

*Smart Axiata Co., Ltd. Recognized as the*

**2021**

**Company of the Year**

Cambodia Mobile Services Industry

*Excellence in Best Practices*



## Best Practices Criteria for World-Class Performance

Frost & Sullivan applies a rigorous analytical process to evaluate multiple nominees for each award category before determining the final award recipient. The process involves a detailed evaluation of best practices criteria across two dimensions for each nominated company. Smart Axiata Co., Ltd. (Smart Axiata) excels in many of the criteria in the Cambodian mobile service space.

AWARD CRITERIA	
<i>Visionary Innovation &amp; Performance</i>	<i>Customer Impact</i>
Addressing Unmet Needs	Price/Performance Value
Visionary Scenarios Through Mega Trends	Customer Purchase Experience
Implementation of Best Practices	Customer Ownership Experience
Leadership Focus	Customer Service Experience
Financial Performance	Brand Equity

### **Addressing Unmet Needs and Visionary Scenarios through Mega Trends**

With the COVID-19 pandemic, 2020 was marked by pervasive disruptions, creating economic instability in Cambodia. The related lockdowns and travel restrictions caused a significant slowdown in business activities, leading to a global market recession. Many businesses lost portions of their revenue, and a considerable number of businesses had to close permanently. In such an environment, Cambodia recorded a negative gross domestic product (GDP) growth of 3.1% in 2020, marking the sharpest decline in Cambodia’s economic history. Despite the sharp economic downturn, the Cambodian mobile service industry witnessed a growth in the mobile service penetration rate, reaching 128% in 2020, representing a year-on-year (YoY) growth of 11.3%. Frost & Sullivan expects this rate will continue to move at a positive pace in the next five years, attributed to increasing mobile service and mobile data consumption among the Cambodian population.

The Cambodian mobile service industry is extremely competitive, forcing several mobile network operators (MNOs) to stop operations. The number of operators has reduced from ten in 2012 to five at the present time. Consumers are looking for more competitively priced packages and value-added offers, and operators are finding it difficult to meet customers’ increased mobile service needs efficiently and maintain margins while continuing to invest in new products and services to retain a competitive edge.

5G services have emerged as a powerful tool for Cambodian mobile operators to address customer demand by delivering superior network performance, such as faster speeds, lower latency, and a customized service experience. Major operators in Cambodia are currently implementing 5G networks and are expected to launch 5G services by the end of 2021.

*“Smart Axiata continues to invest in upgrading and expanding its network to support the increased demand for a data-driven service experience. In 2020, the company invested \$294 million in CAPEX, allowing it to broaden its 4G network coverage from 75% in 2019 to 91.5% in 2020, representing an impressive YoY growth of 22%.”*

**- Dewi Rengganis, Industry Analyst**

In early 2013, two Cambodian telecommunication operators, Hello Axiata and Latelz Co. Ltd (Smart Mobile), merged to become Smart Axiata. Since its establishment, Smart Axiata has positioned itself as a leading mobile service provider in the Cambodian mobile service market. The company continues to focus on enhancing the customer experience and providing expanded customer value through converged service offerings for the consumer, home, and enterprise segments. For example, to meet customers’ demand for data connectivity while working from home during the COVID-19 pandemic, Smart Axiata offered Smart@Home that leverages fixed wireless access (FWA) technology, allowing customers to obtain the benefits of home Wi-Fi without the expense and inconvenience of installing Internet lines because FWA technology uses mobile wireless to distribute broadband-speed connectivity throughout the home.

Smart Axiata continues to invest in upgrading and expanding its network to support the increased demand for a data-driven service experience. In 2020, the company invested \$294 million in capital expenditure (CAPEX), allowing it to broaden its 4G network coverage from 75% in 2019 to 91.5% in 2020, representing an impressive YoY growth of 22%. The company’s closest competitor offers 4G network coverage of only 70% across Cambodia. Moreover, Smart Axiata improved its product offerings while maintaining a dominant share in Cambodia’s mobile services market. For instance, the company expanded its product portfolio by partnering with digital and mobile industry ecosystem participants, such as mobile device manufacturers (e.g., realme) and digital entertainment providers (e.g., TikTok and Tencent Games), to stay relevant in the changing mainstream culture. In addition, Smart Axiata has invested in customer experience solutions, such as the autonomous business monitoring tool. This tool enables Smart Axiata to understand customers’ profiles better, such as data connections point, traffic profiles, and the status of data usage. These metrics holds immense value for Smart Axiata to understand market movements and prevent network incidents from going unnoticed.

