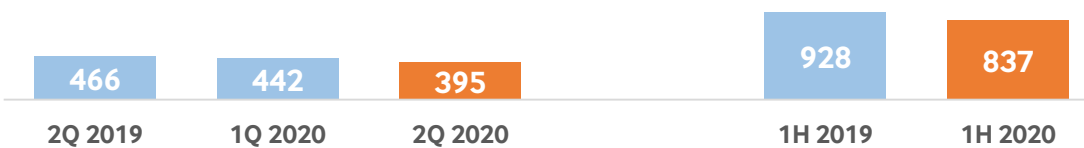
Data



QoQ +10.8%  
YoY +3.7%  
YTD -0.4%



Others



QoQ -10.6%  
YoY -15.2%  
YTD -9.8%

## Remarks QoQ :

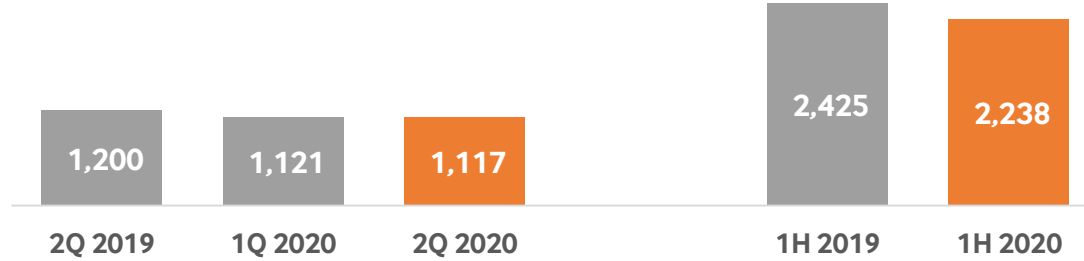
Higher global voice revenue

Lower Streamyx revenue

Higher IRU and domestic data

Lower ICT & BPO revenue

# Segmental Revenue by Cluster



QoQ -0.3%  
YoY -6.9%  
YTD -7.7%

## Remarks QoQ:

Lower Streamyx revenue due to lower customer base



QoQ -3.0%  
YoY -9.6%  
YTD -7.7%

Lower ICT revenue and customer projects



QoQ +20.7%  
YoY +2.0%  
YTD -4.4%

Higher IRU & domestic data

