

3Q 2018 RESULTS

Analyst Briefing

26 November 2018

Life
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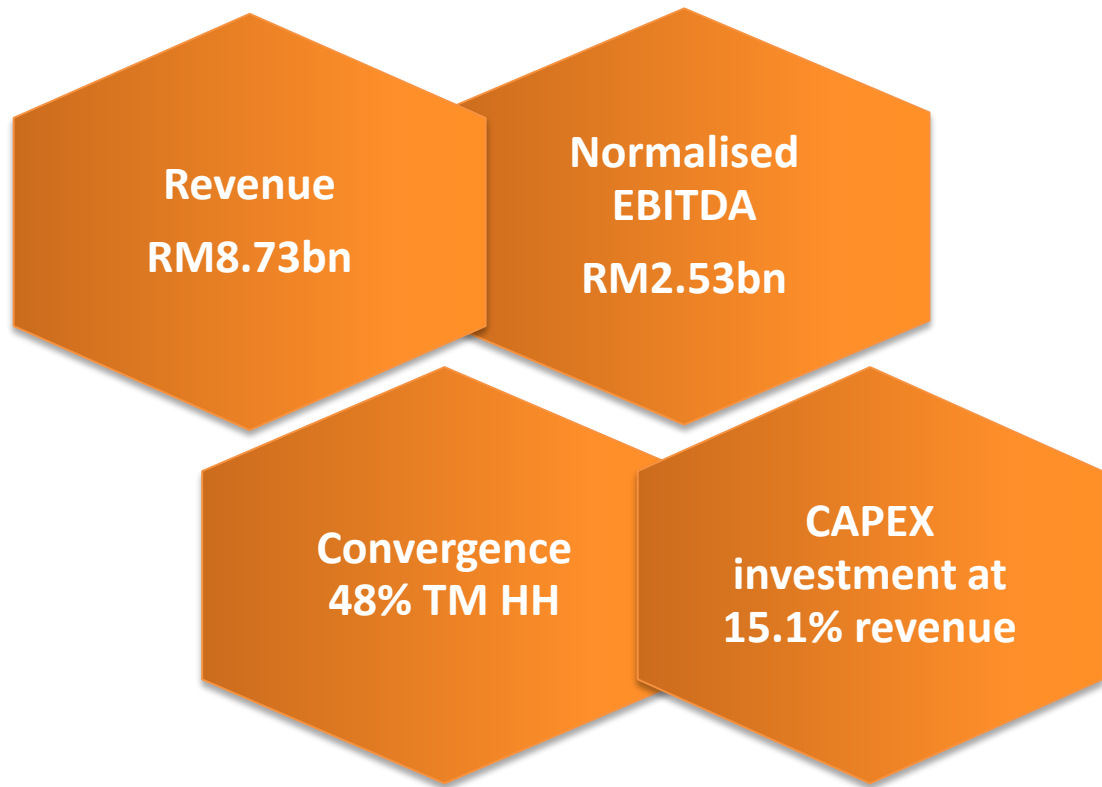


**Performance
Overview**

**Operating
Highlights**

**Concluding
Remarks**

3Q 2018 Highlights



- Improved operational performance for QoQ and YoY with steady revenue and better EBITDA
- Prudent measure - impairment of network assets
- Capex investment within guidance

