



# **3Q 2017 Performance Guide**

**Nov 2017**

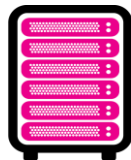
# TIME Q3 2017: HIGHLIGHTS

## Retail Business



- Retail sales **grew 85% YoY** in Q3 2017.
- **Retail business** continues to be the **fastest growing customer group** as at 30 September 2017.

## Data Centre



- **Data Centre revenue** (excluding non-recurring contract revenue) in Q3 2017 grew **19% YoY**

## Submarine cables

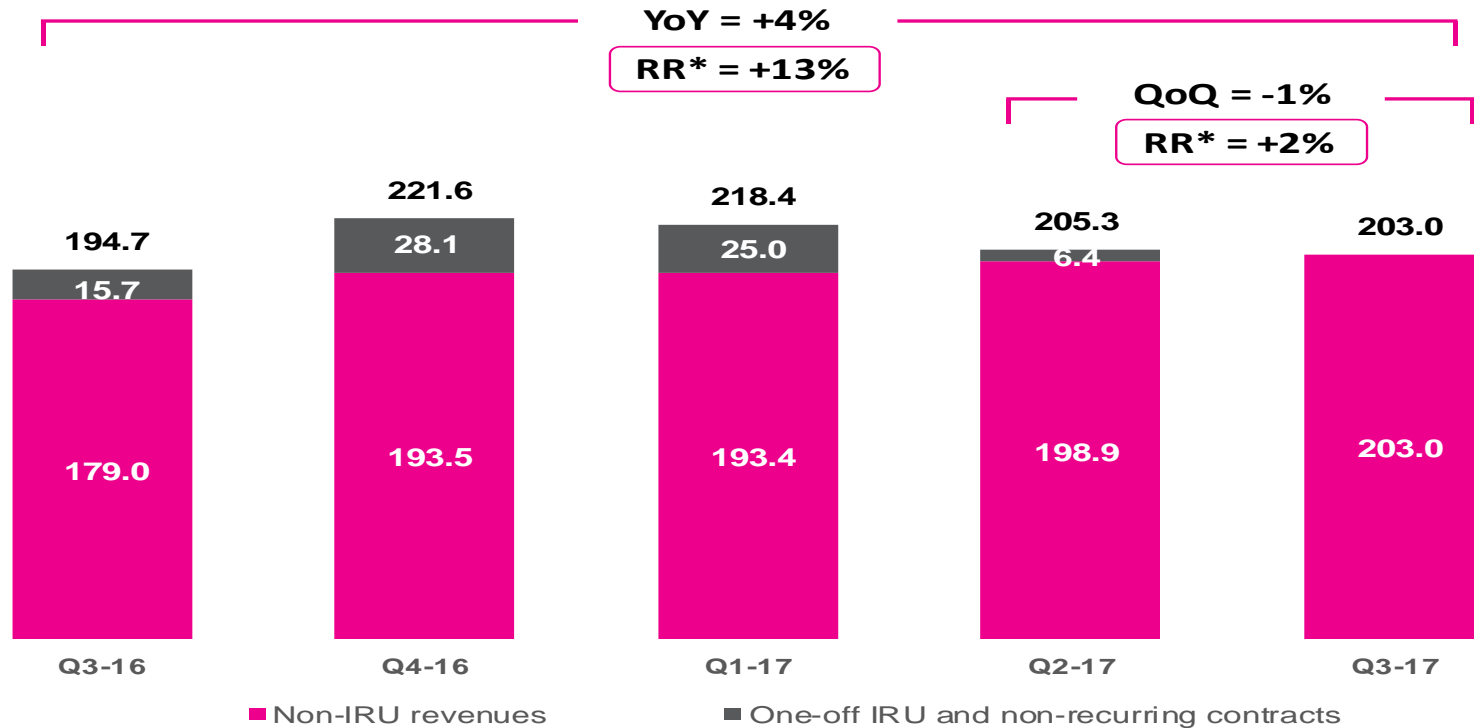
- Recorded a **pre-sale gain** in Q3 2017 from disposal of **23.5% of AAE-1 submarine cable system**.
- **Sistem Kabel Rakyat 1 Malaysia** (“SKR1M”) submarine cable system was **officially completed on 20 September 2017**.

## Investment in Symphony Communication (SYMC)

- Completed acquisition of **1.75% equity interest in SYMC** from Dr. Bussakorn (EVP – Finance of SYMC) for approximately RM9 million on 22 September 2017.
- Acquired an **additional 37% in SYMC** for approximately RM194 million via completion of a conditional **partial voluntary tender offer** after Q3 2017 on 9 November 2017.
- Will participate in SYMC’s THB1.0 billion (RM127million) **rights offering to take up pro-rata portion**, with **option to take up more shares of up to 49% equity interest**.