Others



QoQ -24.0%  
YoY -13.2%  
YTD -9.9%

Lower fees from MMU and lower ticket sales from MKL



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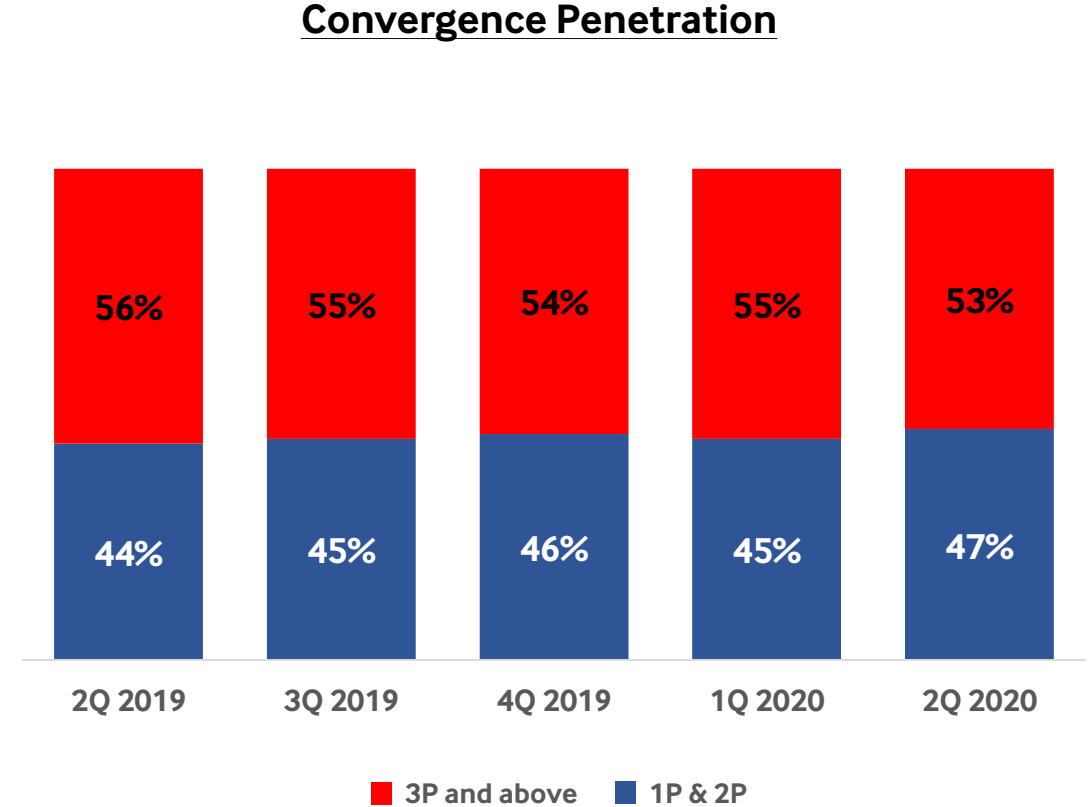
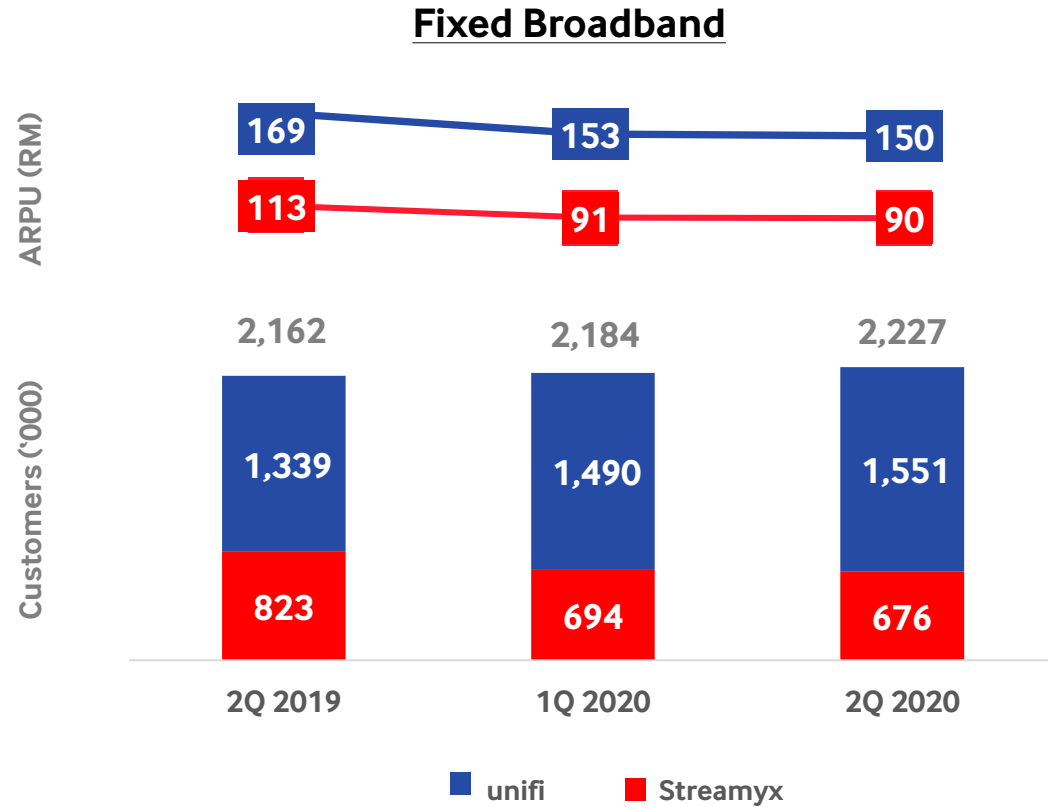


Smart Vehicle Management System





# Unifi Operating Matrix



#### Fixed Broadband

- Total fixed broadband customers increased by 2% contributed by encouraging unifi subscriber growth by 4% on quarterly basis

#### Convergence Penetration

- TM households now at 53% during the pandemic period as customers prioritise spending on core products

