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AXIATA POSTS US$406.91MIL NET LOSS FOR 4Q18

By Digital News Asia February 25, 2019

- ***Proposes a dividend of 4.5 sen per share for 4Q18; full-year payout is 9.5 sen per share***
- ***4Q18 revenue rose to RM6.27 billion from RM6.26 billion a year earlier***

AXIATA Group Bhd posted a net loss of US$406.91 million (RM1.66 billion) for the fourth quarter ended Dec 31, 2018 (4Q18) as the group recorded various one-off, non-cash, technical items during the quarter. The group had posted a net profit of US$6.06 million (RM24.73 million) a year ago.

[US$1 = RM4.0795]

The one-off expenses during the quarter include the RM3.9 billion of losses recorded by Idea Cellular, a RM1.8 billion asset write-off as a result of network modernisation at PT XL Axiata Tbk and Celcom Axiata Bhd, and foreign exchange and derivatives losses of RM0.5 billion.

Revenue for the quarter rose to RM6.27 billion from RM6.26 billion a year earlier.

Excluding the one-off items, earnings before interest, taxes, depreciation, and amortisation (Ebitda) grew 2% year-on-year to RM9.4 billion amid higher contribution from Robi Axiata Ltd, Dialog Axiata Plc and XL.

The group proposed a dividend payment of 4.5 sen per share for the quarter, bringing its full-year payout to 9.5 sen per share.

For the full-year, net loss stood at RM5.03 billion, against a net profit of RM909.48 million in the preceding year, while revenue fell to RM23.9 billion from RM24.4 billion.

Axiata achieved RM1.5 billion in savings in FY18 to meet its aim of RM5 billion savings over five years, with operations generating free cash flow of RM605 million after paying for capex investments.

Balance sheet for FY18 held up against the barrage of external challenges to maintain its investment grade rating with Gross Debt/ Ebitda of 2.29x, and a solid cash position of RM5.1 billion prior to M1 proceeds.

Axiata continued to implement its portfolio management and rationalisation exercise in FY18. This exercise involved rationalising its non-core portfolio:

Disposal of its entire non-strategic stake in M1 in Singapore at cash consideration of approximately RM1.65 billion and estimated gain of RM126.5 million.

Disposal of the entire 89% stake in Multinet (Pakistan) Pvt Ltd completed on Nov 8, 2018

Deconsolidation of the Idea investment through the reclassification as a financial investment from associate on Aug 16, 2018, registering a technical impairment of RM3.3 billion. Earlier, the group recorded a RM357.6 million non-cash loss on dilution as a result of its non-participation of Idea's rights issue.

Asean markets

Celcom's service revenue increased 1.1% year-on-year (y-o-y) in FY18 amidst a stabilising competitive environment driven by growth in both postpaid and prepaid segments.

Its focus on high-value customers further drove momentum, resulting in a RM5 increase in FY18 postpaid Average Revenue Per User (ARPU) to RM89, while prepaid ARPU increased by RM3 to RM35.

The addition of 169,000 customers in FY18 expanded Celcom's postpaid subscriber base to three million. LTE and LTE-A coverage was at 91% and 78% respectively.

XL's strategy execution resulted in a 0.4% and 2.3% increase in revenue and Ebitda respectively in FY18, delivering a market share gain and outperforming all its competitors despite a decline in revenue growth for the industry as a whole. XL registered a loss after tax of IDR3.3 trillion in FY18 mainly due to one-off impairment of assets from closure of majority legacy network. XL is Axiata's most data centric operator with 80% smartphone penetration and data revenue capturing 80% of its service revenue in FY18.

Smart's FY18 revenue increased 7.2% led by growth in the data segment which grew 28.3% and now accounts for 60% of total revenue for the subsidiary.

South Asian markets

Dialog delivered a good performance fuelled by double digit revenue growth and cost excellence. Revenue rose 15.2% and Ebitda increased 17.4%, encouraged by higher data revenue from growth in smartphone penetration and 4G conversion, fixed home broadband and international business revenue.

Robi demonstrated mobile data leadership in Bangladesh as a result of its 4G rollout, achieving a 9.5% increase in service revenue driven by 26% growth in data revenue for FY18.

Ncell's core mobile revenue and Ebitda grew 5.4% and 4.2% respectively in FY18 despite regulatory challenges, including the implementation of the Telecommunications Service Charge in July 2018 and increase in corporate tax during the year.

Infrastructure

edotco continued to post strong operational momentum for Axiata's infrastructure business especially in Malaysia, Bangladesh and Myanmar, delivering strong revenue in FY18 at 12.8% driven by higher number of tower build and co-location growth aided by two new entities consolidated in Malaysia.

Digital businesses

e-Wallet Boost continues to record an uptrend in users and merchant base recording 5x and 24x growth respectively closing 2018 with 3.5 million users and over 61,520 merchants. Boost Indonesia meanwhile, focused on merchant services, growing its base to 458,710 merchants.

ada (analytics. data. advertising), was established in 2017 as an independent digital marketing agency across South & Southeast Asia. ada has established itself in the region with over 200 large accounts, providing PUC's Red Hot Media agency with services such as digital buying, programmatic advertising and social media management.

Apigate, the group's digital enablement platform based on application programming interface (API) expanded its global reach in 2018 through partnerships with telco groups such as Zain and Etisalat, Tencent and GameLoft, giving it access to 3.1 billion consumers and over 110 mobile network operators (MNOs) from the previous 350 million and eight MNOs in 2017.

Axiata president and group chief executive office Jamaludin Ibrahim ***(pic)*** commented, "2018 results are probably the most interesting results so far. The headline profit at a glance can be alarming and misconstrued, as it is almost all due to non-cash items that are purely accounting treatments as opposed to some fundamental performance.

"On the contrary, the underlying performance is very strong. It is also interesting, as the very issues that caused the headlines could materially help us this year and in the years to come.

"To be specific, due to the massive accounting adjustments especially the reclassification of our Indian asset into the balance sheet, Idea performance will no longer drag our profitability. In fact, there are now more upsides given our belief in the long-term future of the merged company.

"Additionally, the 2G and other legacy network write-offs are expected to result in D&A savings of around RM150 million per year, hence, correspondingly improve our profitability.

"All these cloud our strong underlying fundamentals. This is one of the years where all six mobile subsidiaries performed the highest revenue growth in the industry and most performed the highest Ebitda growth. More importantly, we now have a huge tail wind from both the momentum from the operational successes across the group and the strong balance sheet from the M1 sale of RM1.65 billion on top of our RM5.1 billion cash balance."