

# GCEO's Statement



## Dear Stakeholders,

As we turn the chapter on year two of the global pandemic, it is evident we are still living in challenging times. Societies continue to battle the economic and social disruption to lives and livelihoods, triggering far-reaching and long-term impacts, especially for the vulnerable population.

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### Imri Mokhtar

Managing Director/Group CEO

Though the crisis has posed great difficulty for everyone, it has also created opportunities for society to reset and do things differently, and a big impetus for its shift into digital adoption. The disruptions from COVID-19 accelerated the use of technological platforms, enabling the industry to drive digital engagements more efficiently and ease the unprecedented slump in economic activity. Micro entrepreneurs and Small Medium Enterprises (SMEs) stood to massively benefit from adopting digital solutions, though more can be done to drive digitalisation among Malaysian businesses.

Throughout these times, telecommunication services played a vital role in ensuring the continued functioning of the economy, relying on essential network services to stay connected and productive. TM, with its strong track record of connecting Malaysians for 75 years, rose to the fore in how we efficiently responded to the surging needs for digital connectivity, adapting quickly to customers' changing habits and expectations. More than ever, customers, businesses, Government and industries rely on our critical network and services to stay connected in a secure and reliable way. Learning from that, we improved our internal processes and systems to deliver a better customer experience, and this has in turn, created high expectations of what TM can offer. We scaled up our investment to better serve our customers, ensuring that services are delivered faster and better for everyone.

As we pursue commercial sustainability and fulfil our growth objectives as a Public Listed Company (PLC), we stayed the course in our commitment to nation-building and making life easier for Malaysians. The challenging, high-pressure environment tested our fundamentals but with relentless execution, TM is well-positioned to take on the opportunities of new technologies to further support the implementation of the JENDELA plan in building a better future for Malaysia.

## SUPPORTING THE NATION DURING A CHALLENGING YEAR

It has been, without doubt, a difficult 2021 for many Malaysians. Beleaguered by constraints arising from protracted lockdowns, large swaths of society were inadvertently impacted. Consequently, more Malaysians shifted online to adapt to a new normal. This rapid shift to digital channels saw a change in customers' behaviour, as they demanded fast and uninterrupted coverage to work, learn and play.

This rapid shift to a digital way of life brought massive changes in customer behaviour. Online consumption of video and content streaming skyrocketed, and e-commerce transactions simply multiplied. People had no other option but to work, study, be entertained and conduct business remotely from home, marking a significant shift in how Malaysians utilise technology and make the most of access to the internet.

The internet and hyper-connectivity of a household can be likened to a basic survival need, with customers expecting continuous connectivity. As a Group, we are committed to deliver coverage quality to ensure continuity and consistency.

In times of global upheaval, the fundamental strength of TM's assets becomes ever more evident. The network that we are anchored on – over 650,000 km of fibre nationwide – provides the robustness and the resiliency to support the increase in the demand by Malaysians. As a nation, it is also imperative we are connected to the rest of the world and that is where the international connectivity of our sub-sea cables come into play to ensure an end-to-end quality experience for society and customers.

We remained undeterred throughout the worst of times and ensured Malaysians stayed connected in the safety of their homes, with customer support services fully operational. This commitment is extended to all customer segments across homes, businesses, industries and the public sector.

This year has been challenging not only due to the pandemic, but also the country's worst flood crisis in recent years, reported to have displaced 70,000 people. Rising waters impacted over 15 network sites and hill stations across four (4) states due to power outages, high water levels and severe road conditions, making it tough to access these locations to reconnect affected customers.

Regardless, thanks to the exhaustive efforts of our engineering and support teams, 85% of impacted customers were swiftly back online within a week. Additionally, we channelled RM36.4 million to help customers affected by the flood with CPE replacements at the cost of RM7.6 million, customer rebates of RM7.5 million, and RM21.3 million in donation and service restoration efforts. As a nation-building organisation, TM is steadfast in helping our customers and other stakeholders respond and recover from such disaster events.

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## STAYING ON OUR GROWTH TRAJECTORY

Despite the challenging backdrop, I am pleased to report our commendable financial results for 2021, in which TM recorded a 6.4% growth in revenue to RM11.5 billion compared to RM10.8 billion in 2020. This solid performance is attributed to the strong growth in unifi revenue and fixed broadband subscribers, as well as the sharp increase in the TM Wholesale business, which registered an increasing data demands from hyperscalers, and international and domestic telcos.