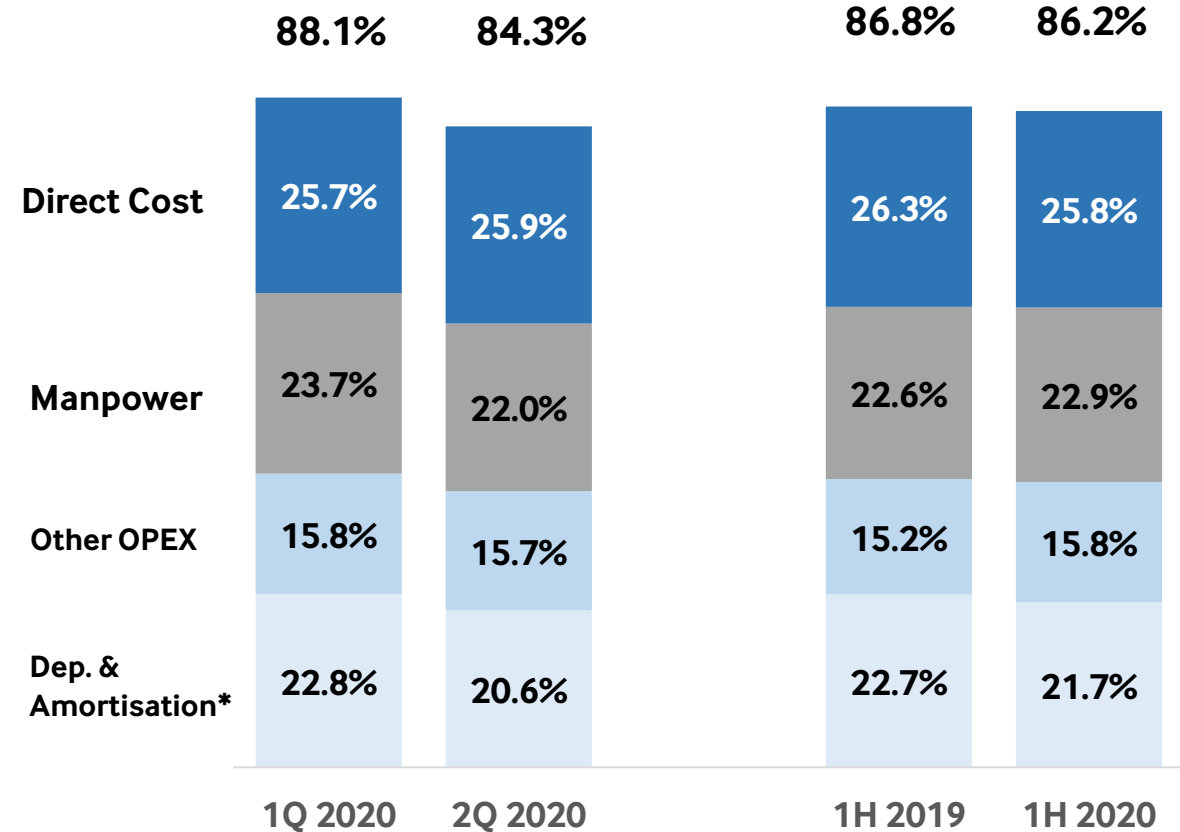
# Group OPEX

## Total cost is lower QoQ and against YTD 2019

### TM Group Cost Breakdown

RM mn	1Q 2020	2Q 2020	1H 2019	1H 2020
<b>Revenue</b>	<b>2,557</b>	<b>2,592</b>	<b>5,548</b>	<b>5,149</b>
Direct Cost	658	671	1,460	1,329
Manpower	607	571	1,254	1,178
Other OPEX	403	408	842	811
<b>Total OPEX</b>	<b>1,668</b>	<b>1,650</b>	<b>3,556</b>	<b>3,318</b>
Dep. & Amortisation	584	535	1,134	1,119
Impairment	-	-	124	-
<b>Total Cost</b>	<b>2,252</b>	<b>2,185</b>	<b>4,814</b>	<b>4,437</b>

### % Total Cost to Revenue



Notes:

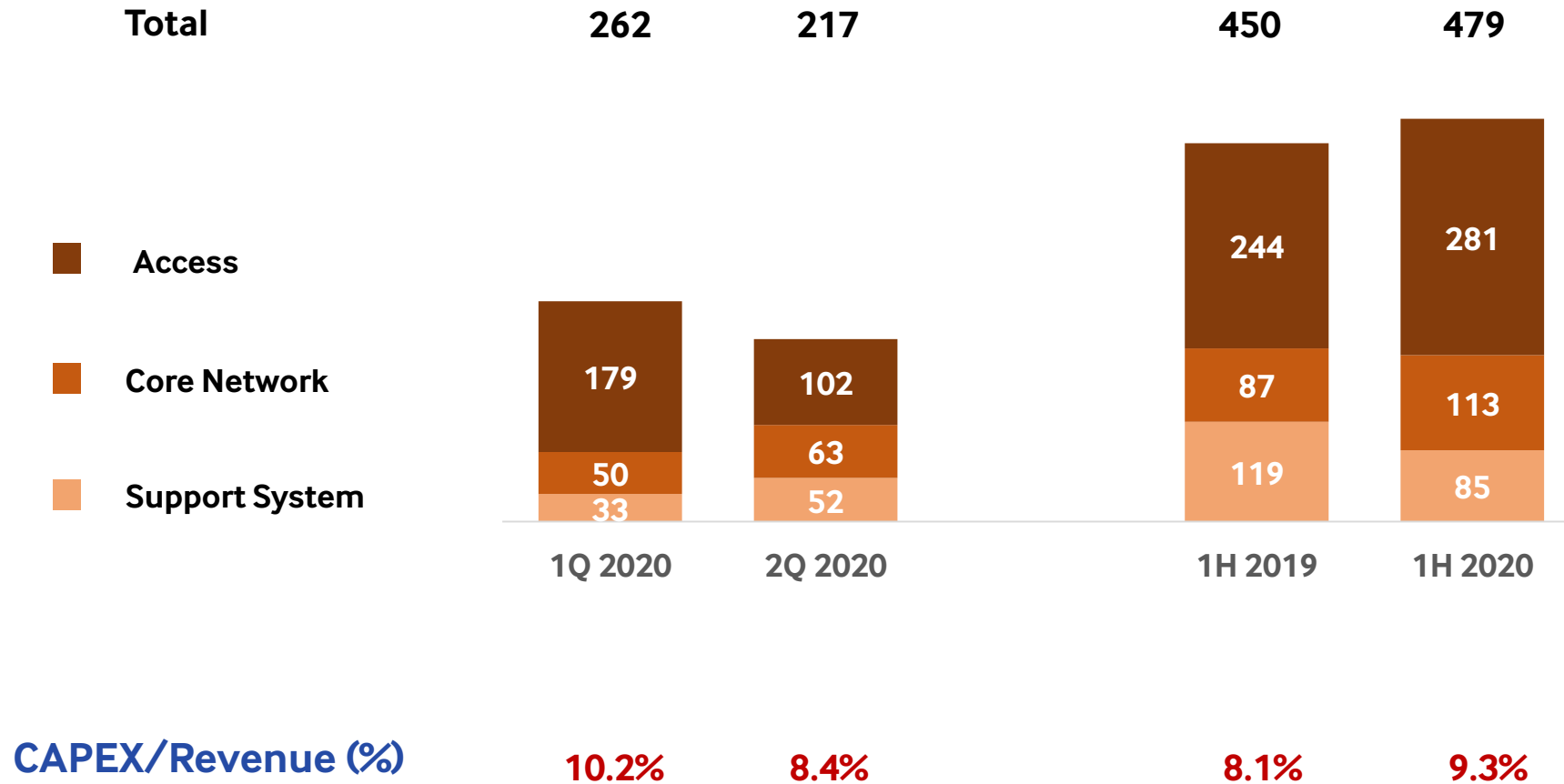
\*Including impairment

# Group CAPEX

Actual YTD spending is 9.3% of revenue



TM CAPEX Breakdown (RM mn)



# Group Cashflow & Financial Ratios

RM mn	1H 2020	1H 2019
<b>Cash Flows from Operating Activities</b>	<b>695</b>	<b>1,086</b>
<b>Cash Flows from Investing Activities</b>	<b>-571</b>	<b>-502</b>
<b>Cash Flows from Financing Activities</b>	<b>-643</b>	<b>-216</b>
Cash and Cash Equivalents at beginning of the Financial Period	4,786	2,757
Effect of exchange rate changes	7	2
Cash and Cash Equivalents at end of Financial Period	<b>4,274</b>	<b>3,127</b>
<i>Free Cash Flow<sup>1</sup></i>	<b>1,187</b>	<b>1,366</b>