Group Results 3Q 2018

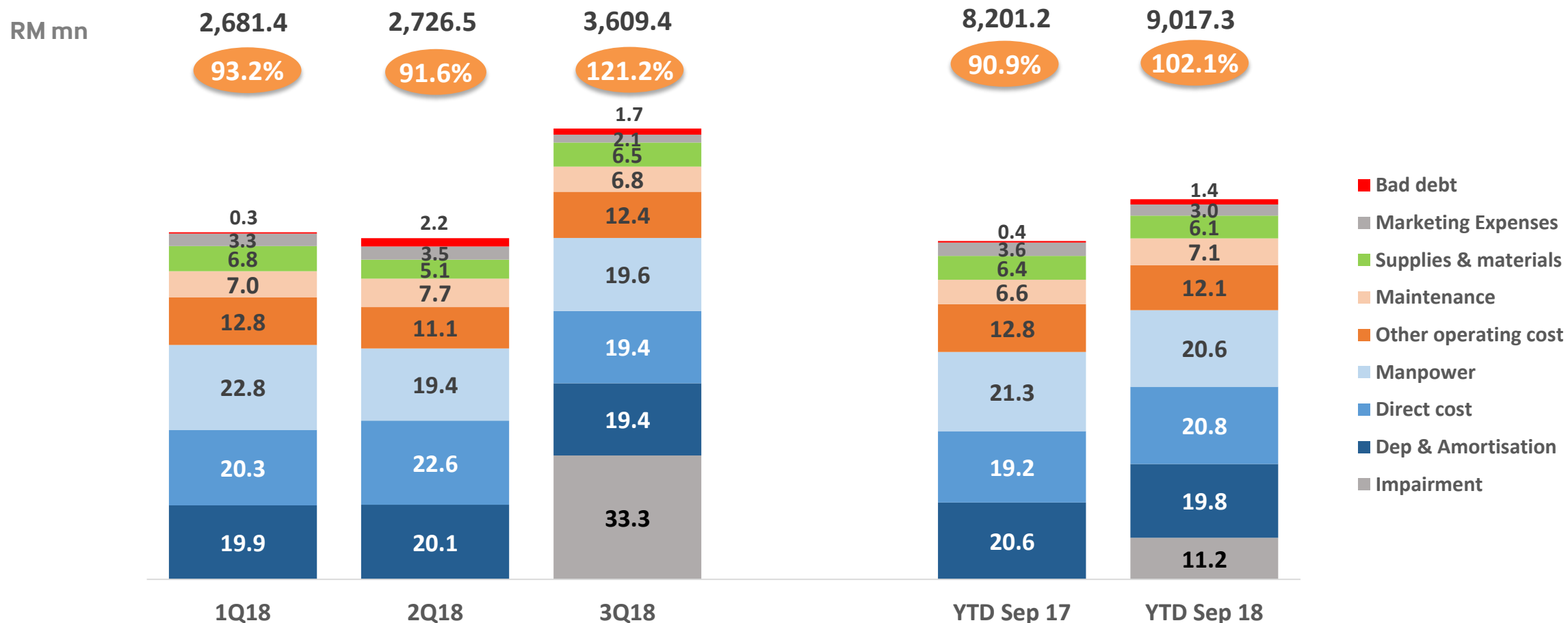


RM mn	Reported							
	3Q18	2Q18	Change QoQ	3Q17	Change YoY	YTD Sep 18	YTD Sep 17	Change YTD
Revenue	2,946.0	2,936.4	+0.3%	2,940.4	+0.2%	8,730.4	8,885.2	-1.7%
Other Operating Income	31.6	39.0	-19.0%	42.0	-24.8%	99.6	138.4	-28.0%
EBITDA	941.4	845.9	+11.3%	878.7	+7.1%	2,554.0	2,682.9	-4.8%
Normalised EBITDA	930.9	823.4	+13.1%	889.1	+4.7%	2,532.0	2,748.8	-7.9%
Depn & Amort.	1,573.2	597.0	+>100.0%	617.2	+>100.0%	2,741.3	1,860.5	+47.3%
<i>Impairment</i>	995.4	-	+>100.0%	-	+>100.0%	995.4	(0.2)	+>100.0%
(LBIT) / EBIT	(631.8)	248.9	->100.0%	261.5	->100.0%	(187.3)	822.4	->100.0%
Normalised EBIT	315.6	226.4	+39.4%	271.9	+16.1%	748.6	888.3	-15.7%
Other Gains / (Losses)	312.0	(0.2)	+>100.0%	(1.9)	+>100.0%	310.1	(5.5)	+>100.0%
Net Finance Cost*	80.0	80.4	-0.4%	58.9	+35.8%	234.7	198.5	+18.2%
FX (Loss) / Gain	(37.3)	(65.4)	-43.0%	27.0	->100.0%	(33.6)	99.7	->100.0%
(Loss) / Profit Before Tax	(431.6)	108.4	->100.0%	235.5	->100.0%	(129.0)	740.4	->100.0%
PATAMI	(175.6)	102.0	->100.0%	211.8	->100.0%	83.5	652.7	-87.2%
Normalised PATAMI	266.4	155.8	+71.0%	203.5	+30.9%	527.5	641.3	-17.7%

*Excludes FX Gain/(Loss)

Cost % Revenue¹

Cost rationalization initiatives yielding results, however higher D&A due to impairment, excluding which, cost % of revenue would be better at 86.7% for 3Q18 and 90.5% for YTD Sep 18.



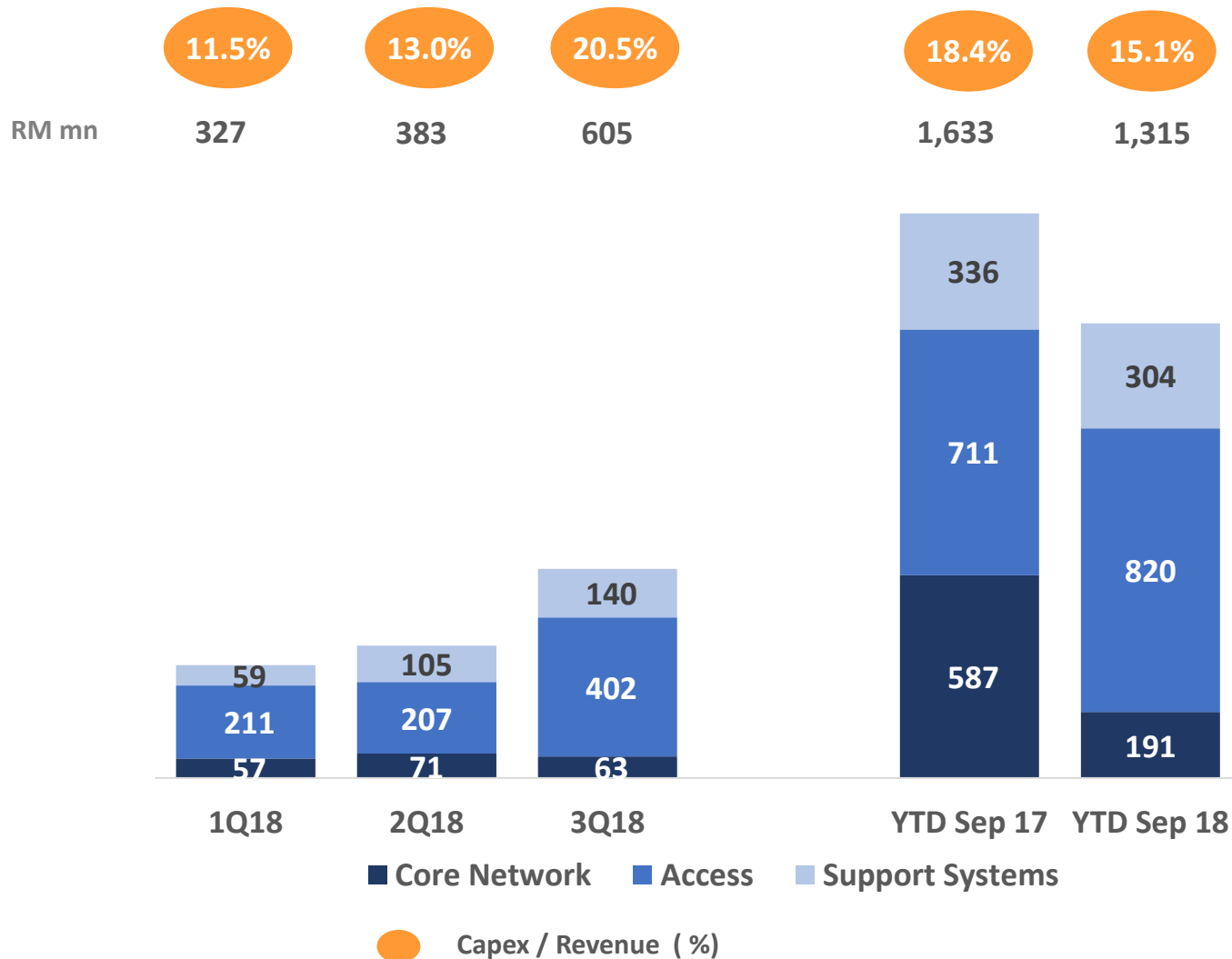
Total Cost / Revenue (%)

