

# **1<sup>st</sup> Quarter**

## **2015 Results**

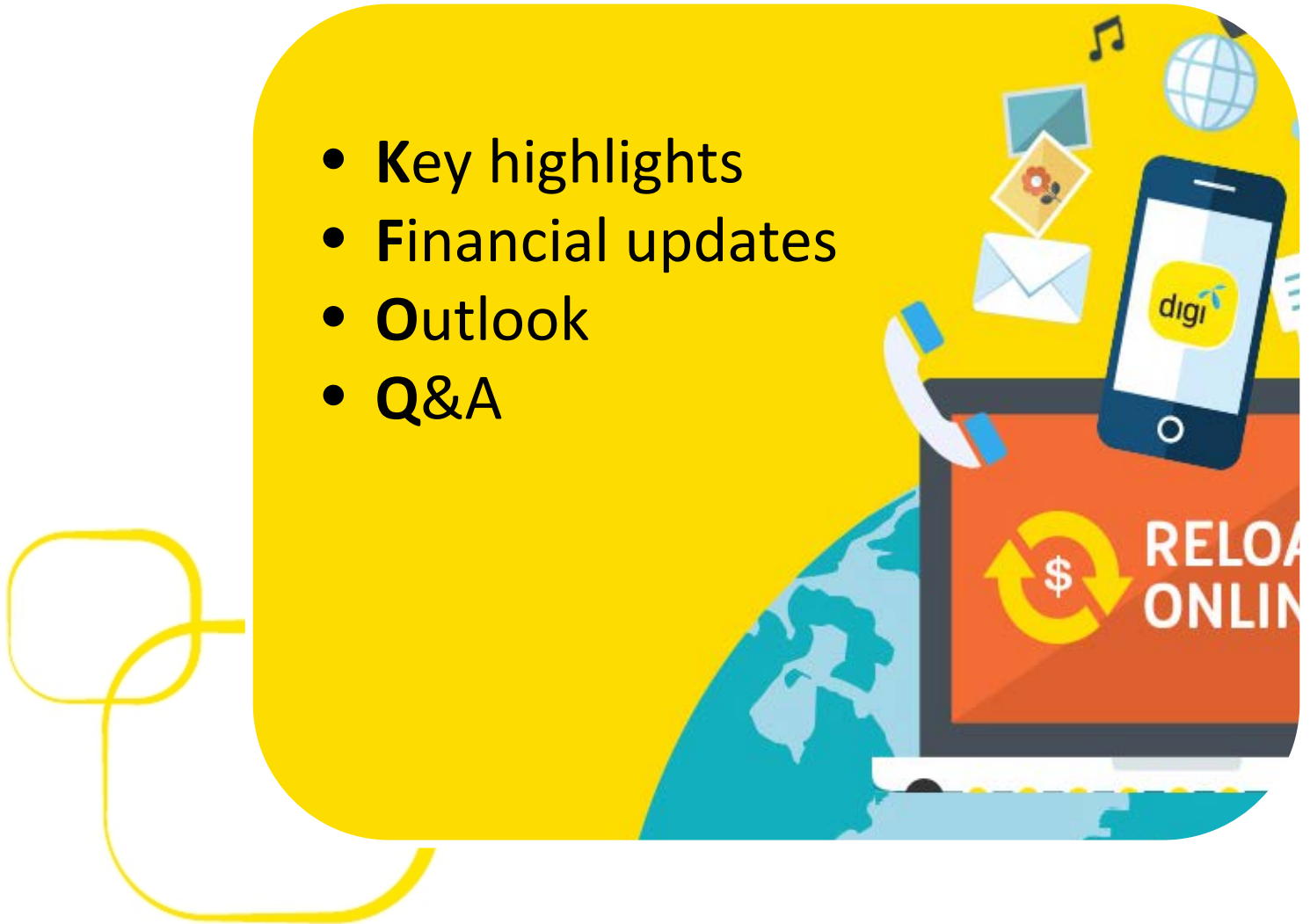
Albern Murty, CEO  
**27 April 2015**



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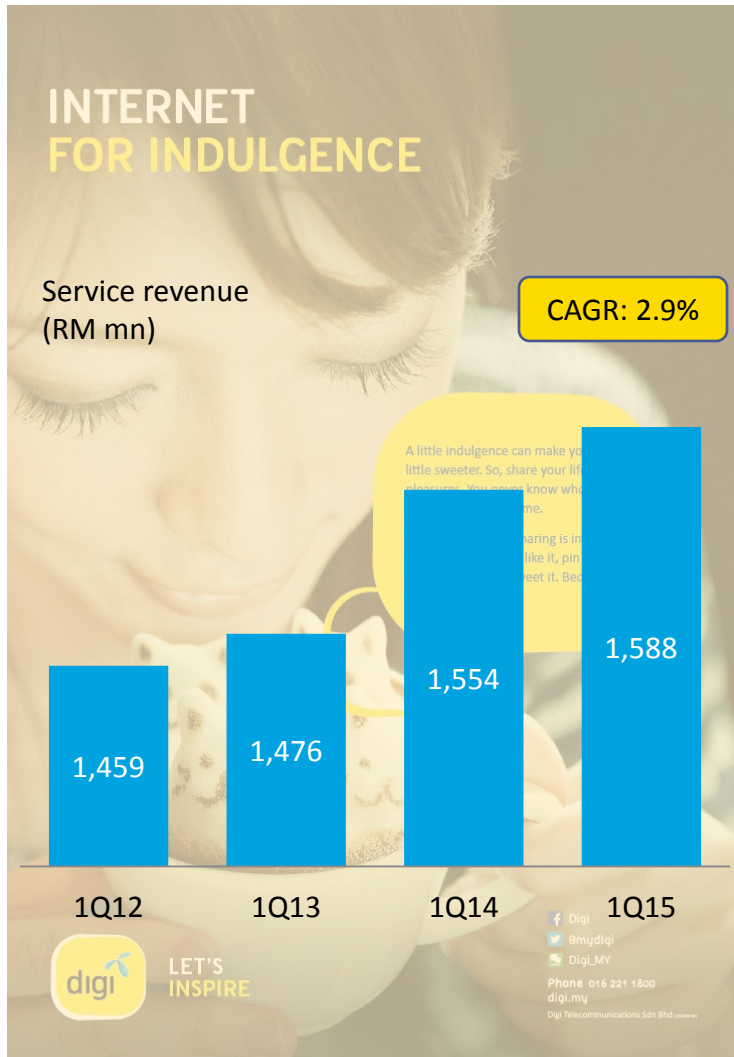
- **Key highlights**
- **Financial updates**
- **Outlook**
- **Q&A**



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## Steady operational growth amid increased competition



- Continuous y-o-y service revenue growth with stronger trajectory from postpaid
- Successfully captured solid demand for internet
  - Smartphone penetration rose to 53.2%
  - Internet penetration at 56.7%
  - Internet revenue grew 35.0%
- Continued expansion of 3G and LTE network with key focus on quality and capacity
- Added 270K subscriber to 11.7 million
- EBITDA margin moderated to 43% to capture service revenue opportunities from higher smartphone bundles
- 99% dividend payout ratio or 6.1 sen dividend per share

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## Relentless focus to drive *Internet For All*