Smart Axiata has many ‘firsts’ to its credit in the Cambodian mobile service market. For example, in 2014, the company became the first operator to launch 4G long term evolution (LTE) in Cambodia and currently operates approximately 3,000 network sites across the country, encompassing 98.5% 2G, 81.4% 3G, and 91.5% 4G coverage. In contrast, Smart Axiata’s closest competitor has a total of only 2,200 base stations consisting of 2G, 3G, and 4G technology. According to the Cambodia Mobile Network Experience Report in August 2020 by Opensignal, Smart Axiata led in the following two categories: 4G coverage and download speed experience of 8.9 Mbps (closest competitor averaged 7.0 Mbps). As mobile multimedia content continues to drive the demand for network data traffic, higher download speeds are becoming more crucial to support an enhanced customer experience with mobile data. With the fastest network, therefore, Smart Axiata is well positioned to continue benefiting from the ongoing mobile data revolution.

In past years, 5G technology has represented a Mega Trend in the mobile service industry across Asia. The technology, which is revolutionizing communication and mobile service network architectures, will create new revenue streams and accelerate revenue generation through breakthrough services on 5G-enabled smartphones, mobile and wearable devices, and Internet of Things (IoT) devices. Smart Axiata is at the forefront of the 5G rollout in Cambodia. In July 2019, the company took an early leadership position in 5G, becoming the first operator in the country to host a 5G live trial, and is currently working closely with global 5G infrastructure and solution providers, such as Huawei Technologies, to deliver integrated 5G solutions. The company’s closest rival conducted the 5G live trial at end of 2019.

Smart Axiata is deeply committed to exploring use cases, such as improved video streaming quality and better virtual reality (VR) and mobile gaming, which will bring a new digital experience to Cambodian businesses and consumers. Furthermore, to prepare the rollout of 5G spectrum frequencies in Cambodia, Smart Axiata implemented the use of trial frequencies at three of Cambodia's main hospitals and is exploring other use cases to cater to the enterprise segment, such as deploying the 5G-based telemedicine setup. Overall, the company is co-developing vertical-specific use cases to address customers' unique needs by deploying outcome-centric implementations that deliver a tangible return on investment (ROI).

Frost & Sullivan lauds Smart Axiata's ability to provide a great customer experience by investing in network infrastructure, trendsetting the mobile service industry, leveraging next-generation technology, and partnering with industry stakeholders to explore new revenue streams that will impact greater business sustainability.

### *Price/Performance Value and Customer Purchase Experience*

Smart Axiata has helped local communities navigate the significant challenges posed by the COVID-19 pandemic. For example, the company contributed \$1 million from its COVID-19 Relief Fund to boost Cambodia's economy. This contribution is the largest among all operators in Cambodia. In addition, Smart Axiata funded 12 projects in the education sector, provided free mobile data packages, and educated the market on the social distancing campaign.

In the home broadband segment, Smart Axiata initiated a fair usage policy (FUP) and increased the data quota, including 250GB to 500GB for the Basic Package and 400GB to 800GB for the Premium Package. The FUP ensures that Smart@Home is not used for commercial purposes. Additionally, to cater to the enterprise segment during the COVID-19 pandemic, Smart Axiata provided up to 10GB of extra data for free. The company initiated these exemplary action plans and promotions to contribute to the national COVID-19 recovery program.

Smart Axiata is at the forefront of innovation for enterprise mobile services and offers an extensive catalog of next-generation services to address a diverse range of enterprise communication needs. The company is actively building a vibrant start-up ecosystem and finds new use cases by leveraging 5G and IoT technologies. In 2020, the company held the Smart IoT Challenge Hackathon to boost IoT innovation among the youth. One of the showcased use cases was Smart Composting that simplifies the composting process using humidity, temperature, and other sensors.

To cater to the enterprise segment, Smart Axiata offers business solutions and provides the most affordable and innovative services, including machine-to-machine (M2M), corporate private branch exchange (PBX), digital advertisement, and mobile crowdsourcing. The M2M service is a mobile service plan that starts from as low as \$0.5 per month (the cheapest plan in the industry) for a range of M2M devices, such as payment systems, geo-positioning service (GPS), security cameras, and sensors. The company's PBX solution provides enterprises with phone line connections that enable access to Smart Axiata's data center and enterprise premises through a data connection. The PBX solution is a fully featured hosted private automatic branch exchange (PABX) with no physical wiring, resulting in significant agility and cost efficiency. The mobile digital advertisement solution allows enterprises to send bulk short message service (SMS) marketing to targeted segments. The mobile crowdsourcing solution is the first of its kind in Cambodia's mobile service market, enabling enterprises to conduct market surveys and source target respondents through the application. Moreover, this solution helps enterprises obtain immediate feedback from end consumers.

To strengthen its customer relationships and respond to lockdowns and movement restrictions in Cambodia, Smart Axiata improved its SmartNas™ mobile application to provide customers with visibility on their mobile service use and mobile credit balance, with the ability to modify their mobile service plans. As a result, Smart

Axiata has maintained its strong customer relationships and remains at the top position in relationship Net Promoter Score (rNPS), denoting an excellent customer experience.