¹ Revenue = Operating Revenue + Other Operating Income

Note: The classification of cost is as per financial reporting

Group Capital Expenditure

Capex within guidance



- Capex/Revenue ratio at 15.1%
- 15% Core Network
62% Access
23% Support Systems

Group Cash Flow

Cash flow remains stable

RM mn	YTD Sep 18	YTD Sep 17
Cash & cash equivalent at start	1,719.0	2,925.2
Cash flows from operating activities	1,084.2	1,220.3
Cash flows used in investing activities	(846.2)	(1,925.5)
Capex	1,315.3	1,633.1
Cash flows used in financing activities	220.0	(184.8)
Effect of exchange rate changes	14.4	(41.2)
Cash & cash equivalent at end	2,191.4	1,994.0
Free cash-flow (EBITDA – Capex)	1,238.7	1,049.8

2nd interim cash dividend of 12.1 sen per share amounting to RM454.7 million in respect of financial year ended 31 December 2017 was paid on 13 April 2018.

	30 Sep 18	31 Dec 17
Return on Invested Capital ¹	4.77%	5.80%
Return on Equity ²	9.17%	11.11%
Return on Assets ¹	4.13%	4.77%
Current Ratio ³	1.16	0.98
WACC	7.29%	6.61%

	30 Sep 18	31 Dec 17
Gross Debt to EBITDA	2.50	2.31
Net Debt/EBITDA	1.93	1.66
Gross Debt/Equity	1.18	1.04
Net Debt/Equity	0.89	0.82
Net Assets/Share (sen)	199.6	208.7