The solid revenue improvement, coupled with continuous cost optimisation initiatives, saw Earnings Before Interest and Tax (EBIT) increase from RM1.6 billion to RM1.7 billion (6.6% Year-on-Year (YoY)). However, PATAMI fell 11.9% to RM895.2 million, mainly attributable to higher taxation, including provision for *Cukai Makmur* and higher net finance cost.

On that note, CAPEX for the year stood at RM1.7 billion, which is 14.7% of the Group's revenue. This is particularly encouraging as it reflects our commitment to invest in business expansion, new growth areas and provide great experience and services for our growing base of customers. Free Cash Flow at RM2.2 billion rose 10.2% from RM2.0 billion, ensuring steady growth ahead of an increasingly demanding future. Overall, we are proud that although the Group faced significant difficulties in 2021, we kept our foot on the pedal to ensure a healthy financial performance, and remain on course with our growth aspirations.



**TRANSFORMING TM TO MEET FUTURE NEEDS**

With 2021 concluding our first year of the three (3)-year New TM Transformation Programme, TM is raring to go in how we will future-proof our organisation for performance and growth. The transformation anchors on four (4) strategic pillars: Our Purpose, Our Business, Our Customers and Our People. The New TM Compass provides greater clarity on how we come together as a team to strengthen and align our Purpose, to serve our Customers better, and in return, deliver outstanding Business performance, powered by the commitment and resilience of our People.

Our stakeholders are at the heart of the New TM Compass, with each pillar integral to creating long-term value for all Malaysians. It supports our dual role responsibility as a PLC and GLC, focusing on long-term commercial sustainability whilst being a partner for the Government's nation-building and digital agenda.

We are particularly proud of integrating Environmental, Social and Governance (ESG) factors into Our Purpose. Sustainability is now stitched into the essence of TM's strategic decisions, with ESG initiatives embedded into TM's ecosystem for effective implementation. In doing so, we are better equipped to mitigate and respond to ESG risks and opportunities, such as the effects arising from pandemics and climate change that may impact our future performance.

Through the effective execution of the New TM Compass, we have reversed the three (3) year decline in revenue in 2021, within the first year of our transformation. TM has shown positive results delivering overall growth in revenue and EBIT, with the success of our cost rationalisation improving overall profitability.

Within 12 months, we made tremendous progress in becoming a higher-performing team. We are more outcome-driven and adopted a new culture of becoming more and more agile in our execution. We did it our way #IniCaraKita and this new culture is here to stay. We have proven that our execution strategy, paired with our greatest resource – *Warga TM* as the execution engine – is the right formula for us to build a brighter future for TM.

We aim to evolve towards becoming a human-centred technology. What this translates to is in our ambition to ensure we progress from delivering converged connectivity into value-added services for our customers with innovative digital solutions and applications. This will not only make lives, workplaces and businesses better, but also enable us to realise our Digital Malaysia aspirations.

**ENHANCING CONNECTIVITY AND ENABLING DIGITAL SOLUTIONS**

As the national connectivity and digital infrastructure provider, we are at the forefront of the country's technological progress. We see this reflected in Our Purpose under the New TM Compass to support Malaysia in realising a more digital society, business, industry and Government.

We are strong advocates for the Government's JENDELA plan to close the digital divide, actively contributing to nationwide fiberisation efforts to improve broadband coverage and quality. Currently, TM has over 650,000 km of fibre nationwide and our unparalleled network is targeted to grow rapidly in the coming years in tandem with JENDELA. I am pleased to report that TM is on track to meet its commitments, achieving over 100% of our 2021 JENDELA target.

As technology evolves, whether in fibre or mobile, it actively serves to unlock newer services that we may not have on hand today. A prime example is understanding and accessing what new and advanced 5G technology capabilities can bring to the table for the betterment of society and businesses. The Group's fibre network expansion is not limited to home and business premises, but also the fiberisation of mobile towers in improving current 4G service quality and expediting 5G rollout. TM is Digital National Berhad's (DNB) selected fibre partner in implementing Malaysia's 5G network rollout. We will provide DNB with fibre services for connectivity between its 5G mobile sites and nodes, leveraging our domestic fibre cable network.

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Looking ahead, we will ensure our network is robust in supporting the future requirements of 5G, with mobile growth driven mainly by smart services and digital solutions. The business-to-business (B2B) applications of 5G are tremendous and the biggest value lies in the industry verticals, which allows smart manufacturing, smart healthcare, smart agriculture and so forth, going beyond mere retail consumer use.