### ***Financial Performance and Brand Equity***

Despite strong economic headwinds and negative GDP growth in Cambodia, Smart Axiata closed 2020 on a positive footing and has preserved its market position as the industry leader in the Cambodian mobile service industry.

In 2020, Smart Axiata booked total revenues of \$388 million, representing a YoY growth of 3.6%. This steady performance can be attributed to cost optimization, CAPEX efficiency, and increased data consumption among subscribers. Moreover, the company's earnings before interest, taxes, depreciation, and amortization (EBITDA) significantly improved, from \$173.5 million in 2019 to \$185 million in 2020, at a YoY growth of 6.6%. The EBITDA margin recorded a positive growth as well, from 53.2% in 2019 to 54.8% in 2020. In terms of free cash flow (FCF) performance, Smart Axiata recorded a YoY growth of 35.9%, reaching \$114.2 million in 2020. These positive financial performance metrics indicate that the company is becoming increasingly more efficient and gaining cost savings, thereby bolstering its financial fundamentals.

The following are other important highlights of Smart Axiata's performance in 2020:

- **Awards:** Smart Axiata received Best Telecommunications Company Cambodia 2020 and Best Corporate Social Responsibility (CSR) Company Cambodia 2020 awards from Global Banking & Finance Review. In addition, Smart Axiata received the Decade of Excellence Telecommunications Cambodia 2020 award, and its CEO was recognized as CEO of the Year Telecommunications Cambodia 2020.
- **Growing data usage:** Smart Axiata recorded new growth in data consumption per subscriber, from 14GB per month in 2019 to 18GB per month in 2020, at a YoY increase of 28.5%.
- **Partnerships:** Smart Axiata partnered with the esteemed global organization UNESCO to support the Basic Education Equivalency Program (BEEP) in Cambodia. A total of 21 BEEP learning centers were established in 2020, and the program will expand to a total of 35 learning centers by 2023. Through this program, Smart Axiata has committed to providing 350 Internet-connected tablets and 350 SIM cards with unlimited data packages so that 500 students can access online courses.

Frost & Sullivan commends Smart Axiata for improving its financial performance while maintaining its brand equity. This solid performance indicates the company's strength and leadership in the Cambodian mobile service market.

## Conclusion

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For eight years, Smart Axiata has continued its purpose of accelerating digital adoption in Cambodia and has contributed to the resilience of national economies and societies. In addition, Smart Axiata has maintained its leadership position in the Cambodian mobile service industry and has successfully tackled the challenge of the COVID-19 pandemic and achieved positive growth, despite the economic downturn. The company continually invests in its network infrastructure to serve its customer base, thus building growth partnerships with key industry participants and pivoting to offer value-added services, such as Smart@Home and SmartNas, which support a positive user experience and strengthen customer relationships.

Smart Axiata continues to show its visionary leadership and consistently provides better network coverage service, surpassing its competitors. Moreover, the company is actively showcasing 5G use cases to prepare for the first 5G commercial rollout in Cambodia, ahead of other market participants.

With its strong overall achievement and innovative products that promote digital adoption in Cambodia, Smart Axiata Co., Ltd. earns Frost & Sullivan's 2021 Company of the Year Award in the Cambodian mobile service industry.

## What You Need to Know about the Company of the Year Recognition

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Frost & Sullivan's Company of the Year Award is its top honor and recognizes the market participant that exemplifies visionary innovation, market-leading performance, and unmatched customer care.

### Best Practices Award Analysis

For the Company of the Year Award, Frost & Sullivan analysts independently evaluated the criteria listed below.

#### *Visionary Innovation & Performance*

**Addressing Unmet Needs:** Customers' unmet or under-served needs are unearthed and addressed by a robust solution development process

**Visionary Scenarios through Mega Trends:**

Long-range, macro-level scenarios are incorporated into the innovation strategy through the use of Mega Trends, thereby enabling first to market solutions and new growth opportunities

**Leadership Focus:** Company focuses on building a leadership position in core markets and on creating stiff barriers to entry for new competitors

**Best Practices Implementation:** Best-in-class implementation is characterized by processes, tools, or activities that generate a consistent and repeatable level of success

**Financial Performance:** Strong overall business performance is achieved in terms of revenue,

revenue growth, operating margin, and other key financial metrics

#### *Customer Impact*

**Price/Performance Value:** Products or services provide the best value for the price compared to similar market offerings

**Customer Purchase Experience:** Quality of the purchase experience assures customers that they are buying the optimal solution for addressing their unique needs and constraints

**Customer Ownership Experience:** Customers proudly own the company's product or service and have a positive experience throughout the life of the product or service

**Customer Service Experience:** Customer service is accessible, fast, stress-free, and high quality

**Brand Equity:** Customers perceive the brand positively and exhibit high brand loyalty