¹ Based on Normalised EBIT

² Based on Normalised PATAMI

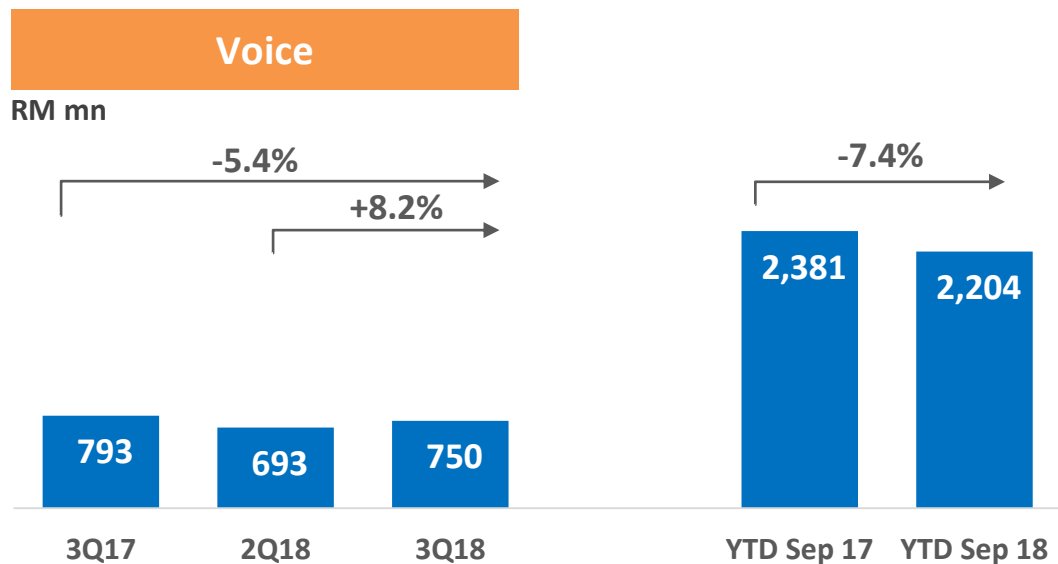


**Performance
Overview**

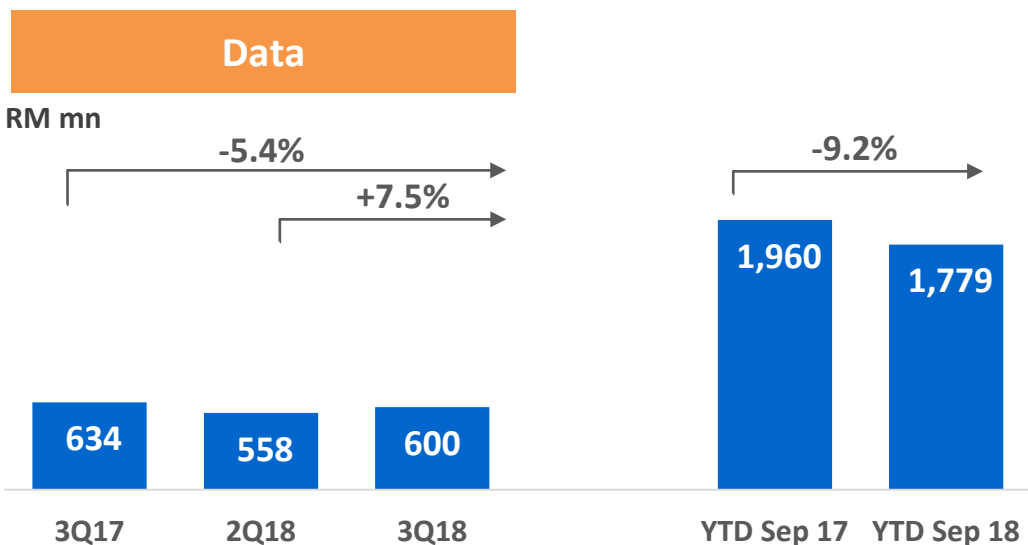
**Operating
Highlights**

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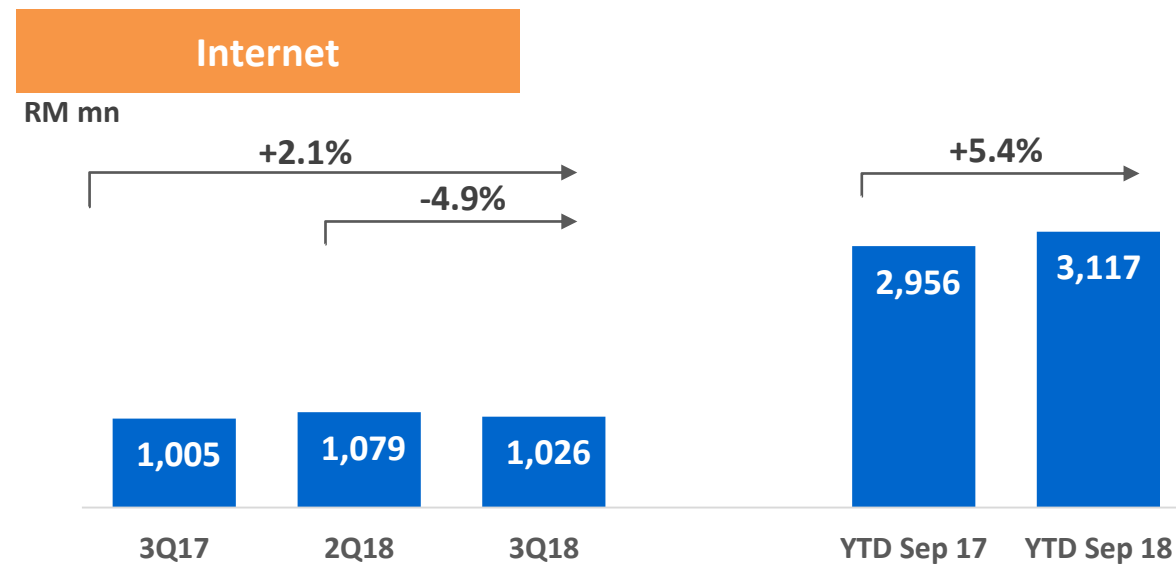
Group Total Revenue by Product



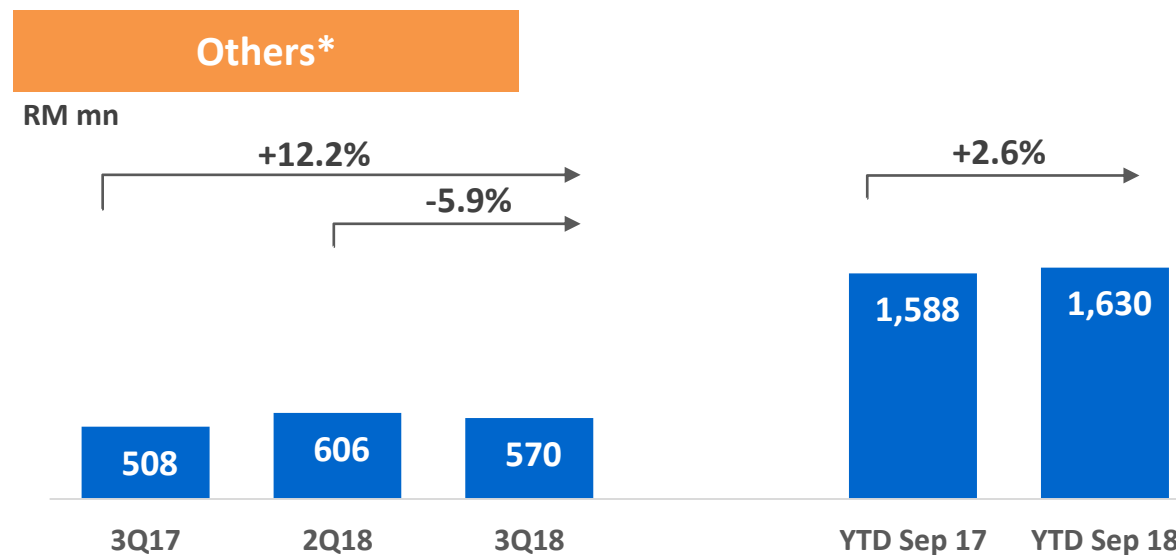
- YTD: Lower traffic minutes and lower customers base



