



Axiata, Telenor's Digi merger receives 'no objection' from MCMC

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- *Axiata, Digi to merge; to address issues raised by MCMC*
- *Both to have equal ownership of 33.1% of merged company*



The impending merger between Axiata Group Bhd and Telenor-owned Digi.Com Bhd has received a "notice of no objection" from the Malaysian Communications and Multimedia Commission (MCMC).

In a statement, the board of directors of Axiata and Digi said they have announced this to Bursa Malaysia, which both companies claimed followed a "substantive assessment of the proposed merger application and due consideration of Axiata's and Digi's response to MCMC's Statement of Issues released earlier in April 2022.

The Notice signifies that MCMC does not object the proposed merger and that the parties to advance to the next phase of the proposed transaction, both companies added.

The merger application for Celcom and Digi was submitted to MCMC in July 2021.

News of Axiata's merger with Digi first came about in May 2019 but by August the same year, local business media, *The Edge*, [reported](#) that the deal "has hit a snag."

By September 2019, Axiata [issued](#) a press release saying "due to some complexities involved in the proposed transaction, the parties have mutually agreed to end the discussions."

In Nov 2021, *The Edge* [reported](#) that MCMC formally received Digi.com's merger application.

Axiata and Digi said that the merged company (MergeCo) has passed a significant milestone in the ongoing approval process.

They said upon completion of the transaction, the both companies look forward to realising the potential of the proposed merged company, which is expected to "culminate in a stronger capacity to drive digitalisation in society broadly, for consumers, businesses, the partner ecosystem and for the development of local talent."

The companies also said the MergeCo will provide better network quality and coverage as it will be primed to invest in network expansion to support growing demand for data and digitalisation.

They said the MergeCo will be well-placed to drive 5G solutions, catalyse new growth opportunities for large enterprises and SMEs, and attract and partner global digital giants in support of Jendela and MyDigital aspirations.

MergeCo will also leverage on combined economies of scale to deliver benefits to customers through strengthened core distribution, improved network operations, and efficiencies realised from operational activities, the companies added.

MergeCo has proposed to invest up to US\$56.8 million (RM250 million) over five years to build a world-class innovation center in Kuala Lumpur.

The companies said the center will advance extensive research and development leveraging 5G, AI and IOT technology.

It is also expected to nurture a knowledge-based workforce in line with Malaysia's digital aspirations and local digital startups will be also able to leverage the platform to leapfrog their technology and innovation capabilities, they said.

To address the preliminary issues identified by the MCMC, both companies have offered a set of undertakings to ensure that consumers in Malaysia will continue to benefit from effective competition in the telecommunications sector. The undertakings include:

- Divestment of 70 MHz of MergeCo's spectrum across 1800 MHz, 2100 MHz, and 2600 MHz, the first band to be returned to the MCMC within 24 months after completion of the merger, and the second and third bands to be returned within 36 months after completion of the merger;

- Establishing a separate independent business unit for mobile virtual network operator (MVNO) wholesale business under MergeCo within six months after completion of the merger and ensuring continuity of access to wholesale services for MVNOs at terms no worse off than existing agreements;
- Divestment of Celcom's "Yoodo" brand within the stipulated time after completion of the merger as committed to MCMC, which currently offers fully digital and customisable retail mobile plans to subscribers;
- Enabling non-exclusive distributors in the Sabah, Sarawak, Kelantan, Pahang and Terengganu regions by the end of third year after completion of the merger; and
- Positioning the existing Celcom and Digi brands as products under a single MergeCo corporate brand by the end of the second year after completion of the merger.

Shahril Ridza Ridzuan, chairman of Axiata said, "We thank the MCMC for their approval and guidance to reach this significant milestone.

"We reiterate our commitment to ensure that the proposed merger delivers benefits to the nation as a whole. It is aimed at combining the best of Celcom and Digi so that our customers and community have good options in accessing solutions to participate more equitably in this digital era."

"Today brings us a step closer to creating a strong Malaysian company with the combined scale, experience, network, and innovation leadership to drive Malaysia's digital growth in the coming years," said Haakon Bruaset Kjoel, chair of the board of directors of Digi.

"We will now focus on completing the remaining necessary steps to conclude this transaction and work on delivering a seamless integration programme to bring the vision and value of the merged entity to reality for the benefit of many."

"We have reached a positive milestone in the Malaysian merger process with this regulatory clearance," said Jørgen Arentz Rostrup, Executive Vice President and Head of Telenor Asia.

"With the proposed structural moves in Thailand and Malaysia, Telenor has a clear ambition to create future-fit companies that can better support ambitious national digital aspirations and bring new, advanced services to consumers across the region."

Axiata and Digi said the completion of the proposed transaction will now be subject to the approval of the Securities Commission, Bursa Malaysia, both Axiata and Digi shareholders, and other customary terms and conditions.

Both companies estimate to complete the proposed merger within the second half of 2022 as announced previously.

At completion, Axiata and Telenor will hold equal ownership of 33.1% each in the new merged company, which will be named Celcom Digi Berhad and will continue to be listed on Bursa Malaysia.