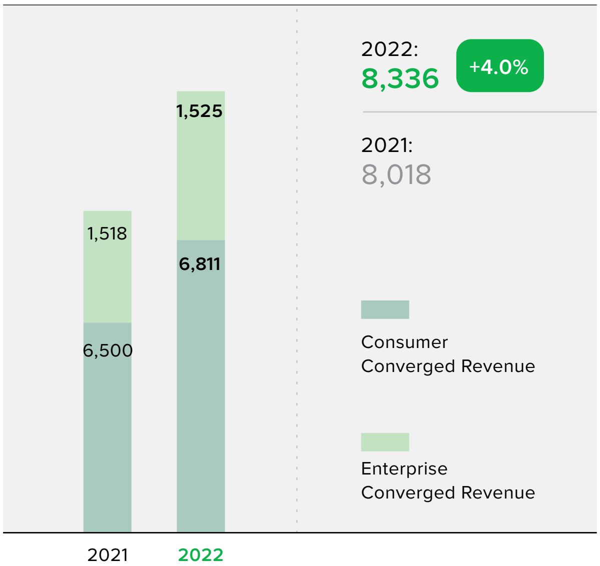
Management Discussion & Analysis

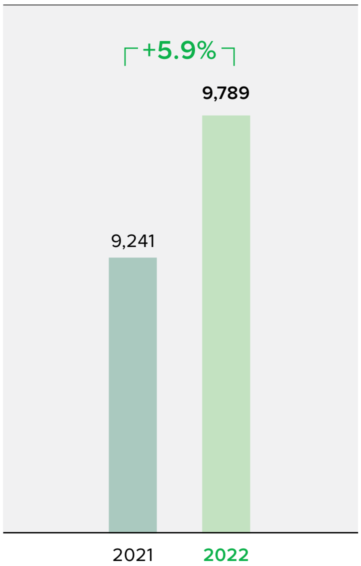
We delivered earnings in line with our guidance, grew our top-line revenues and made investments for future growth.

FINANCIAL REVIEW

Service Revenue (RM'm)



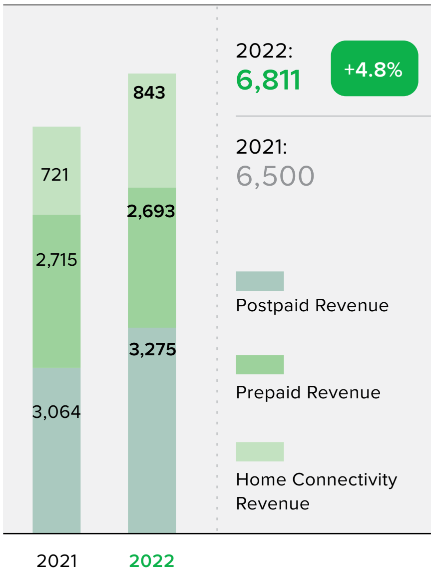
Revenue (RM'm)



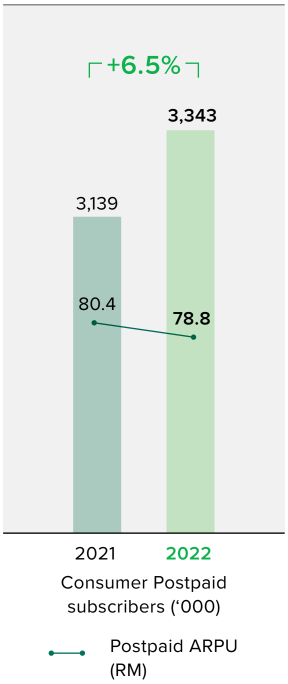
We grew total revenue by 5.9% and service revenue by 4.0% in 2022. Both our Consumer and Enterprise businesses grew, leveraging on the strong brand presence of our two brands, Maxis and Hotlink, which enabled us to expand our reach to all individuals, families, and businesses.

Within Maxis, we also attracted higher subscriptions from device-bundled plans, increasing device revenue by 18.8% to above RM1.4 billion in 2022.