# REVENUE TREND: BY QUARTER

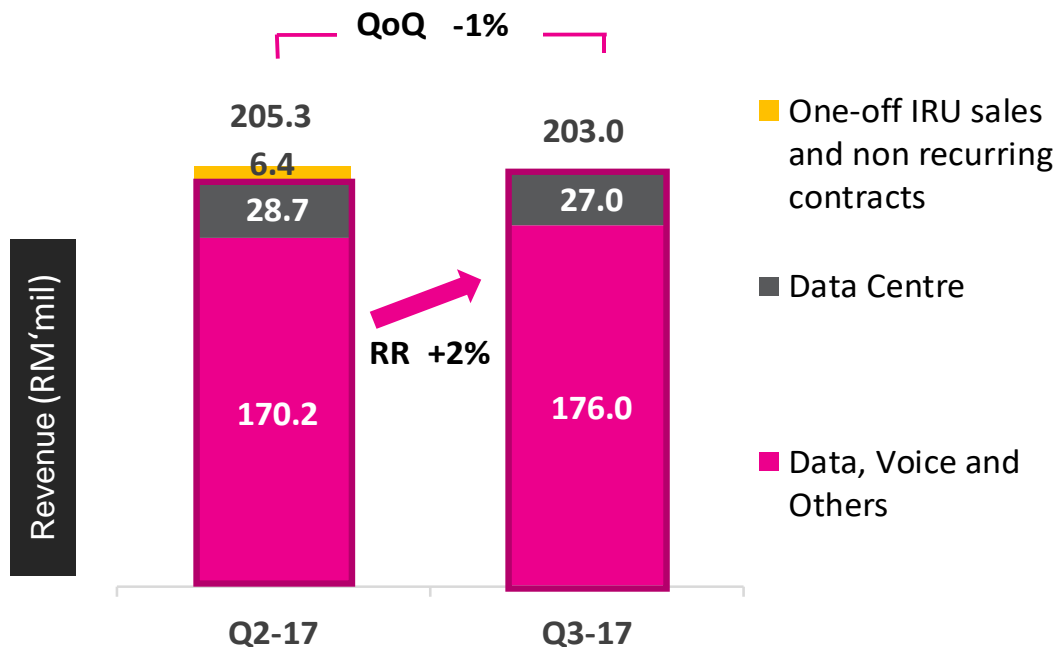
Revenue (RM'million)



- Momentum maintained in **growth of recurring revenues**.
- **Overall recurring revenues** (excluding one-off IRU revenues) from data, data centre, voice and other businesses **grew 2% QoQ** and **13% YoY**
- **No IRU sales or non-recurring contract revenue** recorded in Q3 2017

# ANALYSIS: QUARTER-ON-QUARTER

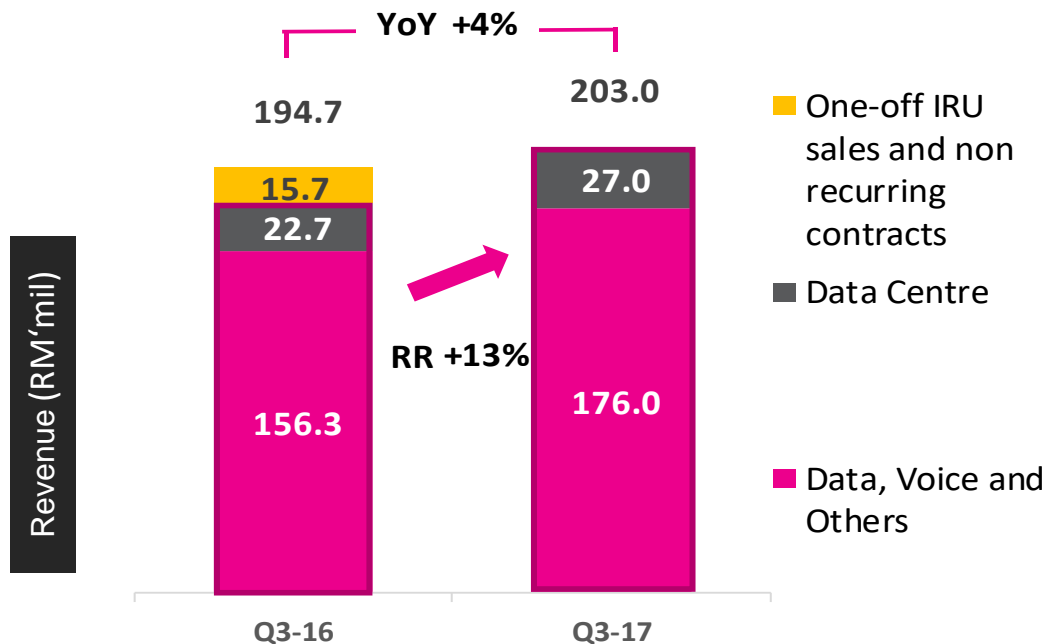
| RM'mil                       | Actual<br>Q2 2017 | Actual<br>Q3 2017 | QoQ<br>Variance |
|------------------------------|-------------------|-------------------|-----------------|
| REVENUE                      | 205.3             | 203.0             | -1%             |
| PROFIT BEFORE TAXATION (PBT) | 37.9              | 42.5              | +12%            |
| <b>Adjustments:</b>          |                   |                   |                 |
| Gain on disposal of PPE      | -                 | (2.5)             |                 |
| PPE written off              | 2.7               | -                 |                 |
| Forex loss                   | 8.9               | 6.1               |                 |
| <b>Total</b>                 | <b>11.6</b>       | <b>3.6</b>        |                 |
| ADJUSTED PBT                 | 49.5              | 46.1              | -7%             |