- YTD: Lower data and leased services at TM GLOBAL due to MSAP

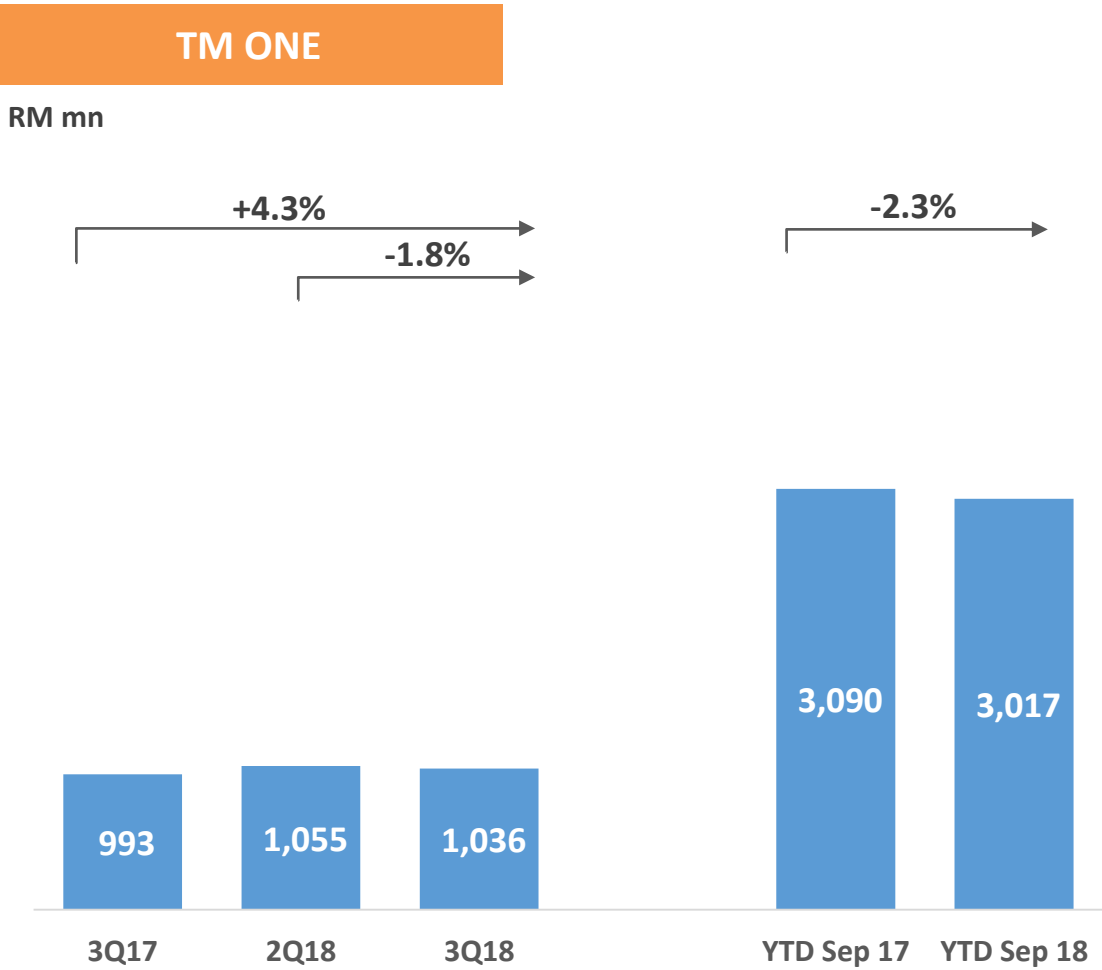
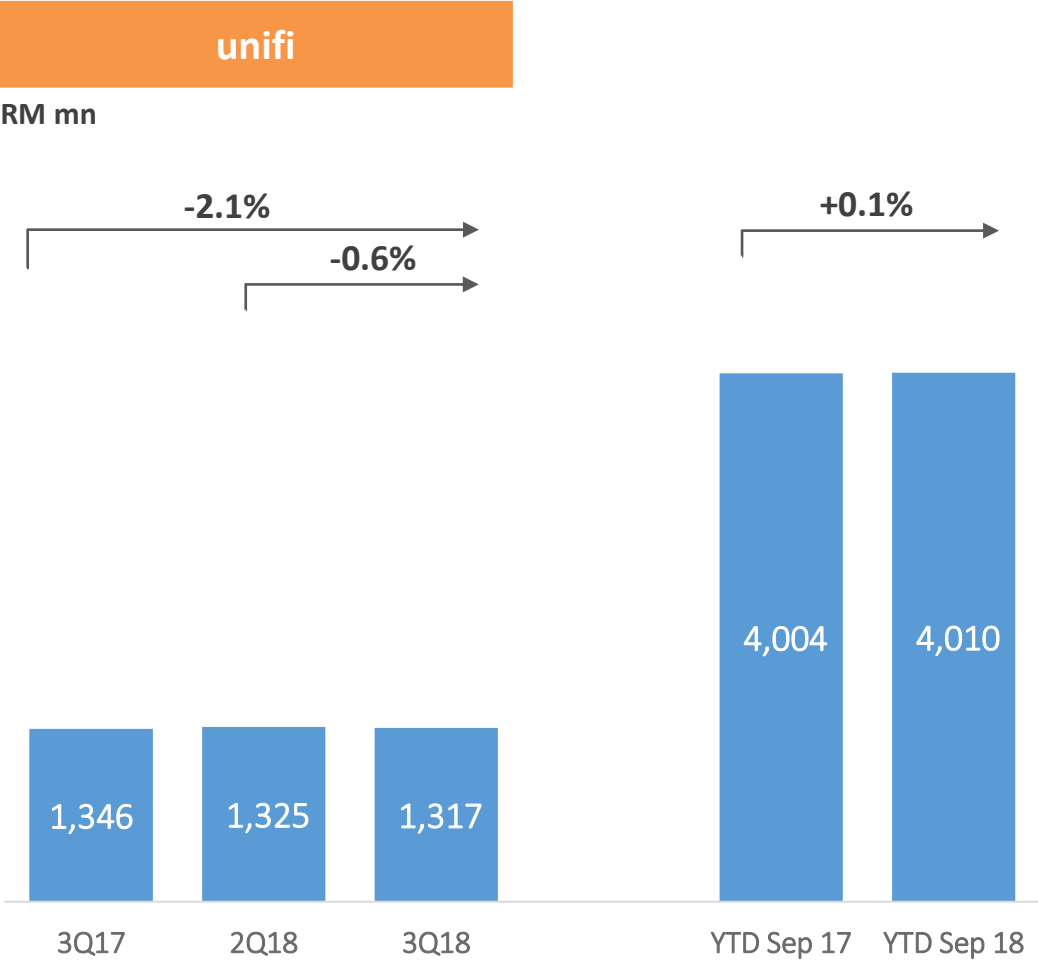


- YTD: Higher unifi TV premium channel buys and higher customer base in unifi mobile



