

EXECUTIVE SUMMARY

ECONOMIC PERFORMANCE OF THE C&M INDUSTRY

The C&M industry represents 8.4% or RM144.01 billion of Bursa Malaysia total market capitalisation of RM1,711.84 billion as at end 2019 (2018: 8.1% or RM137.73 billion). The C&M industry market capitalisation has increased by 4.6%, spurred by telecommunications sector. This is due to telecommunication companies' share prices gaining momentum, driven by corporate announcements such as 5G initiatives, new product launch, collaborations and financial results.

In terms of financial performance, the domestic C&M industry aggregate revenue was at RM43.37 billion in 2019, declined 3.7% (2018: RM45.02 billion). The decline was due to intense competition coupled with OTT services eroding traditional revenues. By sector, telecommunications sector recorded RM34.8 billion revenue in 2019, declined by 2.8% (2018: RM35.8 billion). This is followed by broadcasting sector RM5.88 billion in 2019, decreased by 8.6% (2018: RM6.43 billion). Postal and courier sector revenue was at RM2.69 billion in 2019, declined by 3.6% (2018: RM2.79 billion).

On profitability, telecommunications sector Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) margin averaged 42% (2018: 37%) and Earnings Before Interest and Tax (EBIT) margin averaged 24% (2018: 21%). Margins have improved during this period due to cost optimisation initiatives resulting in reduction of operating costs.

Telecommunications sector capital expenditure (capex) has been on the decline for three consecutive years. In 2019, capex reached RM4.61 billion (2018: RM5.21 billion). This resulted in a capex to revenue ratio (capital intensity) of 13% (global average: 17%). Capex decline was due to service providers rationalising and reprioritising spending, squeezing and optimising the existing network assets as well as to preserve capital for 5G roll out.

Market Capitalisation



RM144.01 billion ↑ 4.6%
(2018: RM137.73 billion)

Revenue



RM43.37 billion ↓ 3.7%
(2018: RM45.02 billion)

Capital Expenditure



RM4.61 billion ↓ 11.5%
(2018: RM5.21 billion)

STATE OF CONNECTIVITY IN MALAYSIA

Broadband subscriptions grew by 10% to 43.38 million (2018: 39.45 million), with penetration rate per 100 inhabitants at 131.7% in 2019. Fixed broadband subscriptions increased by 10.9% to 2.95 million in 2019 (2018: 2.66 million). Meanwhile, mobile broadband subscriptions increased by 9.9% to 40.43 million in 2019 (2018: 36.79 million). Expanded coverage, greater affordability, better quality of service, increased data and smartphone usage are amongst the drivers of growth in broadband subscriptions.

The declining trend in Direct Exchange Line (DEL) subscriptions continued in 2019, down by 13.7% to 2.2 million in 2019 (2018: 2.55 million), with penetration rate per 100 inhabitants at 6.7%.

In contrast, mobile cellular subscriptions increased 5.2%, reached 44.6 million in 2019 (2018: 42.41 million), with penetration rate per 100 inhabitants of 135.4%. Advancement of mobile network technology, increasing affordability of mobile devices and services, expanding and availability of mobile networks as well as multiple subscriptions or device ownership are amongst factors fuelling the growth in mobile cellular subscriptions.

The postpaid market continues to perform well with subscriptions growing by 15.3% to 13.34 million (2018: 11.57 million). At the same time, the prepaid market also saw an increase of 1.4% to 31.26 million subscriptions in 2019 (2018: 30.84 million).

For mobile cellular subscriptions market share, Maxis commands the highest share of 28%, followed by Digi (24%) and Celcom (18%). The remainder is from U Mobile and Others/MVNOs, with 17% and 13% share respectively.



Broadband Subscriptions

43.38 million ↑ 10%
(2018: 39.45 million)



DEL Subscriptions

2.2 million ↓ 13.7%
(2018: 2.55 million)



Mobile Cellular Subscriptions

44.6 million ↑ 5.2%
(2018: 42.41 million)

CONTENT SERVICES

The broadcasting landscape has evolved significantly over the years, entering a new era of digital broadcasting. The digital transformation poses challenge as well as wide opportunities that can enhance the audience reach and the very essence of quality content.

