



NEWS RELEASE

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TM POSTS REVENUE OF RM11.43 BILLION; RECORDS HIGHEST EBIT SINCE 2007 AT RM1.57 BILLION FOR FY2019 AMIDST CHALLENGING ENVIRONMENT

Fixing the Basics and Embracing Customer Experience in 2020

Telekom Malaysia Berhad (TM) today announced its results for the financial year ended 31 December 2019.

▪ **Financial and Operational Highlights FY2019 vs FY2018**

- ❖ Group Revenue of RM11.43 billion, 3.3% lower against FY18 – in line with guidance- mainly due to lower contribution from all lines of products except data.
- ❖ Group Reported Earnings Before Interest and Tax (EBIT) for 2019 increased to RM1.57 billion, from RM64.6 million last year on the back of lower operating cost, from the Group's various cost optimisation initiatives. During the FY2018, the Group had recognised a provision of RM982.5 million for impairment of fixed and wireless network assets which had driven down the EBIT to RM64.6 million.
- ❖ Group Reported Profit After Tax and Non-controlling Interests (PATAMI) improved multifold to RM632.7 million for FY2019, from RM153.2 million in FY2018. Stripping off non-operational items, Normalised PATAMI stood at RM1.0 billion, higher by 58.3% against the same period last year.
- ❖ The total capital expenditure (CAPEX) was lower than 2019 guidance at 11.9% of revenue or RM1.36 billion. Out of the amount spent, 22% was made for Core Network, 53% for Access and the balance 25% was made for Support System.
- ❖ Declares the maximum payout that the Company policy allows which is 60% of its PATAMI translating to a final interim single-tier cash dividend of 10.0 sen per share or RM376.6 million for FY2019; with expected pay out date on 3 April 2020.
- ❖ 2020 Guidance: Revenue growth of low to medium single digit decline, EBIT level to be more than RM1.0 billion and CAPEX guidance to be low to mid 20s.

▪ **unifi updates:**

- ❖ Increased Convergence penetration to 54% of TM Household base in 2019 compared to 53% in 2018.
- ❖ 2.18 million broadband customer base
- ❖ Updates on 2019 broadband programmes:
 - Streamlined all Streamyx packages to a new unifi Lite plan at RM69/month for existing Streamyx customers.
 - Introduced unifi Air to elevate the internet experience of existing Streamyx customers residing in TM's LTE coverage areas.
 - Introduced unifi Plus Box for new unifi 300Mbps subscribers equipped with an Android-based TV Box to host digital streaming services like unifi TV, unifi PlayTV and other over-the-top (OTT) apps available through Google Play Store.

▪ **TM ONE updates:**

- ❖ Signed a series of MoUs and cross-industry strategic digital collaborations with Ministry of International Trade and Industry (MITI), Ministry of Rural Development, Global Health, UMW Corporation Sdn. Bhd. (UMW), Open University Malaysia (OUM), Bintang Urusjuta (M) Sdn Bhd and Digital Perak Corporation Holdings (DigitalPerak).
- ❖ Demonstrated its capability to enable digital businesses and government with ten (10) smart solutions and end-to-end Hyperconnected Ecosystem.

- ❖ Further enhanced its twin core data centre product portfolio with cloud capability where data can now be processed locally with TM ONE Azure Stack and aggregated in Microsoft Azure Public Cloud for further analytics in near real-time, leading to swift business decisions.
- **TM GLOBAL updates:**
 - ❖ Captured new business opportunities in global segment through partnership ecosystem via collaborations on Content Delivery Network (CDN) services with content players worldwide to enhance CDN service offerings and expand network coverage
 - ❖ Sealed a collaboration with Angola Cables to provide shorter path connecting Asia to South America bypassing the Middle East and Europe towards improving network latency and resiliency for better customer experience
 - ❖ Strengthened domestic business by providing enhanced backhaul services in supporting 4G requirements and infrastructure sharing via a collaboration with a telco player on infrastructure sharing for Sistem Kabel Rakyat Malaysia (SKRM), the inter-region submarine cable system connecting Peninsular Malaysia and Sabah and Sarawak, TM's WiFi hotspots nationwide and backhaul services to support connectivity to rural areas
- **Progress updates on 5G Demonstration Project (5GDP)**
 - ❖ Took part in Malaysia's prime 5G showcase event organised by Malaysian Communications and Multimedia Commission (MCMC) in Putrajaya to showcase TM's capability and readiness in 5G deployment
 - ❖ Kicked off the deployment of 5G-enabled smart solutions use cases at SS15, in Subang Jaya and Pulau Langkawi, Kedah as part of the 5G Demonstration Project (5GDP) undertaken by the Malaysian Communication and Multimedia Commission (MCMC).
 - ❖ Recorded a number of firsts through TM's 5GDP for itself and the country in the region:
 - The first Telco in the world to deploy 700 MHz and C-Band (3.5 GHz) on Standalone (SA) dedicated 5G network simultaneously
 - The first in the country to deploy 5G Core Network (5GC), 700MHz and 3.5 GHz SA dedicated 5G network and a 5G Centralised Radio Access Network (RAN).
 - Successfully achieved 1.5Gbps for 5G speed tests conducted within its 5G use cases sites.
 - Deployed 11 use cases as part of the 5GDP in Langkawi, making TM the Telco with the highest number for the trial.
- **Key Strategic Priorities / Key Focus 2020:**
 - ❖ TM's strategy for 2020 is anchored on "Fixing the Basics and Embracing Customer Experience".
 - ❖ TM will go back to basics to fix core issues built on four (4) Strategic Pillars – Customer Excellence, Revenue Generation, Manpower Optimisation and Superior Network; and driven by Technology and Digital Warga TM as the two (2) key enablers to remain stable on the course for growth:
 - Strategic Pillars:
 - ✓ Customer Excellence - TM will focus on delivering world-class customer experience towards becoming Malaysia's service provider of choice. The Company is reinforcing customer-centricity by providing seamless customer experience at all touchpoints which includes upskilling its front liners; automating and simplifying customer processes; and enhancing digital touchpoints.
 - ✓ Revenue Generation – The Company is mitigating the challenging telco environment by arresting churn and creating new revenue streams. This includes strengthening its product portfolio; establishing products with strong value propositions; and ensuring fast roll-out of new products. TM will also expand its sales footprint to new demand areas, thus growing its distribution channels.