- Overall revenue dropped 1% QoQ mainly due to no IRU revenue recorded in Q3 2017 (Q2 2017: RM6.4 million)
- Recurring revenues grew 2% QoQ mainly from growth in retail and wholesales sales of 12% and 2%, respectively despite slight reduction in enterprise sales of 2%.
- Voice revenue reduced by 11% in Q3 2017 due to lower usage during the current quarter.
- Adjusted PBT in Q3 2017 recorded a decline of 7% mainly attributed to lack of one-off revenues from IRU sales and higher depreciation, offset by the higher profits derived from the increase in recurring revenues, no write-offs of property, plant and equipment and higher share of profit from equity accounted investments.

# ANALYSIS: YEAR-ON-YEAR

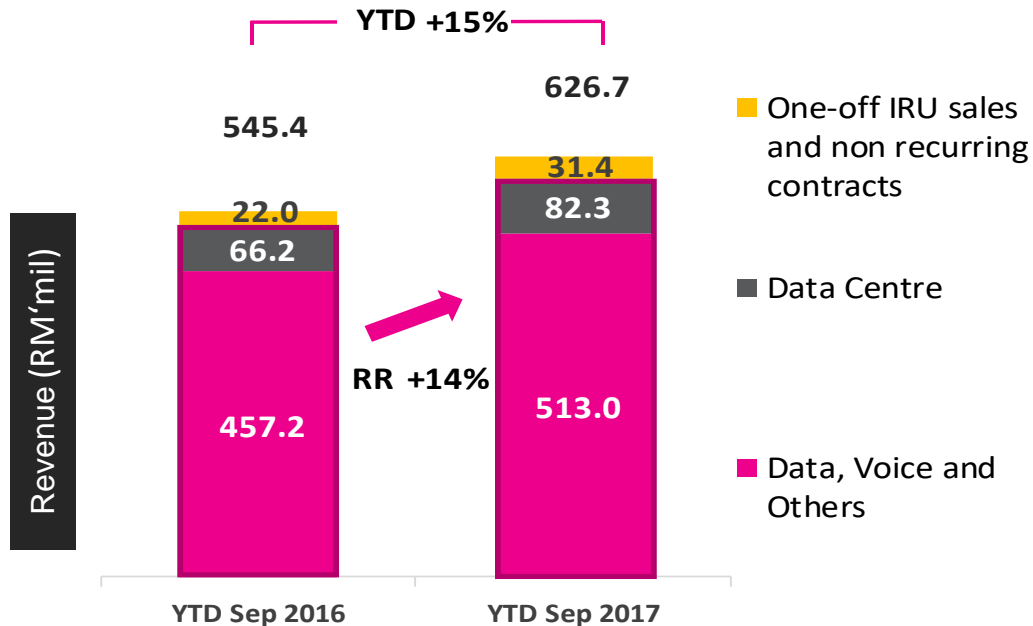
| RM'mil                       | Actual<br>Q3 2016 | Actual<br>Q3 2017 | YoY<br>Variance |
|------------------------------|-------------------|-------------------|-----------------|
| REVENUE                      | 194.7             | 203.0             | +4%             |
| PROFIT BEFORE TAXATION (PBT) | 57.8              | 42.5              | -27%            |
| Adjustments:                 |                   |                   |                 |
| Gain on disposal of PPE      | (0.7)             | (2.5)             |                 |
| Forex (gain)/loss            | (2.7)             | 6.1               |                 |
| Total                        | (3.4)             | 3.6               |                 |
| ADJUSTED PBT                 | 54.4              | 46.1              | -15%            |



- Revenue in Q3 2017 up by 4% YoY mainly from increase in **data** and **data centre sales** despite lack of one-off IRU revenue. **Voice declined 17% due to lower usage.**
- **Excluding one-off revenues from IRU and non-recurring contracts** in Q3 2016 of RM15.7m, the Group recorded **an overall growth in recurring revenues of 13%.**
- **Retail and enterprise customers** grew 85% and 4% YoY respectively while revenue from **wholesale customers declined 15%** mainly due to **lack to IRU sales** in Q3 2017.
- **Adjusted PBT** in Q3 2017 recorded a **decline of 15%** mainly attributed to **lack of one-off revenues** from IRU sales and non-recurring contracts, **higher depreciation of RM6.7m** from the new submarine cables and interest expense, lower interest income offset by higher recurring revenues, lower doubtful debts and higher share of profit from equity accounted investments.