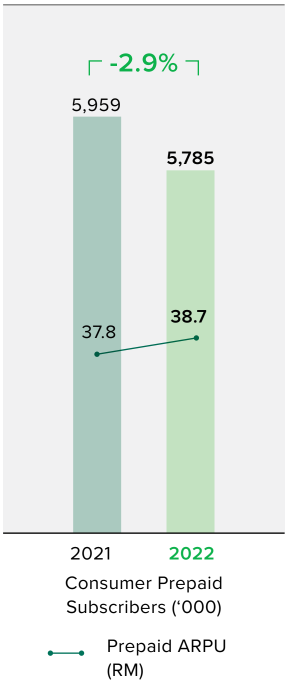
Consumer Converged Revenue (RM'm)



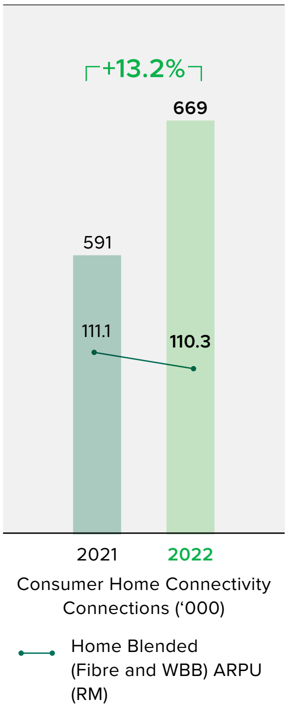
Consumer Postpaid



Consumer Prepaid



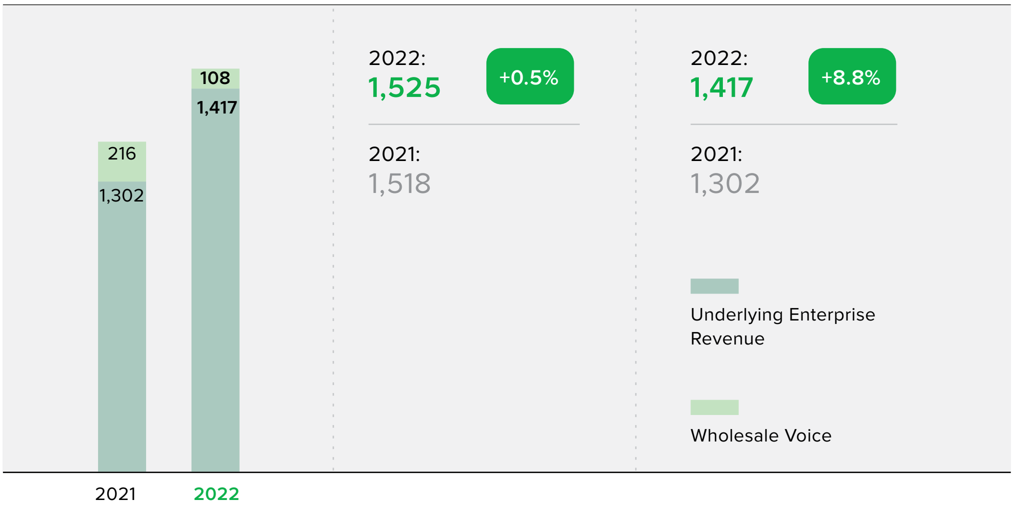
Home Connectivity



The higher subscriptions in Postpaid and Home Connectivity were driven by our converged propositions that offers unlimited internet to customers who subscribe our mobile and fibre services.

Hotlink meets the needs for affordable Postpaid and Prepaid services. Though this resulted in a slight dilution of the Consumer Postpaid ARPU, the expanded appeal contributed to the increase in mobile subscribers and an overall higher Postpaid revenue year-on-year. In the Prepaid business, we deepened our understanding of our customers using data and technology, and were able to make personalised HotlinkMU promotions, improving overall Prepaid ARPU.