**Internet growth opportunities**

**Facebook**  
hanya  
**RM0.50/hari**  
dengan Digi Prepaid  
Dial \*1144 untuk melanggan sekarang

**GET FREE TALKTIME WHEN YOU RELOAD NOW**

**1 smart plan, 2 great choices.**  
With our new smart plans, you can choose between 6GB data or 78 minutes of talktime. Both plans are available for RM1.00 per day. Reload now to get your plan.

**Digi Music Freedom**

#DigiMusicFreedom

Deezer Spotify Rdio KKBOX SoundHound Digi Music Play hitz fm ERA fm MY FM Q.us BE-AT.TV

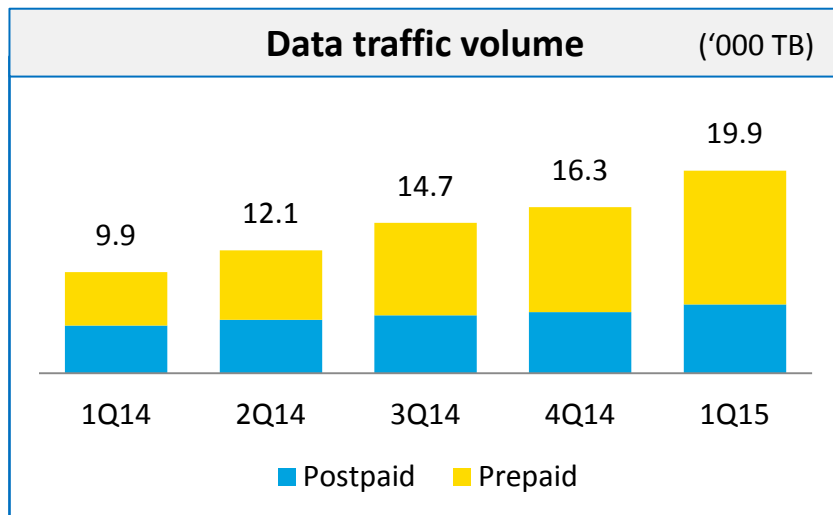
- Well-planned market strategies with customer first focus
  - Targeted campaigns with affordable smartphone bundles
  - Tactical reload promotions
  - Postpaid smartplan flexibility with data and voice centric options
  - Innovative entry-level pricing for access to Facebook
  - Worry-free music streaming access via Digi Music Freedom
- Strong commitment to drive continuous service quality improvement and data network expansion
- Over 20 years of solid operational track record and strong positioning in digital services innovation