Financial Ratios	1H 2020 <sup>2</sup>	FY 2019 <sup>2</sup>
<b>Return on Invested Capital</b>	<b>7.35%</b>	<b>7.99%</b>
<b>Return on Equity</b>	<b>13.56%</b>	<b>13.45%</b>
<b>Return on Assets</b>	<b>3.99%</b>	<b>4.06%</b>
<b>Current Ratio</b>	<b>1.37</b>	<b>1.28</b>
<b>WACC</b>	<b>7.58%</b>	<b>8.86%</b>
<b>Gross Debt to EBITDA</b>	<b>2.74</b>	<b>2.38</b>
<b>Net Debt/EBITDA</b>	<b>1.76</b>	<b>1.42</b>
<b>Gross Debt/Equity</b>	<b>1.46</b>	<b>1.29</b>
<b>Net Debt/Equity</b>	<b>0.94</b>	<b>0.77</b>
<b>Net Assets/Share (sen)</b>	<b>197.22</b>	<b>195.28</b>

*Note(s):*

<sup>1</sup> Free Cash Flow = EBITDA-CAPEX-Lease Repayments

<sup>2</sup> Based on 12 months trailing figures and normalised numbers where applicable



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# Key Takeaways

**1**

**Amidst the uncertainty created by the Covid-19 pandemic, TM is now able to resume our on-the-ground sales activities and continue to provide the quality service and experience for our customers in the remaining quarters of 2020.**

**2**

**The Group continues its commitment to maintain business profitability for the coming quarters of 2020. This has been made evident through the resilient financial performance recorded from the current financial period to date and even more so in the current quarter ended, being the first full quarter under MCO.**

**3**

**TM recovered during the challenging new normal and further grew our QoQ growth momentum. Unifi subscribers recorded positive traction as customers that work from home are more reliant on fixed broadband whilst wholesale continue to gain traction attributed to higher IRU and domestic data revenue. We remain positive on TM One's contributions through innovative solutions in the coming quarters.**

**4**

**In our unique role as the enabler of Malaysia's Digital Nation aspiration, we continue to ensure, that our network is always available to customers, so they can stay connected, productive, and continue to be served. TM is committed in ensuring that our customers come first and will continue to enhance our customer experience.**

**5**

**TM anticipates that our cost optimisation initiatives will continue to bear fruit which will translate into positive margins for the Group.**



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# Cost % Revenue

Revenue (RM mn)	2Q 2019	1Q 2020	2Q 2020	QoQ (%)	YoY (%)	1H 2019	1H 2020	YTD (%)	Comments 1H 2020 v 1H 2019
	2,769	2,557	2,592			5,548	5,149		
<b>Direct Costs %</b>	<b>27.6%</b>	<b>25.7%</b>	<b>25.9%</b>			<b>26.3%</b>	<b>25.8%</b>		<ul style="list-style-type: none"> <li>Lower ICT &amp; customer projects</li> <li>Lower international outpayment &amp; domestic interconnect</li> <li>Lower content cost Costs</li> </ul>
RM mn	765	658	671	2.0%	-12.3%	1,460	1,329	-9.0%	
<b>Manpower %</b>	<b>23.3%</b>	<b>23.7%</b>	<b>22.0%</b>			<b>22.6%</b>	<b>22.9%</b>		<ul style="list-style-type: none"> <li>Lower Headcount</li> </ul>
RM mn	644	607	571	-5.9%	-11.3%	1,254	1,178	-6.1%	
<b>Other OPEX %</b>	<b>14.8%</b>	<b>15.8%</b>	<b>15.7%</b>			<b>15.2%</b>	<b>15.8%</b>		<ul style="list-style-type: none"> <li>Reclassification of Rental to ROU assets &amp; liabilities</li> <li>Lower Maintenance Cost</li> <li>Lower Utilities</li> </ul>
RM mn	410	403	408	1.2%	-0.5%	842	811	-3.7%	
<b>Dep &amp; Amortisation %</b>	<b>20.7%</b>	<b>22.8%</b>	<b>20.6%</b>			<b>20.4%</b>	<b>21.7%</b>		<ul style="list-style-type: none"> <li>Higher PPE depreciation</li> </ul>
RM mn	574	584	535	-8.4%	-6.8%	1,134	1,119	-1.3%	
<b>Impairment%</b>	<b>4.5%</b>	<b>0.0%</b>	<b>0.0%</b>			<b>2.3%</b>	<b>0.0%</b>		
RM mn	124	-	-	-	-> 100%	124	-	-> 100%	
<b>Total Cost (RM mn)</b>	<b>2,517</b>	<b>2,252</b>	<b>2,185</b>	<b>-3.0%</b>	<b>-13.2%</b>	<b>4,814</b>	<b>4,437</b>	<b>-7.8%</b>	
<b>Total (%)</b>	<b>90.9%</b>	<b>88.1%</b>	<b>84.3%</b>	<b>-3.8 p.p</b>	<b>-6.6 p.p</b>	<b>86.8%</b>	<b>86.2%</b>	<b>-0.6 p.p.</b>	