- YTD: Higher customer projects at TM ONE

Revenue by Customer Clusters



➤ YTD: Higher unifi TV and unifi mobile, offset by the decline in pre-unifi

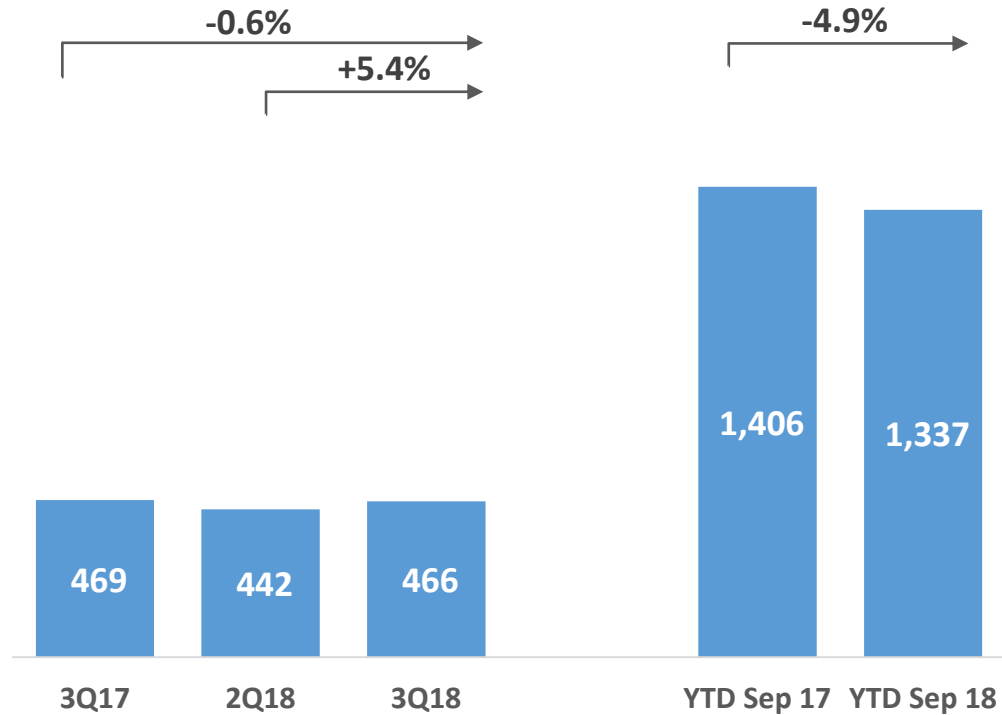
➤ YTD: Lower USP revenue recognised and lower voice revenue