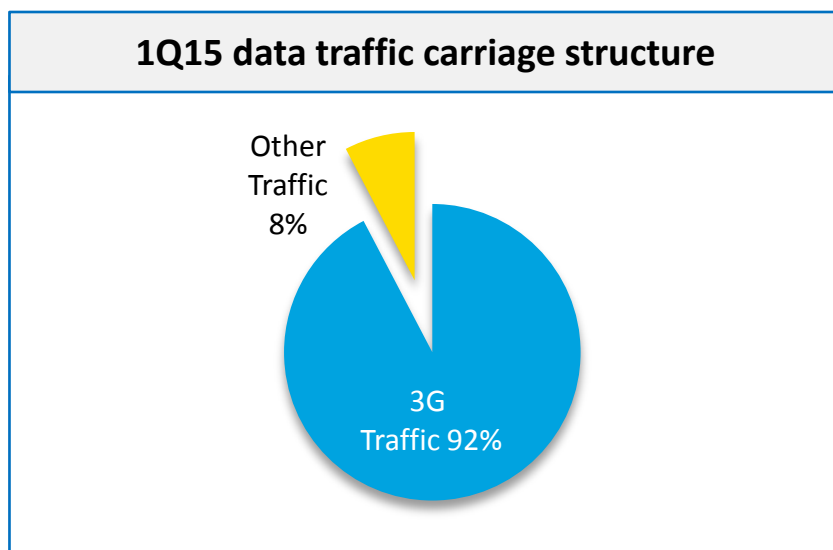
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## Strong data usage with 92% of data traffic on 3G network

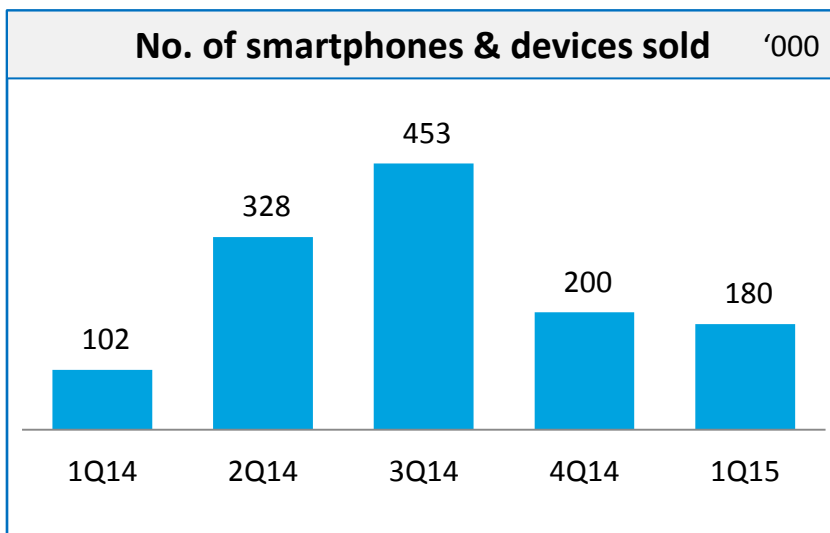
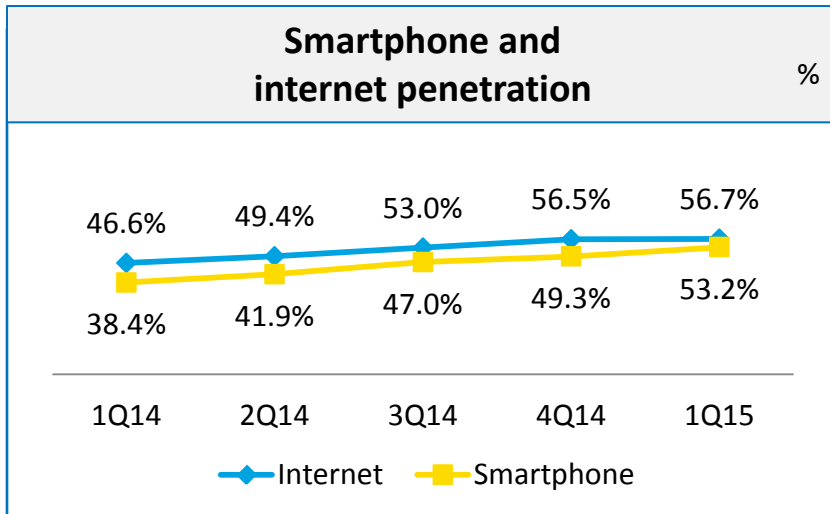