# ANALYSIS: YEAR-TO-DATE

| RM'mil                                    | Actual<br>YTD Sep 2016 | Actual<br>YTD Sep 2017 | YTD<br>Variance |
|---|------------------------|------------------------|-----------------|
| REVENUE                                   | 545.4                  | 626.7                  | +15%            |
| PROFIT BEFORE TAXATION (PBT)              | 298.3                  | 135.9                  | -54%            |
| <b>Adjustments:</b>                       |                        |                        |                 |
| Dividend income                           | (3.4)                  | -                      |                 |
| Gain on disposal of PPE                   | (5.6)                  | (2.7)                  |                 |
| PPE written off                           | 0.1                    | 2.7                    |                 |
| Gain on disposal of investment in Campana | (2.5)                  | -                      |                 |
| Realisation of FV gain from AFS           | (157.4)                | -                      |                 |
| Forex loss                                | 5.2                    | 17.6                   |                 |
| <b>Total</b>                              | <b>(163.6)</b>         | <b>17.6</b>            |                 |
| <b>ADJUSTED PBT</b>                       | <b>134.7</b>           | <b>153.5</b>           | <b>+14%</b>     |



- Revenue increased 15% compared to YTD Sep 2016.
- One-off revenues from **IRU sales and non-recurring contracts** accounted for **RM31.4m** of total revenue for YTD Sep 2017 (YTD Sep 2016: RM22.0m). Excluding these, **recurring revenues** would have **grown 14%** in YTD Sep 2017.
- All customer segments recorded **revenue growth** in YTD Sep 2017 led by **retail at 93%**, followed by **enterprise** and **wholesale** at **9%** and **4%** respectively.
- **Adjusted YTD PBT** recorded a **growth of 14%** mainly due to **strong data and data centre revenues growth** backed by **higher IRU sales, increased share of profit from equity accounted investments, higher interest income, offset by higher depreciation and interest expense.**

# UPDATE: ASEAN

YTD Sep 2017



**KIRZ**

## Direct TIME interest

45.27%

49.00%

RM 'million

|  |  |       |       |
|--|--|-------|-------|
| As reported by Investee                    | Revenue  | 154.6 | 12.5  |
|  | Profit/(Loss) After Tax                            | 13.6  | (4.8) |
| TIME's share in proportion to its interest | Share of Profit/(Loss) on Investment of Associates | 6.2   | (2.3) |

# PERFORMANCE: Q3, 2017

| RM 'million                   | Q3, 2017    | Q3, 2016    | Y-o-Y<br>Variance | Q2, 2017    | Q-o-Q<br>Variance |
|-------------------------------|-------------|-------------|-------------------|-------------|-------------------|
| Revenue                       | 203.0       | 194.7       | + 4%              | 205.3       | - 1%              |
| EBITDA                        | 68.6        | 77.2        | - 11%             | 63.0        | + 9%              |
| <i>Adjusted EBITDA</i>        | <i>72.2</i> | <i>73.8</i> | <i>- 2%</i>       | <i>74.6</i> | <i>- 3%</i>       |
| PBT                           | 42.5        | 57.8        | - 27%             | 37.9        | + 12%             |
| <i>Adjusted PBT</i>           | <i>46.1</i> | <i>54.4</i> | <i>- 15%</i>      | <i>49.5</i> | <i>- 7%</i>       |
| EBITDA Margin                 | 34%         | 40%         | - 6 pps           | 31%         | + 3 pps           |
| <i>Adjusted EBITDA Margin</i> | <i>36%</i>  | <i>38%</i>  | <i>- 2 pps</i>    | <i>36%</i>  | <i>0 pps</i>      |
| PBT Margin                    | 21%         | 30%         | - 9 pps           | 18%         | + 3 pps           |
| <i>Adjusted PBT Margin</i>    | <i>23%</i>  | <i>28%</i>  | <i>- 5 pps</i>    | <i>24%</i>  | <i>- 1 pps</i>    |
| EPS (Sen)                     | 4.86        | 9.59        | - 4.73 sen        | 6.20        | - 1.34 sen        |
| <i>Adjusted EPS (Sen)</i>     | <i>5.48</i> | <i>9.00</i> | <i>- 3.52 sen</i> | <i>8.22</i> | <i>- 2.74 sen</i> |