TM also takes the lead in driving MyDIGITAL – Malaysia's Digital Economy Blueprint that aims to accelerate the country's digital transformation. Three (3) of our nine (9) data centres are built to meet the rigorous requirements of the Tier III/Rated 3 rating, providing world-class cloud, artificial intelligence (AI) and cybersecurity services to further elevate Malaysia's digitalisation capabilities. At the same time, our growing global network of more than 30 submarine cable systems spanning 320,000 km is ready to support the global connectivity demand outlined under the Blueprint. TM has every intention to continue powering a Digital Malaysia for the country across the various customer segments.



**BALANCING OUR PLC AND GLC COMMITMENTS**

As a GLC with a strong focus on nation-building, people may forget that TM is also a PLC that needs to generate strong returns for shareholders. Our commitments to nation-building go hand-in-hand with our commercial focus as a PLC.

Businesses across Malaysia, including other PLCs, have no recourse but to adopt digital transformation in order to remain relevant and respond to new realities. Companies must embrace digitalisation to bring their company closer to their customers and give it a better chance to succeed in a post-pandemic landscape.

With this in mind, TM is proud to champion the fourth pillar of Bursa Malaysia's PLC Transformation programme, in which we help transform Malaysian corporates into high-performing, future-ready organisations set to reap the benefits of an increasingly digital world. As the national connectivity and digital solutions provider, we are excited to share our best practices on how to embrace technology to create better collaboration across sectors and enhance customer experience at every touchpoint. We hope our ongoing transformation journey inspires other PLCs on theirs, as we create new partnerships that will further drive the country's digital ecosystem to benefit all Malaysians.

## PUTTING CUSTOMERS AT THE HEART OF TM

Customers' trust and confidence in TM have been integral to our 75-year success. However, in an increasingly complex and dynamic landscape, customers' expectations are quickly evolving, and it is imperative we grow alongside them. Our aim is to deliver efficient and seamless customer experiences without losing the human touch.

The convergence landscape has been experiencing rising competition, with mobile and content players aggressively offering fixed broadband. Nevertheless, we remain the only true 'convergence provider' for broadband, mobile and content. Even with pricing pressures, our offerings remain competitive. We set ourselves apart from the competition by delivering reliable and seamless services to our customers. We believe a great customer experience is the most sustainable edge in a competitive market.

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Customers' expectations have certainly increased on the back of the surge in digital and online experience that customers have gone through over the past two (2) years, setting the baseline of what they expect from a provider. Apart from hyper-connectivity, customers want services that are easy and convenient to use. The younger segments of Malaysians are demanding for service providers to better understand them, and as such, expect more personalised services. That is the trend we are seeing – simple, convenient, intuitive and personalised array of products and services.

In 2021, we offered unique value propositions to customers focusing on digital interaction and simplification, to deliver convenient and personalised services. This is part of our campaign to transform our end-to-end customer experience to ensure customers' needs are met. We introduced digital tools that empower them to easily manage our services and resolve any potential issues. At the same time, our friendly frontliners provide tailor-made consultation and solutions to further enhance their experience and connectivity.

With the rising demand for reliable connectivity, we made a bold promise to restore customers' services within 24 hours. This revolutionary commitment is an industry first, ensuring that our customers get the best broadband experience possible. Through our 24-hour service restoration guarantee, they are assured of greater peace of mind as we collectively navigate the 'new normal'. By prioritising customer needs and experiences, we achieved a Net Promoter Score (NPS) of +23 and maintained the highest market share in the fixed broadband market.

## CHAMPIONED BY OUR LINES OF BUSINESS

The realisation of the Group's digital aspirations is spearheaded by our three (3) lines of business (LOBs) – unifi, TM One and TM Wholesale. Firstly, unifi delivers essential convergence services to home and business customers, particularly SMEs. Their services have been particularly critical this year, as Malaysians relied on broadband connectivity to mitigate and respond to the impacts of COVID-19. In its effort to support SME recovery and growth, unifi offered more than 377,000 local SMEs special packages with the complete digital solutions to help them to grow their business and stay competitive. Through their tireless efforts, unifi achieved a record-breaking performance. unifi recorded the highest number of fixed broadband customers, with a total of 2.78 million customers, as well as the highest number of new broadband customer installations.

Meanwhile, TM One is at the forefront of catalysing Malaysia's smart ecosystem. It delivered a strong value proposition of offering end-to-end managed services and digital solutions, backed by robust digital connectivity and infrastructure. As the only home-based CSP with data sovereignty assurance, TM One serves to enhance its cloud service as a complete digital solution by embedding analytics, smart services/ IoT and cybersecurity to cater to key industry verticals.