- Consistent *Internet For All* focus and data monetisation
  - Increased data usage from existing and new internet subscribers
- Steady growth on data traffic volume with strong data usage on 3G network
  - Supported by robust data network coverage and proliferation of affordable smartphones
- Increasing data growth opportunity with the rapid expansion of LTE network coverage to more than 33% of population
- Well-positioned to deliver consistent high-speed internet experience and support growing data traffic demand



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## Leverage on smartphone as a strategic enabler



- Smartphone users formed 53.2% of the subscriber base, up 3.9 pp from 4Q14
  - Of which, 19.4% of smartphone users with LTE enabled device
- Internet penetration reached 56.7% over a larger subscriber base, driven by bite-size offerings, data pricing, and entry-level smartphone bundles
  - More than 65% internet penetration among prepaid Malaysian base
- Strategically tapped on smartphone bundles demand with higher mix from the affluent/upper price range
- Tactically secured service revenue commitments and data monetisation opportunity into the following quarters



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## Strategically tap on smartphone bundle opportunities

### Revenue

**RM1,791 million**

4.2% Y-o-Y

### Service Revenue

**RM1,588 million**

2.2% Y-o-Y

### 43% EBITDA Margin

**RM775 million**

-0.4% Y-o-Y

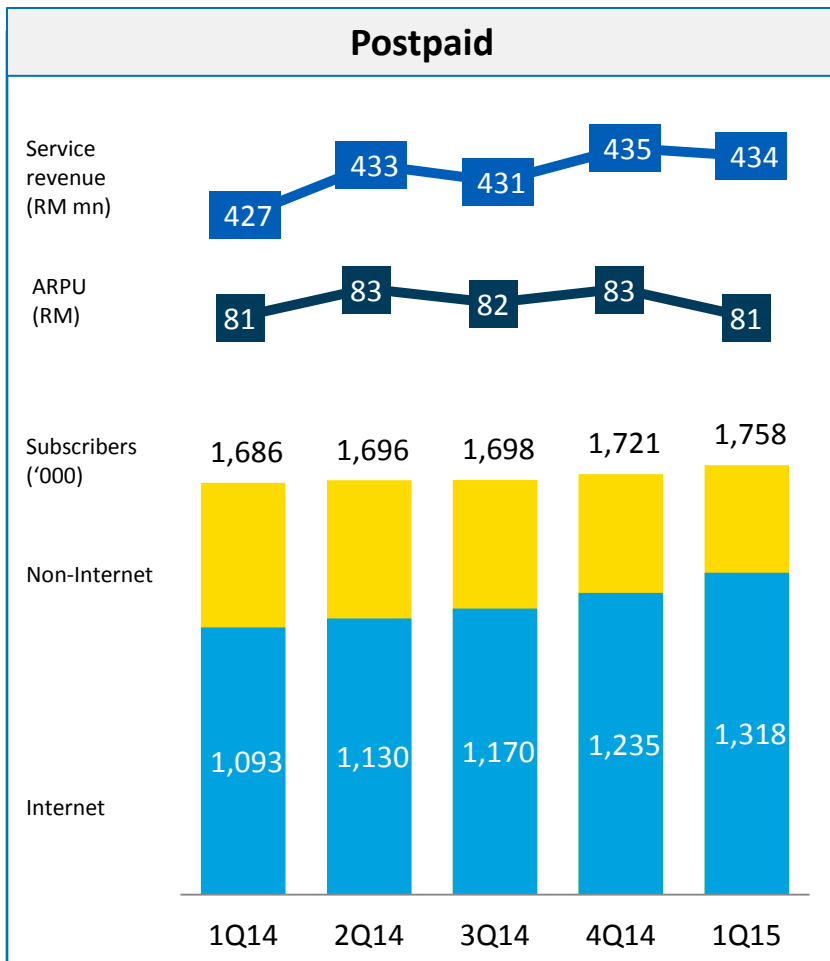


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## Best postpaid net adds momentum in three years