Note : *Adjusted EBITDA, Adjusted PBT and Adjusted EPS excludes forex impact and gain on pre-sales of submarine cable systems*



# PERFORMANCE: YTD SEP 2017

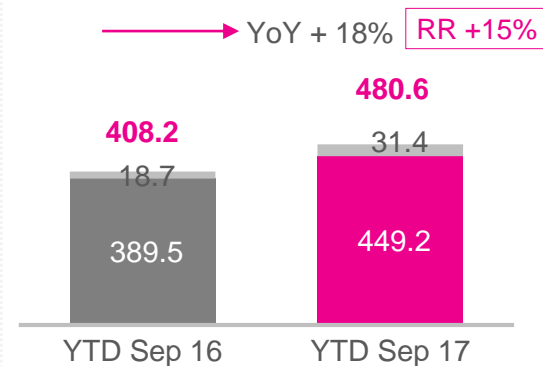
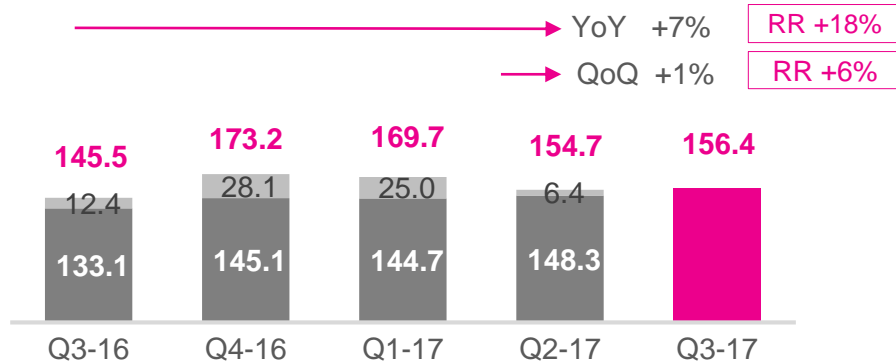
| RM 'million                   | YTD Sep 2017 | YTD Sep 2016 | YTD Variance |
|-------------------------------|--------------|--------------|--------------|
| Revenue                       | 626.7        | 545.4        | + 15%        |
| EBITDA                        | 211.3        | 199.1        | + 6%         |
| <i>Adjusted EBITDA</i>        | 228.9        | 196.3        | + 17%        |
| PBT                           | 135.9        | 298.3        | - 54%        |
| <i>Adjusted PBT</i>           | 153.5        | 134.7        | + 14%        |
| EBITDA Margin                 | 34%          | 37%          | -3 pps       |
| <i>Adjusted EBITDA Margin</i> | 37%          | 36%          | 1 pps        |
| PBT Margin                    | 22%          | 55%          | -33 pps      |
| <i>Adjusted PBT Margin</i>    | 24%          | 25%          | -1 pps       |
| EPS (Sen)                     | 20.23        | 50.81        | -30.58 sen   |
| <i>Adjusted EPS (Sen)</i>     | 23.28        | 22.42        | 0.86 sen     |

Note : *Adjusted EBITDA, Adjusted PBT and Adjusted EPS excludes dividend income, forex impact, realisation of fair value gain on AFS reserve and other one off adjustments.*

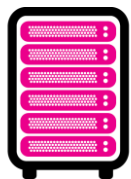
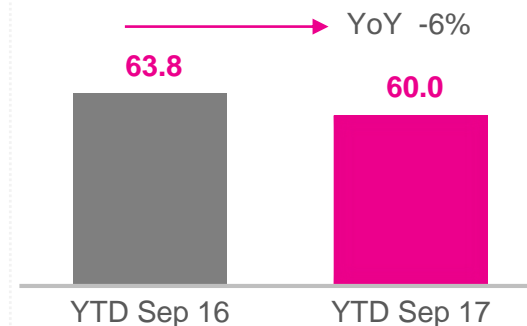
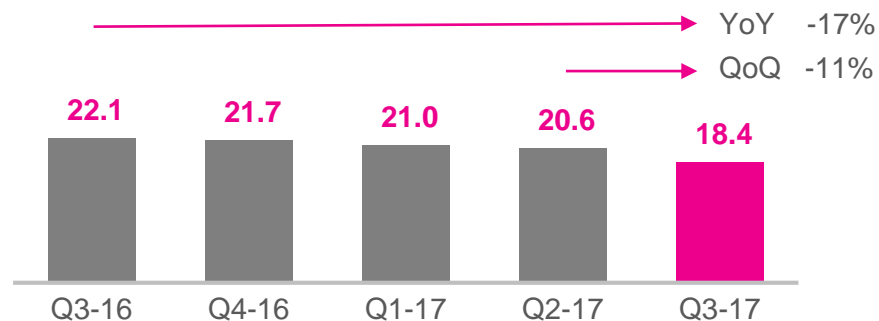
# REVENUE GROWTH: BY PRODUCT