Note: Total revenue is after inter-co eliminations

Revenue by Customer Clusters

TM GLOBAL

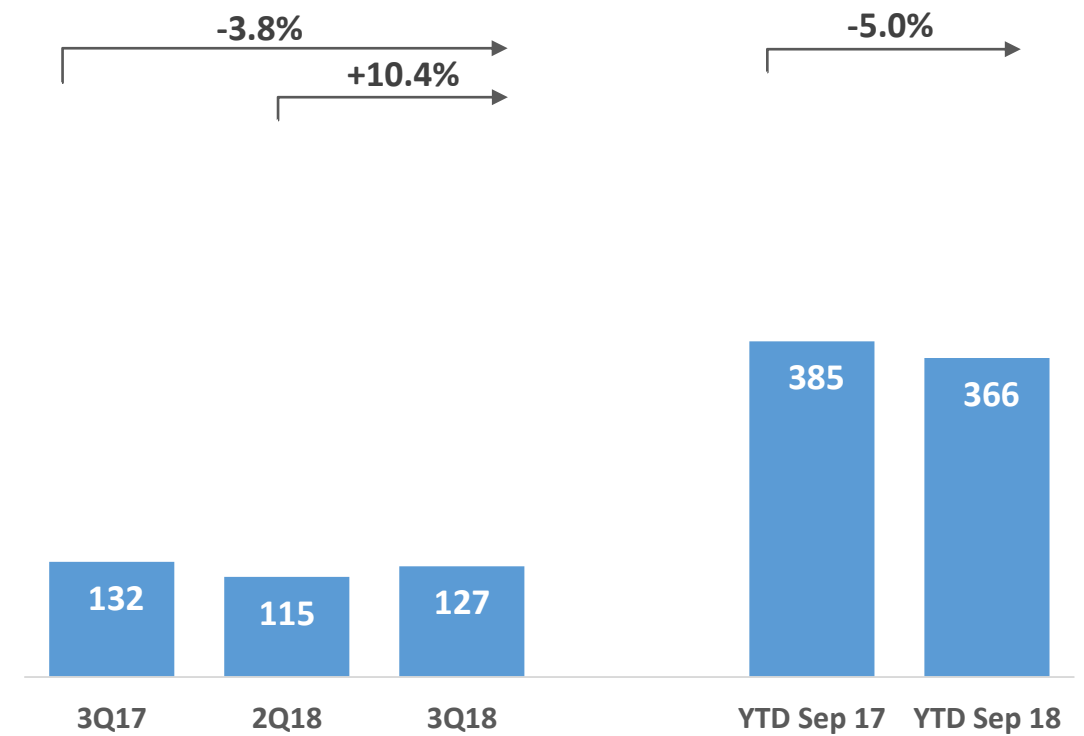
RM mn



➤ YTD: Lower data and leased services

Others

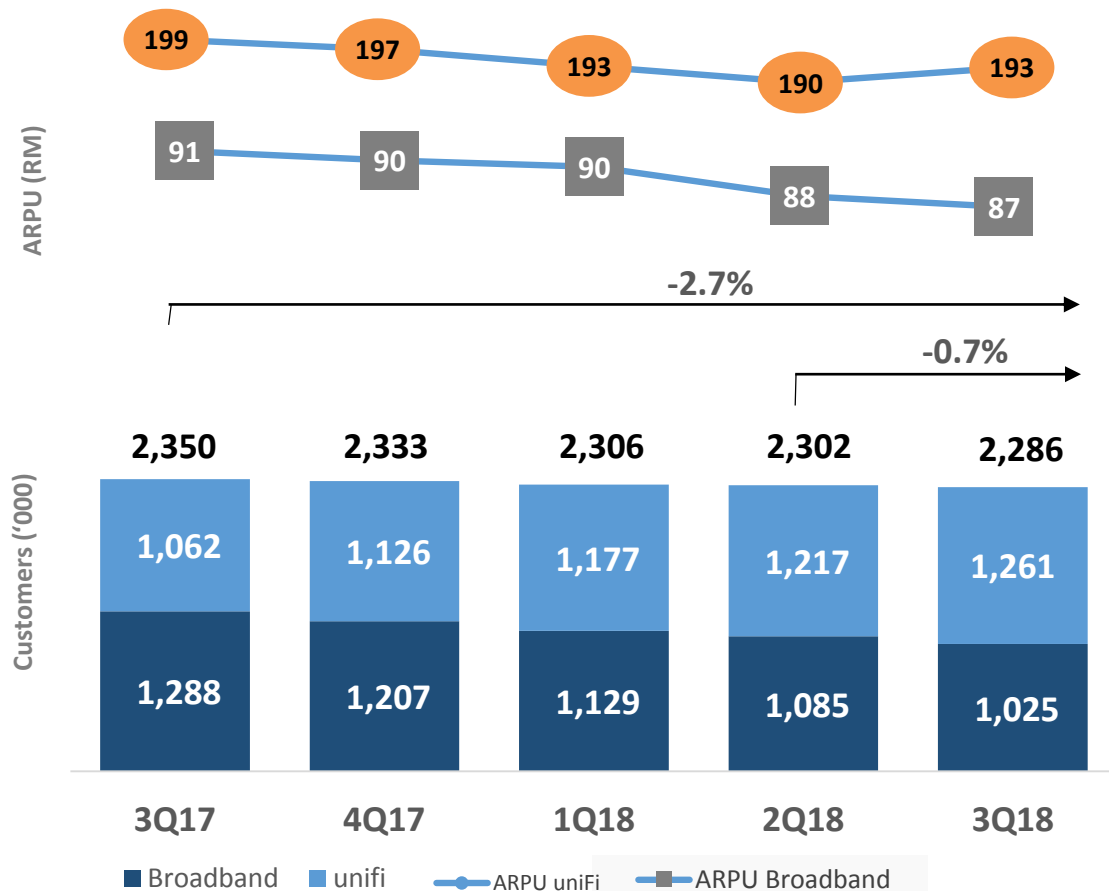
RM mn



➤ YTD: Lower tuition fees at UTSB

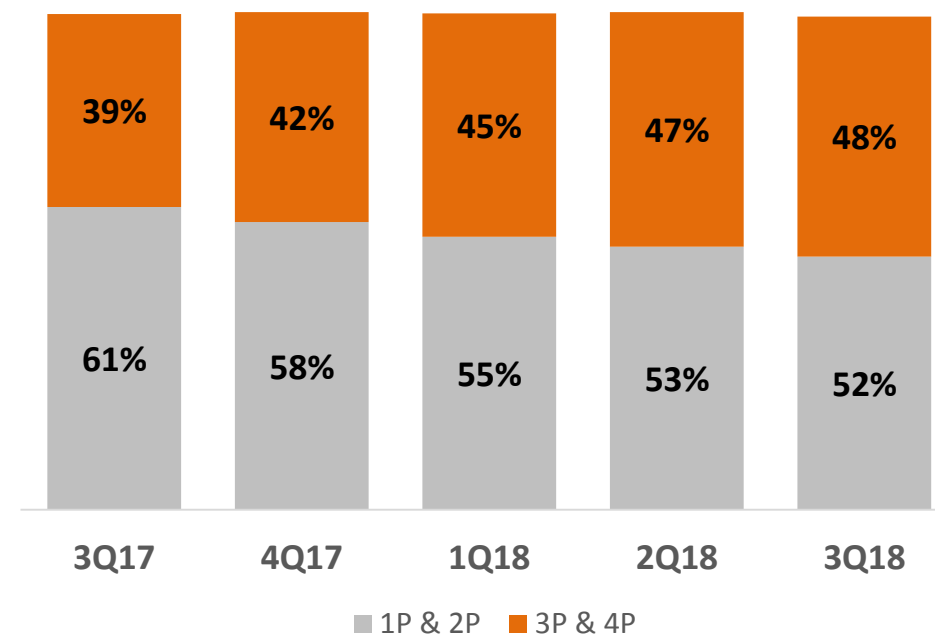
Convergence Updates

Total Broadband Performance



➤ unifi customer base continues to grow

Convergence HH Penetration



➤ Increasing convergence / TM households now at 48%

Key Takeaways for 3Q 2018

- **Full focus on realizing PIP 2018 – yielding improvements thus far**
- **Taken prudent view with impairment of network assets in light of heightened challenges in operating environment**

Revised Dividend Policy

“Our Company intends to distribute yearly dividends of 40% to 60% from our PATAMI. Dividends will be paid depending on overall business and earnings performance, capital commitments, financial conditions, distributable reserves and other relevant factors.”