Finally, TM Wholesale continues to provide wholesale services to both domestic and international telcos, including hyperscalers. Domestically, as the preferred fibre service provider, TM Wholesale is steadily expanding 4G and 5G fibre infrastructure, in line with the Government's JENDELA initiative. TM Wholesale's fibre services to DNB for 5G network rollout, valued at RM2.0 billion over the next ten (10) years, is a testament of our commitment to infrastructure sharing in enabling excellent 5G solutions and services for Malaysia. TM Wholesale also experienced a record year, achieving the highest active ports subscription for wholesale High-Speed Broadband (HSBB) access, with more than 550,000 total ports for other Malaysian fibre broadband telcos. On the international front, TM Wholesale recorded 190 new deals from hyperscalers and global service providers for various wholesale international data services – a milestone year in positioning Malaysia as a regional digital hub.

## EMBEDDING SUSTAINABILITY INTO EVERYTHING WE DO

Recent years have shown what can happen if we do not protect our planet. We faced flood disasters attributed to the destruction of natural habitats and the rise in climate change. Seeing many Malaysians struggle to deal with the aftermath of multiple crises accelerated our ESG journey. We are stepping up our ESG programmes to help the country recover and move forward in a more sustainable manner. It is also encouraging to note that TM is listed in the FTSE4Good Bursa Malaysia Index with a full rating of four (4) stars.

As mentioned, a key milestone this year is the greater integration of sustainability into our business operations. Every business decision made now includes ESG considerations to safeguard the business and stakeholders from future disruptions, creating new opportunities for long-term growth and well-being. This is supported by the establishment of our ESG commitments and KPIs, further incorporating a sustainability mindset across the Group. Our most notable achievement is the launching of TM's Sustainability Roadmap. We have set ambitious sustainability targets to track our near to long-term sustainability performance. These targets range from socio-economic contributions, such as providing at least 70% of premises with high-speed internet by 2025, to becoming net-zero carbon by 2050. TM's sustainability commitments are underpinned by strong corporate governance, adhering to the highest standards of ethics, integrity and transparency.

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Furthermore, we are escalating our climate action. As a national service provider, we are committed to cutting down our emissions as well as adapting our operations to continue delivering essential connectivity despite potential natural disasters. The key is to build our resilience against climate-related risks. We have, therefore, included climate change risks as part of our BRC agenda to ensure we regularly monitor and deliberate on these risks. This is supported by our Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP), which minimise the impacts of climate-related disasters on our operations and customer experience.

## INSPIRING OUR PEOPLE TO DRIVE DIGITAL

We are grateful for the continued diligence and dedication of our employees or fondly referred to as 'Warga TM', particularly in recent trying times. They have demonstrated an unwavering passion in driving the nation forward despite navigating new challenges to their work environment. I am confident in *Warga TM's* ability to continuously adapt and help the Group achieve its commercial and nation-building aspirations.

With the ongoing COVID-19 issues, TM's utmost priority in 2021 was to take care of their health and well-being. We are continuously listening to our employees and taking stock of the health of our organisation. This includes the progress of our culture change and how we are aligned as *Warga TM* towards a single goal, our execution capability and ability to continuously renew ourselves in adapting to the fast-changing customer and market environment.

TM's new culture statement, #IniCaraKita was collectively curated by *Warga TM*. The culture statement, which sets the expected behaviour and desired culture for employees towards a high performing organisation, was well received with encouraging responses during the "#IniCaraKita" launch and subsequent engagement activities.

To maintain employee morale during the MCO, we enhanced TM's Flexible Working Arrangements by introducing Flexi Space (work-from-home), Flexi Time (Staggered Working Hours) and Flexi Team (Split Team Work). Appropriate policies and guidelines were established, including daily health declarations, to ensure employees remain safe and productive. We continue to take proactive measures to curb the spread of COVID-19 for the safety of our employees, customers and stakeholders. It has set a new baseline for TM, where returning full time to the office may not be the best way forward as we implement a hybrid model of working beginning January 2022.

As our country embraces this digital era, it is not just about investing into the technology of platforms, hardware or software, it is also about investing into the human capital in the effort to develop, retain and attract leading digital talents. Putting this into action, we invested RM20.1 million in employee training, future skilling, reskilling, upskilling and other development programmes, with an average of 41 training hours delivered per employee. We also focused on equipping employees with future-ready skills in key areas such as cloud, Robotic Process Automation (RPA), 5G, Software-Defined Networking (SDN) and Network Function Virtualisation (NFV) technologies, data analytics, smart services, Internet of Things (IoT), digital, agile, cybersecurity and other related areas. We managed to train over 13,000 employees in future skills, which is an outstanding feat considering MCO restrictions. Undeterred by COVID-19, we continue to develop our employees towards becoming digital leaders capable of driving a Digital Malaysia.