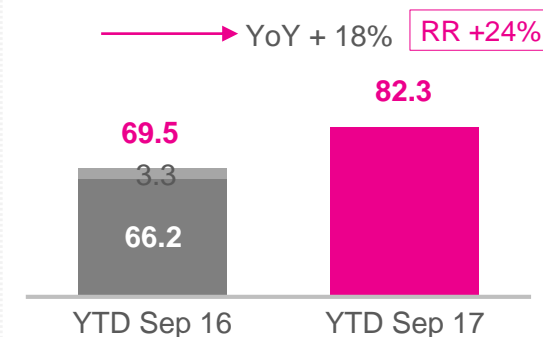
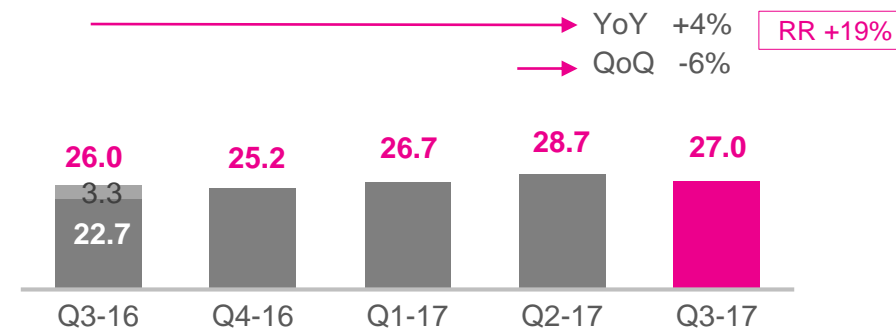
Data