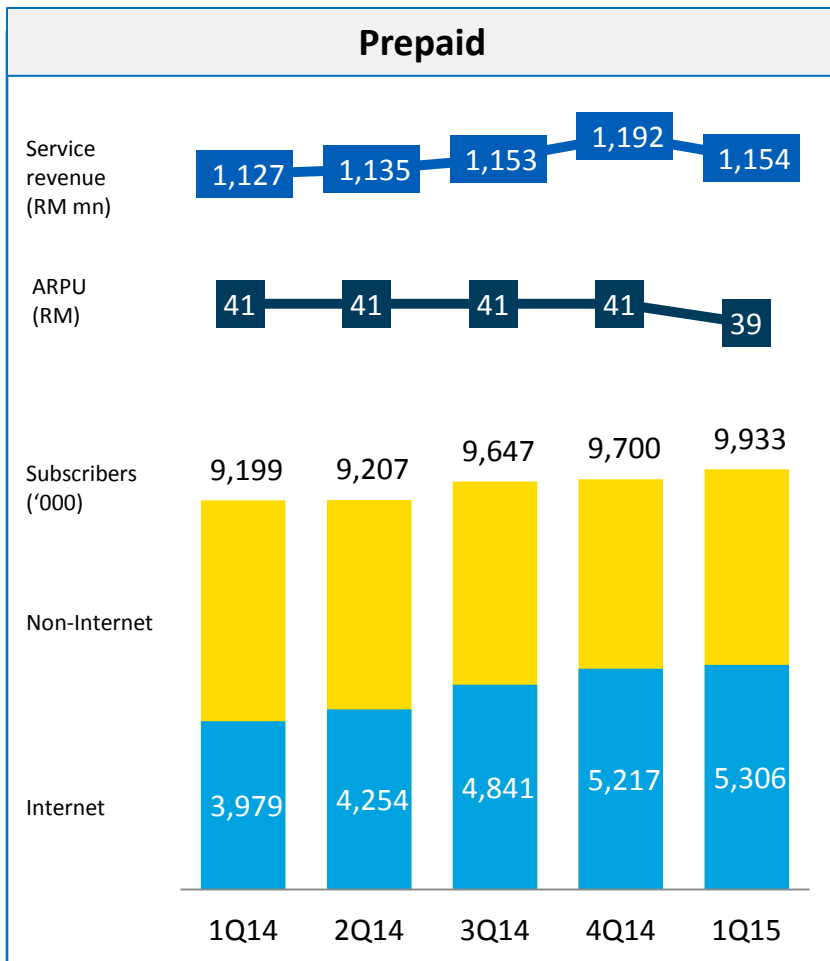
- Strong subscriber growth with 37K net adds
  - Fuelled by solid demand for smartphone bundles
  - Increased internet centric subscriptions
- Postpaid internet subscribers rose steadily to 74.9% from 64.8%, a year ago
- ARPU remained resilient at RM81 over a larger base and well-supported with increasing demand for mobile internet
- Postpaid service revenue grew 1.6%,
  - Led by 14.6% growth on internet revenue while traditional voice and messaging revenue declined
- Robust data network on both coverage and performance continued to support stronger positioning in the postpaid market



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## Prepaid growth impacted by intensified competition