**WHAT THE FUTURE HOLDS**

As TM enters its second year of transformation, we are ready with the right mindset to tackle whatever the new year may bring. 2021 has demonstrated our ability to adapt and help the nation in times of need, and we will continue to do so in the years to come. The Group's main focus for 2022 onwards is to support the Government's efforts to rebuild the nation post-pandemic as it gears itself to seize opportunities in the Fourth Industrial Revolution.

Although Malaysia is on a path of recovery, we remain cautiously optimistic as the economy is susceptible to the emergence of new variants and other social and climate challenges that may deter its progress. The telecommunications industry is moving from infrastructure-based competition to a more service-based competition. Connectivity services will also be increasingly commoditised, where competition has progressed beyond infrastructure. This is an opportunity for TM to also go beyond just the connectivity that we provide to households, businesses and the public sector as industries strive to go more digital to better serve their end customers.

Business customers, particularly SMEs, will contribute to higher broadband take-up via unique offerings, as they optimise the Government's digitalisation grant. This signifies that going digital is no longer an option; it is a necessity for businesses to embrace what an online presence can bring to their business, and how adopting productivity and digital tools can improve efficiency. TM serves a large segment of our MSMEs, and it is a responsibility for us to work together with customers to bring them to that next phase of digitisation. New opportunities will continue to evolve in Mobile, Enterprise and the public sector, mainly in 5G connectivity, digital and IoT services, data centres and cloud solutions.

To meet these new challenges and opportunities, we are activating more programmes to keep pace with our growth trajectory and quickly move forward to further enable Digital Malaysia.

**TM's revenue growth is expected to remain intact, in line with the Group's market guidance, which is between low to middle single-digit growth, while EBIT is projected to be more than RM1.8 billion, driven by our three (3) lines of business (LOBs) – unifi, TM One and TM Wholesale. We also expect to invest between 14% to 18% of our revenue this year on CAPEX, reflecting our continued commitment to investing in growth areas, capacity-building, as well as to enhance customer experience.**

As we continue our shift towards becoming a human-centred technology company, we will develop innovative solutions and drive digital adoption across our broad customer base of home, SME, corporate and Government customers – anchored on great customer experience. We will invest in growth, and critical to this momentum is in the development of our talents to be future-ready and equipped with digital capabilities, enabling the organisation to innovate and build digital solutions that make customers' lives and work better.

With the uplift of movement control restrictions in Malaysia and the economy gaining pace, we remain committed to serving the nation. We will focus on upholding the national agenda through continuous support for the JENDELA and MyDIGITAL plans, enabling nationwide 4G and 5G fibre infrastructure and expanding our fibre broadband coverage.

In promoting sustainability, we remain steadfast in our ESG commitments. For Environmental, we will progressively cut down our emissions by 30% in 2024, 45% by 2030 and to achieve net-zero emission by 2050. On Social, TM is set to provide access to high-speed internet to at least 70% of premises nationwide. The Group promotes gender diversity in decision-making roles by having a minimum of 30% women on its Board of Directors and in Management. Under Governance, TM will continue working with the Malaysian Anti-Corruption Commission (MACC) to uphold our zero-tolerance for any form of corruption and maintain the highest standards of corporate governance.

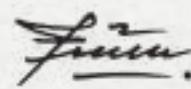
Regardless of what lies ahead, we are confident in the Group's ability to endure and carry on. As the past 75 years have demonstrated, *Warga TM* are resilient to any challenge that may come our way. We will stay true to our commitment to transforming the lives of all Malaysians.

**ACKNOWLEDGEMENTS**

First and foremost, I would like to express my gratitude to our previous Chairman, Tan Sri Dato' Seri Mohd Bakke Salleh, for his dedication and efforts during his tenure. His leadership was key to helping the Group navigate the difficult year, and we wish him all the best in his future endeavours. I would like to acknowledge the valuable contributions of former Board Members, Dato' Mohd Naim Daruwish and Dato' Ibrahim Marsidi. I am also grateful to our Board of Directors for their continued support and guidance.

Most importantly, thank you to *Warga TM* for their strong commitment and hard work as we continue to adjust to the new ways of working. And thank you to our frontliners, in particular, for their unwavering commitment and sacrifices made to perform their line of duty for our customers.

Last but not least, my appreciation to all our stakeholders – our customers, shareholders, investors, suppliers, Government, regulators and the community at large – for your support and trust.

  
Imri Mokhtar