Voice



Data Centre

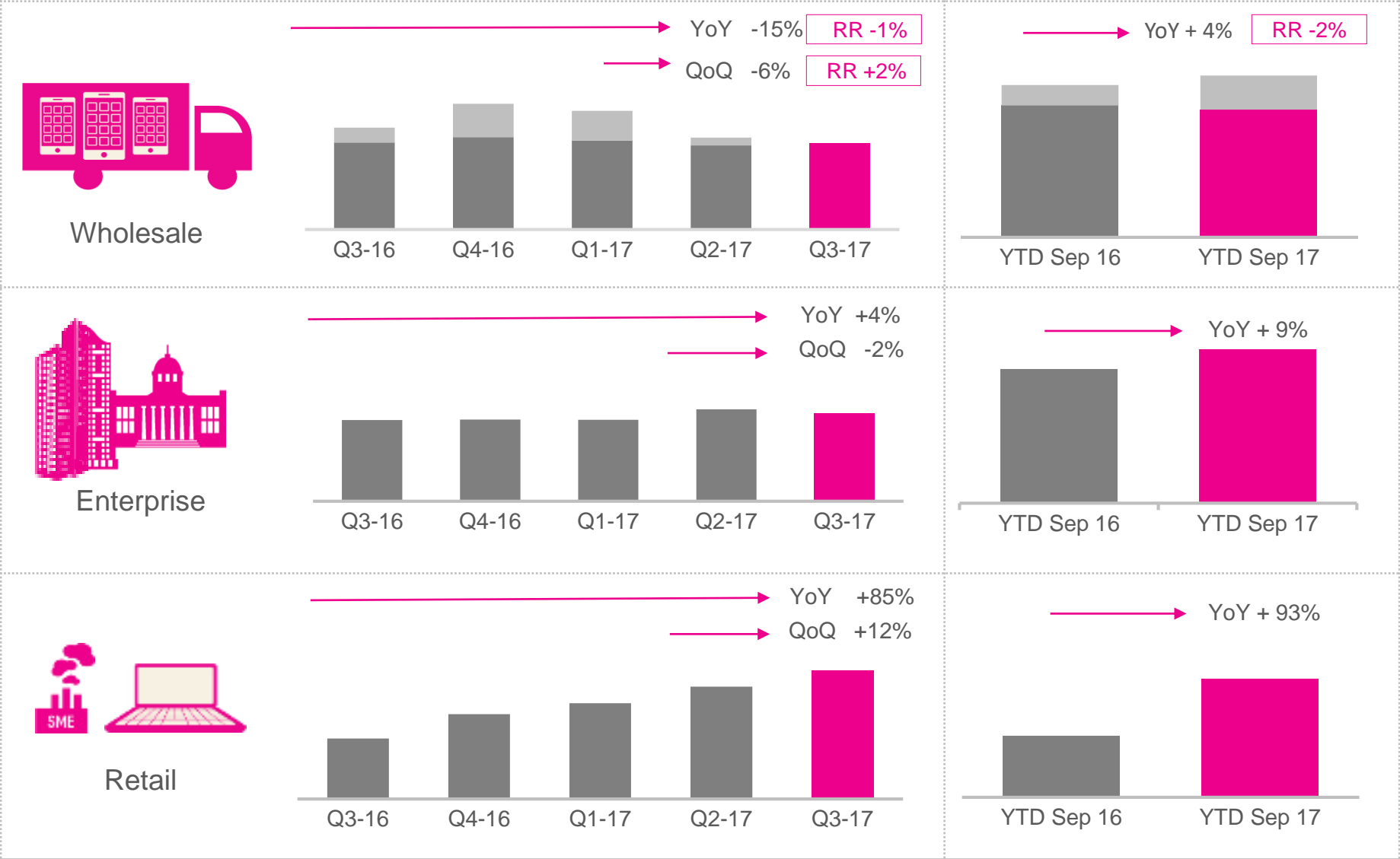


Note: Numbers are in RM millions

Legend : ■ Recurring ■ Non-recurring

RR: Recurring revenues

# REVENUE GROWTH: BY SEGMENT

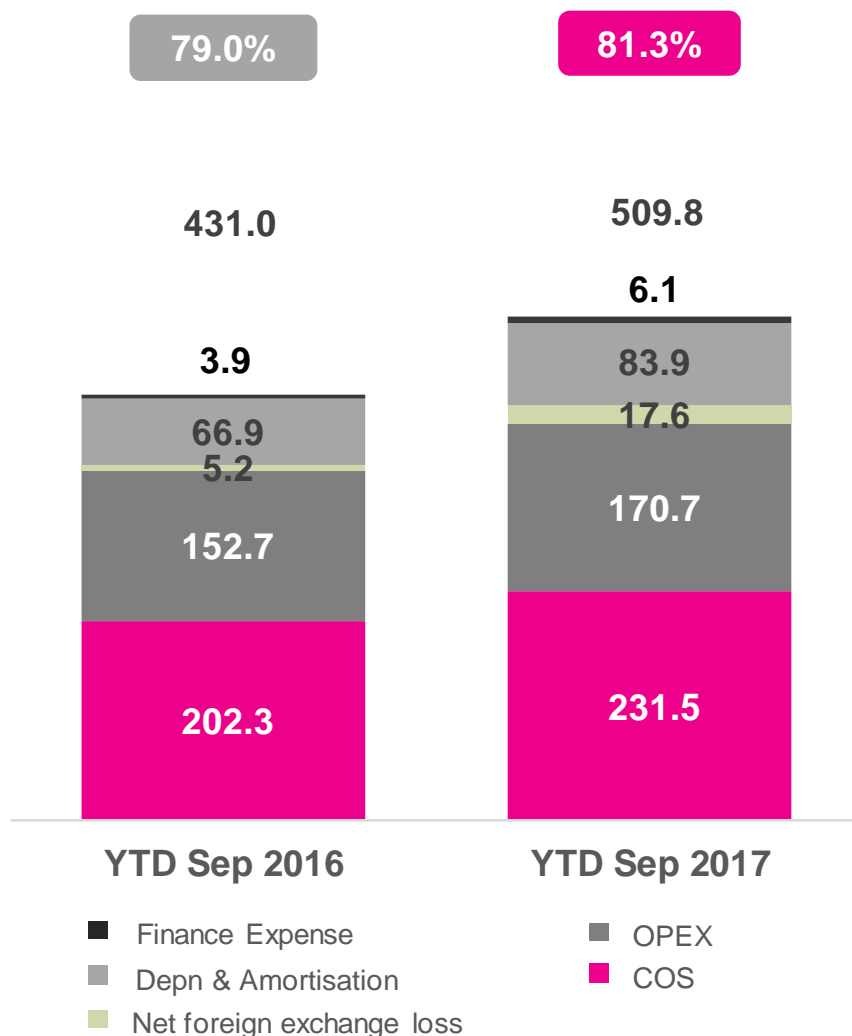


Note: Numbers are in RM millions

Legend : ■ Recurring ■ Non-recurring

RR: Recurring revenues

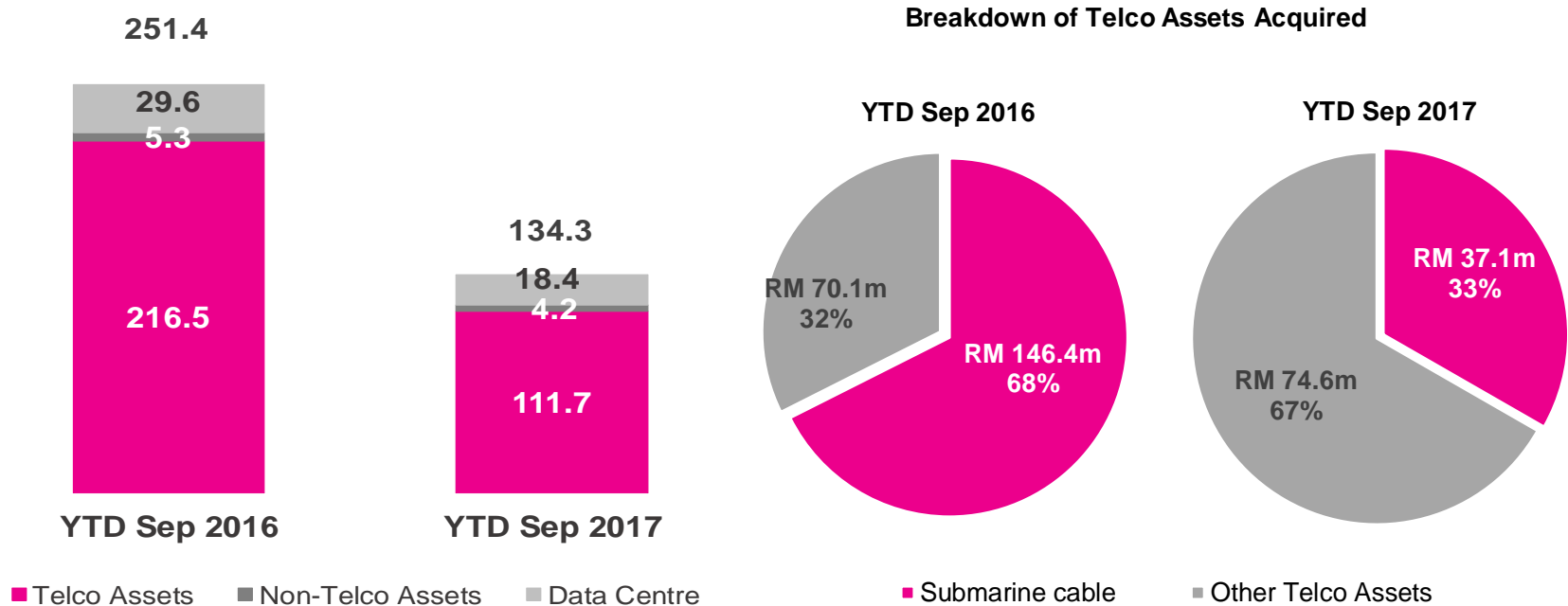
# CONSOLIDATED COST TO REVENUE %



- **YTD Sep 2017 COS increased by 14% relative to YTD Sep 2016** mainly due to **higher subscriber acquisition costs** arising from **increased demand for TIME Fiber Home Broadband services** since the end of March 2016, **one-off third party network cost** to deliver IRU sales and **maintenance costs incurred for the new submarine cables** (i.e. APG, FASTER, AAE-1 and SKR1M cables).
- Notwithstanding the increase in COS, by **excluding net foreign exchange loss**, YTD Sep 2017 Cost to Revenue % would have been **78.5%** (YTD Sep 2016: 78.1%).
- **Depreciation charge increased by 25%** in YTD Sep 2017 pursuant to the **completion of new submarine cable systems** (i.e. AAE-1 and SKR1M submarine cable systems) and the **full 9 month impact from FASTER and APG submarine cable systems**, which were only completed in the second half of 2016.

Note: Numbers are in RM million