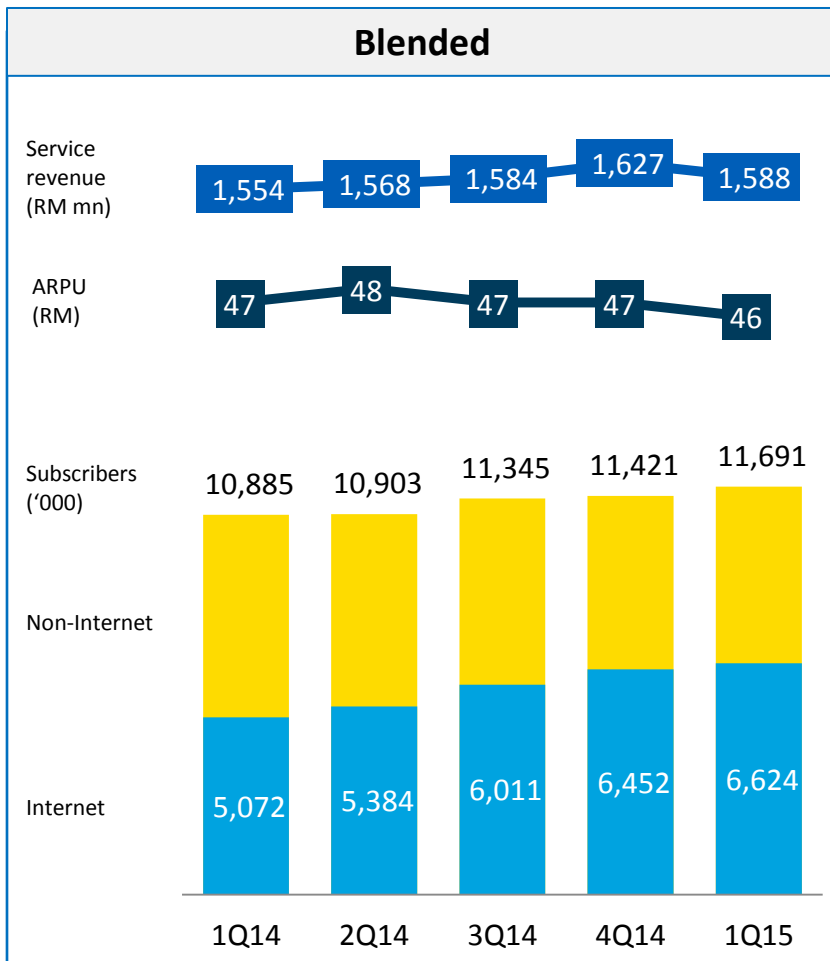
- Continued to grow prepaid subscribers positively with 233K net adds in a highly competitive market
- Both prepaid service revenue growth and ARPU moderated although usage and subscriber base increased
- Prepaid service revenue grew 2.4%, amid steeper decline on voice revenue at 6.8% as a result of increased competition and MTR revision
- Normalised against the effects from MTR revision, prepaid service revenue growth would be 3.1%
- Prepaid internet revenue continued to register solid growth at 50.0% to RM324 million with increasing demand for affordable internet packages



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## Healthy service revenue backed by 11.7 million subscribers