- Revised Policy to take effect from the financial year ended 31st December 2018

Appendices

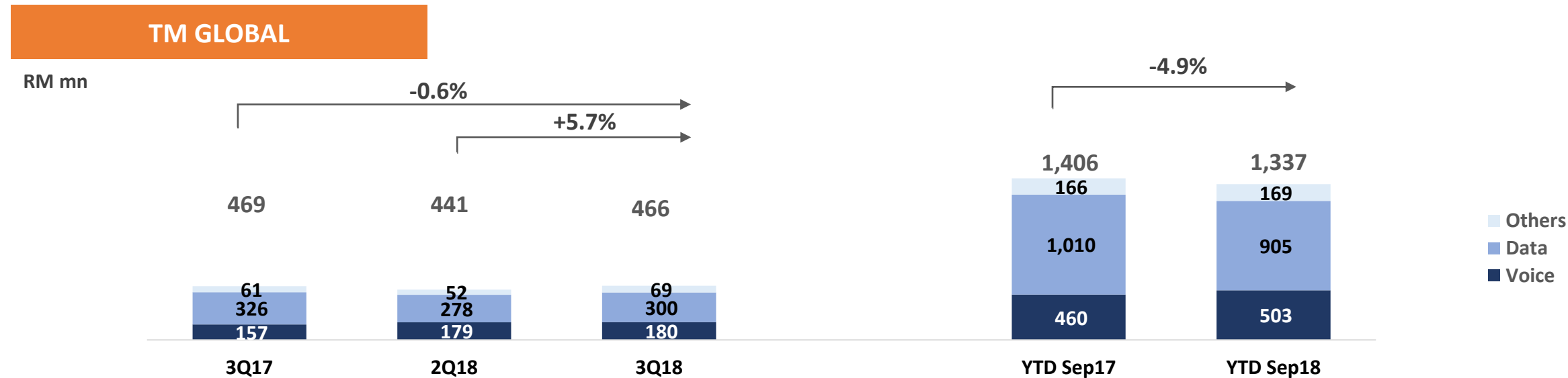
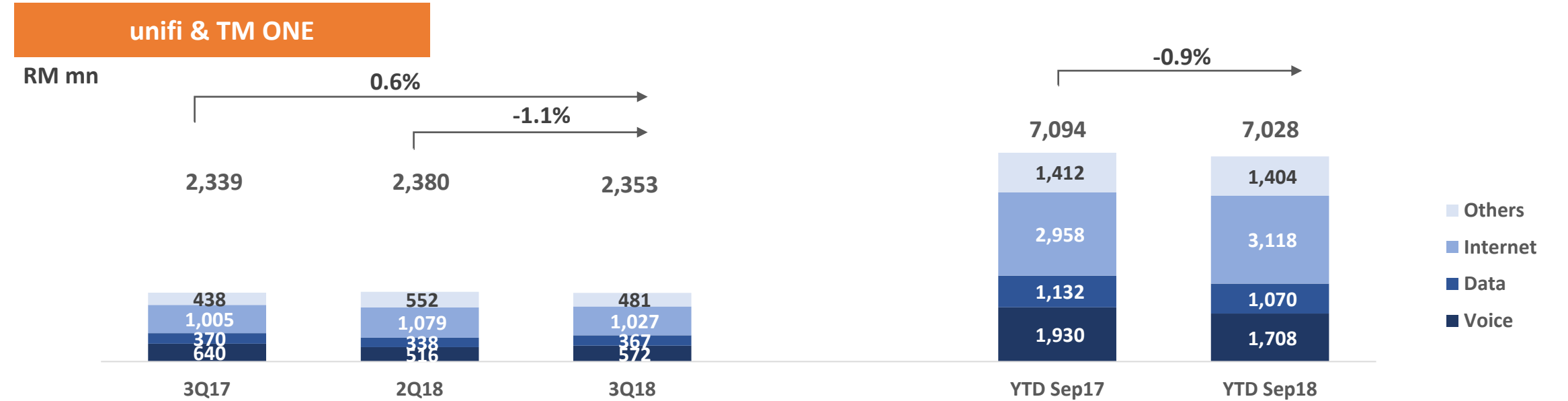
Cost % Revenue

	3Q18	2Q18	3Q17	YTD Sep 18	YTD Sep 17	Comments (YTD Sep18 vs. YTD Sep17)
Total Revenue* (RM mn)	2,977.6	2,975.4	2,982.4	8,830.0	9,023.6	
Direct Costs %	19.4	22.6	19.2	20.8	19.2	Higher network related cost for mobile in line with higher customer base
RM mn	577.0	671.2	571.4	1,832.8	1,731.8	
Manpower %	19.6	19.4	21.0	20.6	21.3	Lower staff benefits, lower headcount due to higher retirement attrition
RM mn	584.1	576.7	627.5	1,815.8	1,918.2	
Supplies & Materials %	6.5	5.1	5.5	6.1	6.4	Reduction in copper cable usage, lower customer equipment cost
RM mn	192.2	152.1	163.1	539.8	579.1	
Bad & Doubtful Debts %	1.7	2.2	0.8	1.4	0.4	Higher impairment of trade receivables
RM mn	49.6	66.3	24.9	125.4	39.5	
Marketing Expenses %	2.1	3.5	4.1	3.0	3.6	Prudent spending in sponsorship activities and marketing events
RM mn	63.0	105.4	123.0	264.4	321.4	
Maintenance Cost %	6.8	7.7	7.2	7.1	6.6	Higher engineering cost incurred for customer projects
RM mn	201.5	227.7	216.1	631.3	594.9	
Other Operating Costs %	12.4	11.0	12.7	12.1	12.8	Reduction in International Service Charges for submarine cables, lower professional charges and other license fees
RM mn	368.8	330.1	377.8	1,066.5	1,155.8	
Depreciation & Amortisation %	19.4	20.1	20.7	19.8	20.6	Lower depreciation on USP capex, lower accelerated depreciation on WiMAX assets
RM mn	577.8	597.0	617.2	1,745.9	1,860.3	
Impairment %	33.3	0.0	0.0	11.2	0.0	Higher provision for impairments at TM Co and subsidiaries
RM mn	995.4	-	-	995.4	(0.2)	
Total Cost (RM mn)	3,609.4	2,726.5	2,721.0	9,017.3	8,201.2	
Total (%)	121.2	91.6	91.2	102.1	90.9	

Statement of Financial Position

RM mn	As At 30 Sep 2018	As At 31 Dec 2017
Shareholders' Funds	7,500.5	7,843.5
Non-Controlling Interests	(456.1)	(76.7)
Deferred & Long Term Liabilities	10,990.9	10,712.2
<i>Long Term Borrowings</i>	7,549.7	7,031.2
<i>Derivative Financial Instruments</i>	-	287.7
<i>Deferred Tax</i>	1,622.4	1,591.3
<i>Deferred Income</i>	1,797.6	1,796.5
<i>Others</i>	21.2	5.5
	18,035.3	18,479.0
Current Assets	6,418.4	6,133.1
<i>Trade and Other Receivables</i>	3,566.6	3,710.2
<i>Cash & Bank Balances</i>	2,191.4	1,719.8
<i>Inventories</i>	226.9	258.5
<i>Contract assets</i>	94.5	-
<i>Others</i>	339.0	444.6
Current Liabilities	5,512.9	6,282.8
<i>Trade and Other Payables</i>	2,891.4	3,934.2
<i>Short Term Borrowings</i>	1,337.3	1,119.0
<i>Contract liabilities</i>	57.2	-
<i>Others</i>	1,227.0	1,229.6
Net Current Assets/(Liabilities)	905.5	(149.7)
Non-Current Assets	17,129.8	18,628.7
<i>Property Plant & Equipment</i>	15,082.1	16,540.7
<i>Other Non-Current Assets</i>	2,047.7	2,088.0
	18,035.3	18,479.0

Revenue by Product by Customer Clusters



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)

Thank you!

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