# CAPITAL EXPENDITURE: YTD SEP 2017



- 83% of total YTD Sep 2017 capital expenditure was spent on telco assets. CAPEX for submarine cables is expected to be lower moving forward as all submarine cables except for AAE-1 (partial RFS) have now been fully RFS'd.
- YTD Sep 2017 expenditure incurred on telco assets was mainly to expand domestic network coverage, to complete AAE-1 and SKR1M submarine cable systems, as well as, to upgrade TIME's existing network infrastructure.
- Only RM 37.1m was spent on submarine cable systems (i.e. AAE-1 and SKR1M) in YTD Sep 2017.

# MOVING FORWARD

- 1 Expand the Group's network coverage and gain market share on the domestic front and throughout ASEAN
- 2 Capitalise on the synergies/opportunities available from closer collaboration with SYMC in Thailand
- 3 Leverage on the completed submarine cable investment that are expected to open new markets and opportunities
- 4 Continue to enhance operational and cost efficiencies within the Group
- 5 Manage the potential initial profit margin compression from the Group's submarine cable investments

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**[investor.relations@time.com.my](mailto:investor.relations@time.com.my)**

TIME dotCom Berhad  
No.14, Jalan Majistret U1/26, Hicom Glenmarie Industrial Park,  
40150 Shah Alam, Selangor, MALAYSIA  
Tel: +603-5032 6000 | Fax: +603-5032 6100 | [www.time.com.my](http://www.time.com.my)