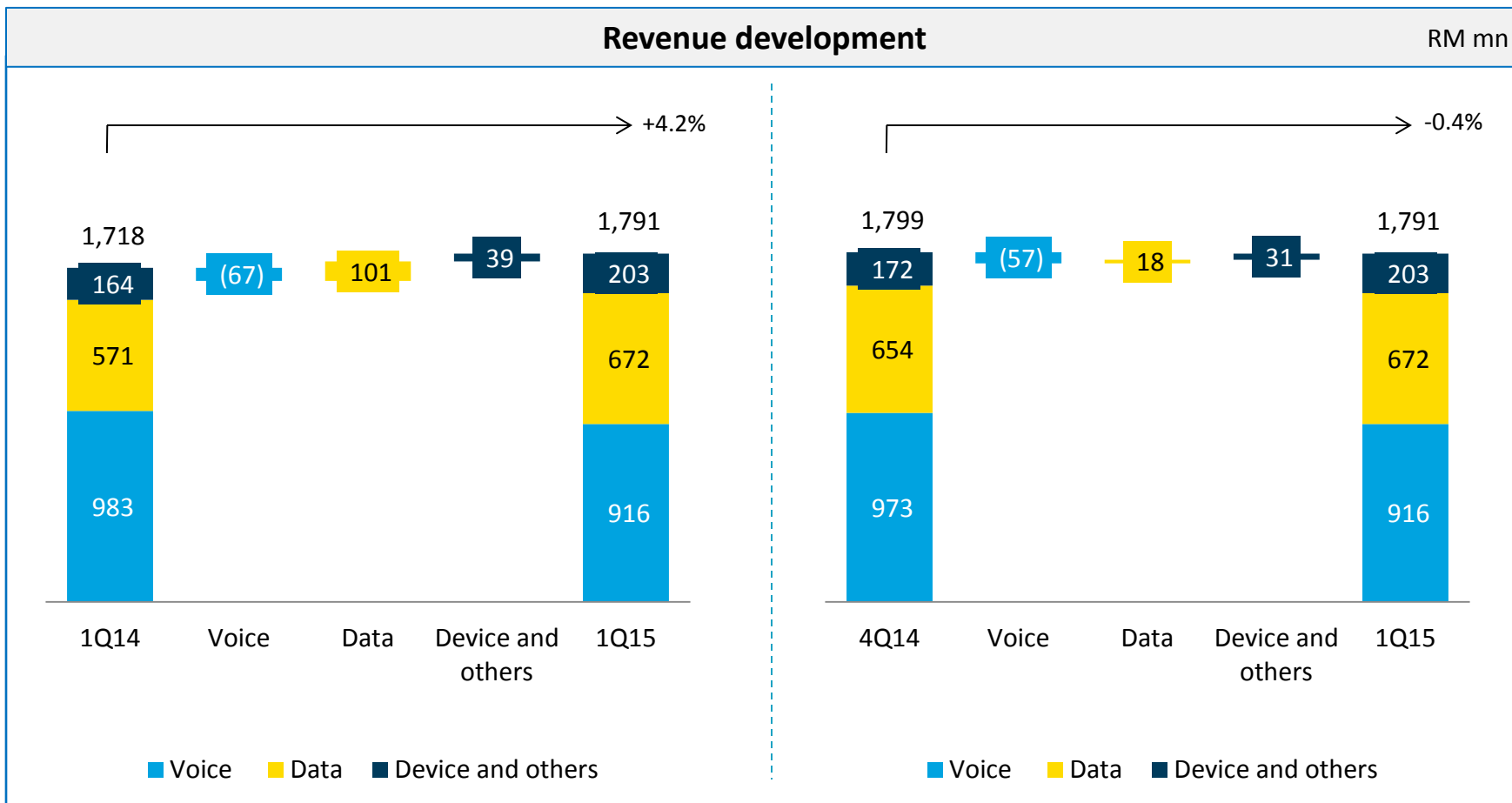
- Successfully retained solid subscriber base and grew additional 270K subscribers although challenged by heightened competition
- Slower service revenue growth to 2.2% despite higher usage and subscribers whilst ARPU moderated
- Service revenue would be at similar level as 4Q14, if normalised for seasonally shorter quarter and MTR revision
- Internet subscribers continued to grow to more than 6.6 million subscribers
  - Of which, 44% internet subscribers with data usage above 500MB
- Positive development across all IFA KPIs - internet penetration, number of active internet subscribers, data usage and smartphone penetration



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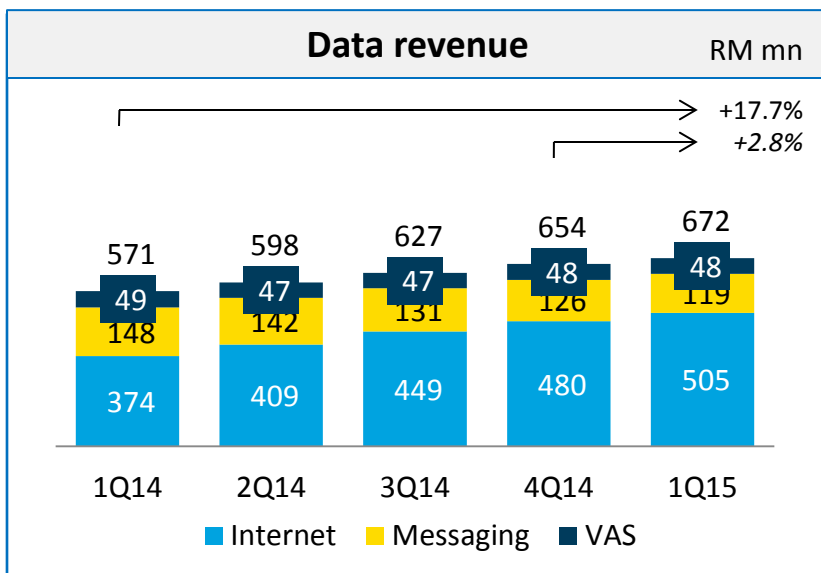
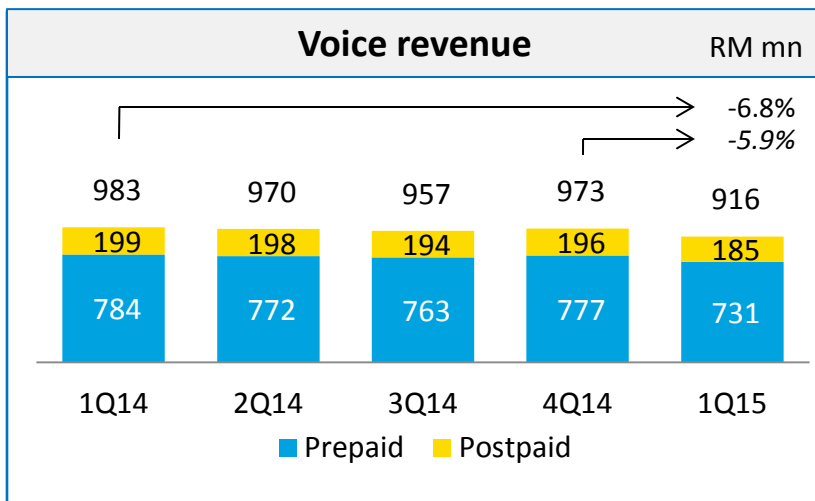
## Modest revenue growth on leveling voice revenue