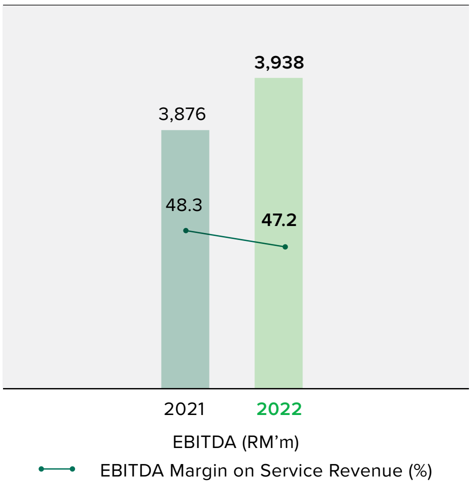
Enterprise Connectivity (RM'm)



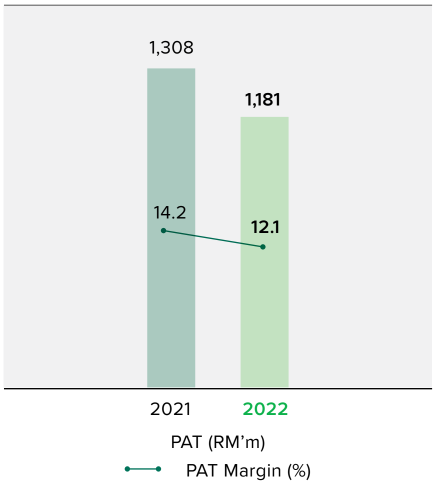
In Enterprise business, we made a conscious shift to focus on higher margin products and services. Though overall Enterprise revenue was relatively flat at 0.5% growth year-on-year, underlying Enterprise revenue grew 8.8% on the back of enhanced in-house ICT solution capabilities.

Supported by the strong revenue growth, EBITDA grew to above RM3.9 billion levels in 2022. EBITDA margin was slightly lower due to higher device costs incurred following the higher subscription of device-bundled Postpaid packages, and the allowance of doubtful debts returning to pre-pandemic levels. Profit After Tax in 2022 was impacted by the one-off increase in corporate tax rate to 33% on chargeable income that exceeded RM100 million for YA2022 (Prosperity Tax).

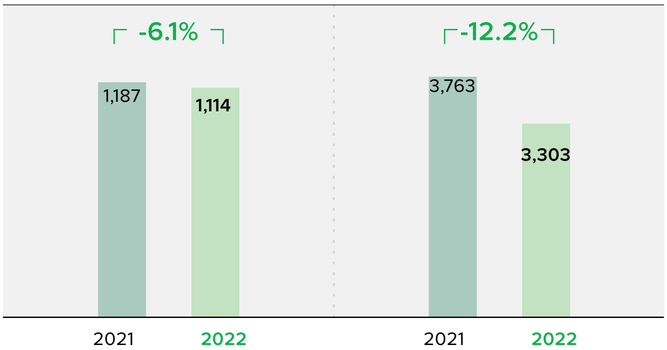
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)



Profit After Tax (PAT)



Commercial Capex & Operating Free Cash Flow (RM'm)



Net Debt to EBITDA

	2021	2022
Debt (RM'm)	10,098	**9,865**
Deposits, cash and bank balances (RM'm)	1,191	**628**
Net debt (RM'm)	8,907	**9,237**
Net Debt to EBITDA	2.30x	**2.35x**

Capex for the year decreased 6.1% to RM1,114 million. In addition to the Commercial Capex, we also invested RM466 million in Universal Service Provision (USP) funded Capex, which is in line with the nation's ambition to provide high quality and affordable digital connectivity for all.

Operating Free Cash Flow (OCFC) were lower in 2022 due to the payments for Prosperity Tax and variations in cash payment profile for capex spend and government grants received. While lower year-on-year, we maintained a strong focus on working capital management to ensure our cash flows are optimal.

INVESTOR RELATIONS

Creating Long-Term Shareholder Value

Maxis is committed to creating long-term value for its shareholders and has been providing consistent cash returns through the declaration of dividends. In 2022, Maxis rewarded its shareholders with RM1.57 billion cash dividends comprising of four interim dividends each of 5.0 sen per share. The total dividend payout of 20 sen per share represents a dividend yield of 5.2% based on the closing share price of RM3.84 as at 30 December 2022. The proposed dividend payout is aligned with our dividend policy and policy of active capital management.