- ✓ Manpower Optimisation – TM is building an agile workforce to enable faster decision-making and seamless implementation. This includes reorganising its resources; investing / establishing a skilled and competent on-the-ground sales and services teams; and equipping (multi-skilling) the current workforce with restoration and IR 4.0-related knowledge and skills.
- ✓ Superior Network – TM is improving network quality through modernisation while preventing network outages by managing power-related issues. This includes increasing the fiberisation of a 5G-ready network and extending its existing infrastructure in an environmentally friendly way in order to enhance wireless solutions and 5G opportunities.
- Enablers
 - ✓ Digital Warga TM – TM continues to invest in the capacity building of its people to ensure Warga TM are equipped with the necessary knowledge, capabilities and skillsets to be ready for 5G and other IR4.0 trends.
 - ✓ Technology – TM is modernising its network and IT system to the latest technology to improve its agility to meet future demands. The Company is also standardising technology across operations, such as the new Business Support System (BSS).

Dato' Noor Kamarul Anuar Nuruddin, Group Chief Executive Officer, TM, commenting on the results:

“The year 2019 has been a transformative period for TM as we continue to adjust to new market dynamics and declining revenue from traditional segments whilst at the same time preparing for the next leap in telecommunications into 5G. Against this backdrop, we have seen continued improvements in our fundamentals despite the revenue challenges on the retail front. Our performance improvement initiatives continued to bear fruit, especially on cost.

As per our guidance, our Group revenue saw a minor contraction of 3.3% to RM11.43 billion, from RM11.82 billion over the same period a year ago. Data revenue, being our key driver grew by 16.9% due to encouraging demand in the last 12 months from RM2.44 billion in 2018 to RM2.86 billion in 2019. In addition, our cost optimisation effort saw 13.1 percentage point total cost to revenue improvement against last year. This has delivered better profitability with recorded EBIT growth of more than 100.0% at RM1.57 billion, from EBIT of RM64.6 million over the corresponding period last year. I am pleased to highlight that this is the highest EBIT recorded since 2007. In terms of our broadband customer base, we recorded higher net subscribers for total fixed broadband base quarter-on-quarter basis to 2.18 million subscribers, which is in line with our Year End Promotion to increase and retain customers.

As the industry gears up for the next wave of infrastructure investments to support 5G use cases, TM is forging ahead in positioning itself as the National Telecommunications Infrastructure Provider (NTIP) for 5G (InfraCo) and the primary enabler to the National Fiberisation and Connectivity Plan (NFCP) towards accelerating the deployment of 5G and making way for an era of shared 5G networks. This is where in our opinion, co-building and co-sharing infrastructure with other telco players, as well as collaborating with emerging industry players for digital solutions is the best way to move forward. Strong partnerships will generate significant capital and operating expenditure (CAPEX) savings, extend coverage at lower costs, achieve faster 5G rollout, and optimise resource utilisation. It will allow telcos to deliver competitive, high-quality and affordable products and services to the *Rakyat*. Ultimately, this will lead to the socio-economic development of Malaysians, as the *Rakyat* will gain access to better coverage, lower subscription costs, and a variety of service offerings.

In 2020, we are going back to basics in strengthening our foundation, which includes improving network and IT; enhancing processes and market distribution; moving beyond connectivity services into new value-added digital services and expanding sales generation. Towards this end, we will focus on 4 strategic pillars – relentless drive towards Customer Excellence, continued Revenue Generation, Manpower Optimisation with workforce remobilisation and providing a Superior Network through modernisation, to remain stable in the course for long term growth.

With these priorities, we remain committed to deliver the best of our solutions and the best of experience which includes improving network and IT; enhancing processes and market distribution; moving beyond connectivity services into new value-added digital services and expanding sales generation to serve a more digital lifestyle and society, digital businesses and digital Government - towards making “Life and Business Easier for a Better Malaysia”. This commitment was reinforced with 74 years of nation building since our establishment in 1946, and we are now 5G ready to lead Industrial Revolution 4.0 (IR4.0) and enabling Digital Malaysia.”

Prospects for the Financial Year Ending 31 December 2020

The Group expects the industry to continue to adjust to new market dynamics and declining revenue from traditional segments while preparing for the next leap in telecommunications into 5G. TM is forging ahead in positioning itself as the National Telecommunications Infrastructure Provider for 5G and enabler to the National Fiberisation and Connectivity Plan (NFCCP). This will fulfil the country's aspiration towards Industrial Revolution 4.0 and a Digital Malaysia.

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