# Statement of Financial Position



RM mn	As At 30 June 2020	As At 31 Dec 2019	Var.
Shareholders' Funds	7,426	7,353	1.0%
Non-controlling Interests	(813)	(800)	1.6%
Deferred & Long Term Liabilities	12,273	12,570	-2.4%
<i>Long Term Borrowings</i>	7,478	7,699	-2.9%
<i>Lease Liabilities</i>	1,599	1,619	-1.2%
<i>Deferred Tax</i>	1,424	1,424	0.0%
<i>Deferred Income</i>	1,683	1,744	-3.5%
<i>Others</i>	89	84	5.9%
	<b>18,886</b>	<b>19,123</b>	<b>-1.2%</b>
Current Assets	8,536	8,591	-0.6%
<i>Trade and Other Receivables</i>	2,794	2,435	14.7%
<i>Cash &amp; Bank Balances</i>	4,407	4,918	-10.4%
<i>Inventories</i>	97	102	-4.9%
<i>Others</i>	1,238	1,136	9.0%
Current Liabilities	6,199	6,476	-4.3%
<i>Trade and Other Payables</i>	3,040	3,604	-15.6%
<i>Short Term Borrowings</i>	1,295	1,034	25.2%
<i>Lease Liabilities</i>	297	296	0.3%
<i>Others</i>	1,567	1,542	1.6%
Net Current Assets/(Liabilities)	2,337	2,115	10.5%
Non-Current Assets	16,549	17,008	-2.7%
<i>Property Plant &amp; Equipment</i>	13,757	14,260	-3.5%
<i>Other Non-Current Assets</i>	2,792	2,748	1.6%
	<b>18,886</b>	<b>19,123</b>	<b>-1.2%</b>

# Enabling Digital Malaysia through our robust network

Increase reach and connectivity and help rebuild the economy post Covid10

“The Nation’s Connectivity Infrastructure Provider”



Reinforce our capabilities to drive a Digital Malaysia via 5G Demo Projects



#sTayhoMe and sTayMindful – TM initiatives to support the nation during MCO

#sTayhoMe  
#stayconnected  
#staystrong



In support of #kitajagakita



‘Digital Education’ for Malaysians via nurturing young talents, REskilling, UPskilling

Post Covid-19 crisis (Recovery Phase)

TOGETHER Rebuild & Return Stronger a ‘Sustainable & Resilient Malaysia’



“The Nation’s Connectivity Infrastructure Provider”  
Digital Connectivity for ALL



Supercharging the economic for :



Sustainable Career Growth (Reskilling & Upskilling)



Sustainable Livelihoods

# Supporting the wellbeing of the Nation and people



## EDUCATION Building Talents & Digital Capabilities

**TM School Adoption Programme**



**Yayasan TM Future Leaders Scholarship**



**Multimedia University**



**TM Future Skills Programme**

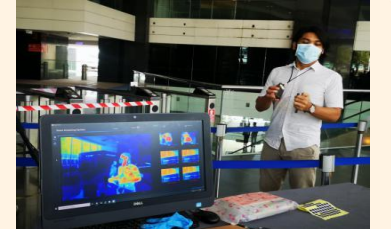


## RESEARCH Digital Innovation Centre of Excellence

**Multimedia University**



**TM R&D EWAR**



## ENTREPRENEURSHIP Empowering Digital Entrepreneurs

**TM Women Entrepreneur / Dynapreneurs Programme**



**Rapid TVET programme with youth**



## COMMUNITY Increasing connectivity and humanitarian aid

**Provided unifi Air for Din Jumper (Yoodoo Gank Player)**



**Upgraded Pusat Internet Kg Pinggan-Pinggan, Pitas, Sabah to 300Mbps (Veveonah Mosibin)**



**TM Earth Camp, Corals Malaysia Incubators Programme**



**Disaster Response Initiatives with GDRN & TMrovers**





# Thank you

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