Dividend Policy

Our full dividend policy, as stated in our IPO Prospectus dated 28 October 2009, is reproduced here for reference: “The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of the Board and any final dividend for the year is subject to shareholders’ approval. It is the Company’s intention to pay dividends to shareholders in the future. However, such payments will depend upon a number of factors, including Maxis’ earnings, capital requirements, general financial condition, the Company’s distributable reserves and other factors considered relevant by the Board.

Maxis intends to adopt a dividend policy of active capital management. The Company proposes to pay dividends out of cash generated by its operations after setting aside necessary funding for network expansion and improvement and working capital needs. As part of this policy, the Company targets a payout ratio of not less than 75% of its consolidated PAT under Malaysian Generally Accepted Accounting Standards (GAAP) in each calendar year, beginning financial year ending 31 December 2010, subject to confirmation of the Board and to any applicable law, license and contractual obligations and provided that such distribution would not be detrimental to its cash needs or to any plans approved by its Board. Investors should note that this dividend policy merely describes the Company’s present intention and shall not constitute legally binding statements in respect of the Company’s future dividends which are subject to modification (including reduction or non-declaration thereof) at the Board’s discretion.

As the Company is a holding company, its income, and therefore its ability to pay dividends, is dependent upon the dividends and other distributions that it receives from its subsidiaries. The payment of dividends or other distributions by the Company’s subsidiaries will depend upon their operating results, financial condition, capital expenditure plans and other factors that their respective board of directors deem relevant. Dividends may only be paid out of distributable reserves. In addition, covenants in the loan agreements, if any, for the Company’s subsidiaries may limit their ability to declare or pay cash dividends.”

The reported profit after tax payout ratios in the financial years 2019, 2020, 2021 and 2022 were 103.6%, 96.0%, 101.8% and 132.6% respectively.

COMMUNICATING WITH OUR SHAREHOLDERS

Maxis remains committed to maintaining the highest standards of corporate disclosures and transparency. Our disclosure policy is based on these three key principles:

i. Maintain open and regular communications with all shareholders;
ii. Disseminate financial and strategic updates in a timely and transparent manner; and
iii. Ensure equal treatment and protection of shareholders’ interests.

We actively communicate with our shareholders

We maintain active dialogues with our shareholders throughout the year, through a planned investor relations programme that includes corporate days and investment conferences which, in 2022, were held virtually. In addition, we respond to ad hoc meeting requests and queries from shareholders as well as the investment community. Our investor-focused programmes are further supplemented by a dedicated Investor Relations website, a key resource for corporate information, financial data, stock exchange announcements, quarterly results, annual reports, upcoming investor events, shares and dividend information, and investor presentation slides. Our Investor Relations website is available at https://maxis.listedcompany.com/home.html.

We meet regularly with major institutional investors via virtual investor meetings as we adapt to the new normal. We also hold regular sessions with financial analysts to discuss business performance and strategies. These meetings are typically hosted by the Head of Investor Relations and attended by the appropriate mix of senior management, including our Chief Executive Officer and Chief Financial Officer.

We believe in the constructive use of our Annual General Meetings (AGM) and other general meetings. These meetings are attended by our Board of Directors and the management team. A comprehensive review of the Company’s performance is shared and any shareholder present can query the Board and management team at these meetings. Our external auditors are also present to answer any questions on the auditing, preparation and content of the independent auditors’ report.

Our stakeholders, especially institutional investors, place great emphasis on how we manage our Environmental, Social and Governance (ESG) matters and create value from our operations. Being cognisant of this, we have embarked on a value creation journey to fully integrate our annual report in accordance to the IIRC Framework to form a holistic view of our strategy and growth plans as well as manage key risks and opportunities in order to build and reassure confidence and improve our future performance. Also, we have been listed on the FTSE4Good Bursa Malaysia Index since 2015. Valued by our shareholders and other stakeholders for benchmarking our corporate responsibility practices, we intend to maintain our good standing in this index in the future.

Feedback and Enquiries

We welcome feedback on our Investor Relations initiatives and other information we have provided herewith. Queries about and requests for publicly available information, comments and suggestions to the Company can be directed to ir@maxis.com.my. We look forward to continuously and effectively engaging with our shareholders.