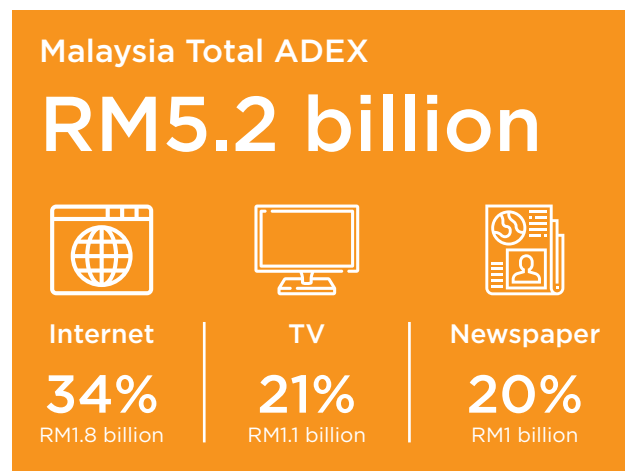
The broadcasting industry is experiencing paradigm shifts from revenue generation based on traditional models to content distribution over digital platforms. Broadcasters are leveraging on online platforms and competing with various players in the digital world. Broadcasters are exploring new business models such as offering subscription video on demand (SVOD) and advertisement-supported video on demand (AVOD).

The year 2019 marks an important milestone for Malaysian broadcasting industry, whereby it joined 60 other countries worldwide in switching over to digital TV transmission from analogue transmission. The analogue switchover was part of Malaysia's digital transformation agenda to steer the nation towards digitalisation as well as to increase spectrum efficiencies.

Meanwhile radio broadcasting is also expected to continuously face fierce competition from digital platform. Therefore, in ensuring sustainability, radio broadcasters are venturing into partnership for a stronger brand presence and to deliver greater value to listeners.

In 2019, radio reached 20.6 million listeners, reaching 97% of Peninsular Malaysia population, and central region has the most concentrated listeners at 7.7 million. It is worth mentioning that the listenership in Malaysia is higher compared to selected countries such as Austria (95%) and Finland (92%).

Magna Global forecast in 2019, shows that Malaysia recorded a total ADEX of USD1.27 billion (RM5.2 billion), a marginal decline in comparison to 2018 at USD1.28 billion (RM5.3 billion). In 2019, Internet remains the largest pie with 34% market share or a total value of USD439 million (RM1.8 billion), followed by TV (21%) and newspaper (20%) at USD266 million (RM1.1 billion) and USD252 million (RM1 billion) respectively.



DIGITAL SERVICES

The e-commerce market has been positioned as an integral part of the Malaysian and global economies. A number of segments have benefitted from the expanding e-commerce market which will continue to create more opportunities. In 2019, the Malaysian e-commerce market generated a revenue of USD3.68 billion (RM15.2 billion), with a prediction for annual market growth to reach 11.8% by 2023.

E-wallets are a growing trend in Malaysia. The proliferation of e-wallets has intensified due to the surge of mobile payments, smartphone penetration and shift in consumer behavior. Many industry experts regard Malaysia as a prime market for the growth of e-wallets, due to its high potential and favourable demographics to boost e-wallet adoption in the country.

CONSUMER PROTECTION AND QUALITY OF SERVICE

Consumer protection is designed to promote and protect consumer interest. This ensures consumer confidence and satisfaction in the usage of services and promotes widespread access to connected services. In upholding this fundamental principles under the CMA, major service providers signed a CEO Pledge that focuses on consumer centricity and complaint handling management.

In 2019, a total of 58,139 complaints were received by MCMC compared with 48,333 complaints in 2018, representing 20% increase. By sector, complaints on telecommunications constituted 75% of total, followed by complaints on new media (18%) and postal and courier as well as broadcasting, both at 3%.

More than 54% of telecommunications complaints were on network issues. Most of the issues reported are related to the quality of network service including poor or service availability of HSBB and 4G LTE, service disruption/downtime, Internet connection/speed and intermittent call connection due to network congestion.

For new media complaints received, 41% of these were related to false or fake content, followed by offensive remarks (29%), obscene or indecent content (13%), defamation (12%) and lastly sextortion/love scam (5%).

POSTAL AND COURIER SERVICES

In 2019, postal and courier sector represented by Pos Malaysia Bhd, GD Express Carrier Bhd and Nationwide Express Holdings Bhd, recorded total revenue of RM2.69 billion, a decline of 3.6% compared with RM2.79 billion in 2018.

Pos Malaysia handled an impressive amount of 673.35 million postal items as at end 2019. This consists of letter post, registered mail, ordinary parcel, express item, post free and advertising item.

In terms of national courier traffic, the courier service providers handled a total of 240.53 million courier items, an increase of 13.8% from 211.3 million for the same period in 2018.

By types of courier items, in 2019, total volume of document delivered for domestic services rose by 4.7% to 90.82 million from 86.78 million in 2018. In contrast, international services declined to 2.16 million from 2.65 million. Meanwhile, the number of parcels has increased by 36.2% to 123.1 million (2018: 90.38 million), whereby domestic parcels comprise 93% and international 7%.

There are 116 courier services licensees as at end 2019. By licence type, there are 41 Class A, 47 Class B and 28 Class C.