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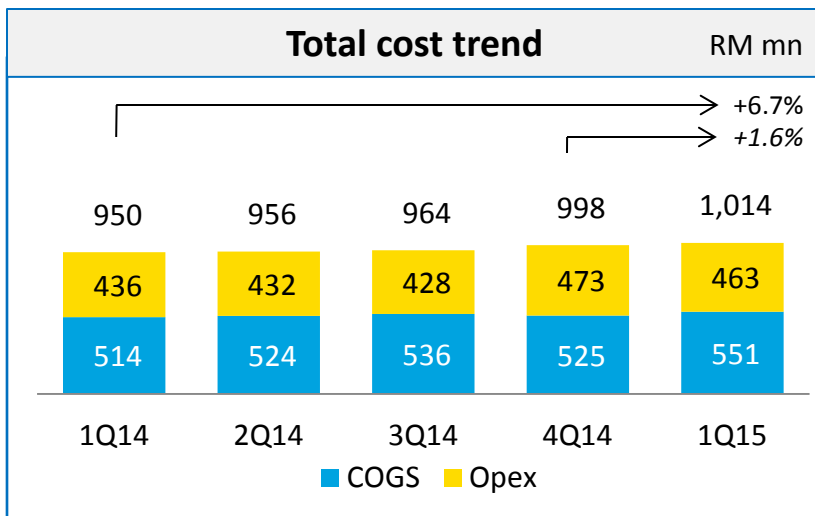
## Solid double digit data revenue growth



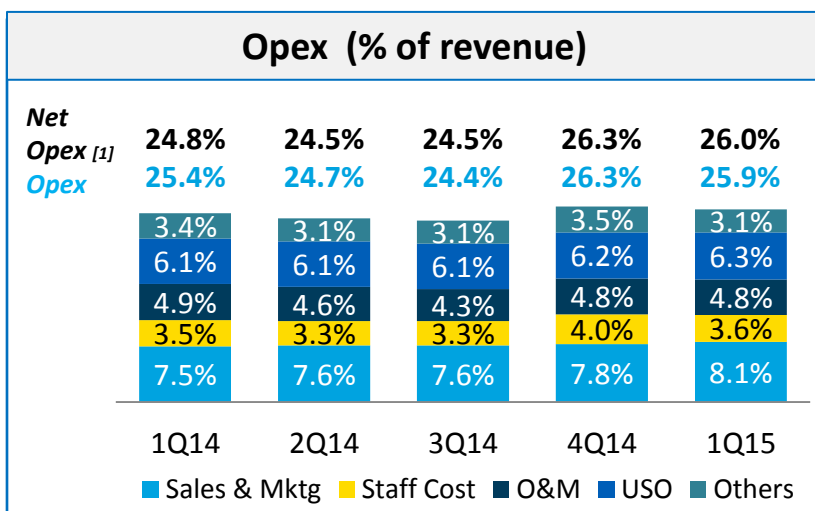
- MTR revision, price competition and data centric packages contributed to steeper decline on voice revenue
- Whilst voice revenue trended lower, strong growth momentum on data revenue of 17.7% continued to support service revenue growth positively
- Good traction from relevant and affordable innovative internet packages
- Internet revenue rose 35.0% to RM505 million or 31.8% of service revenue
- Increasing demand for digital services, availability of affordable smartphone and internet packages continued to offer significant opportunities for internet growth

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## Higher COGS driven by increased smartphone bundles



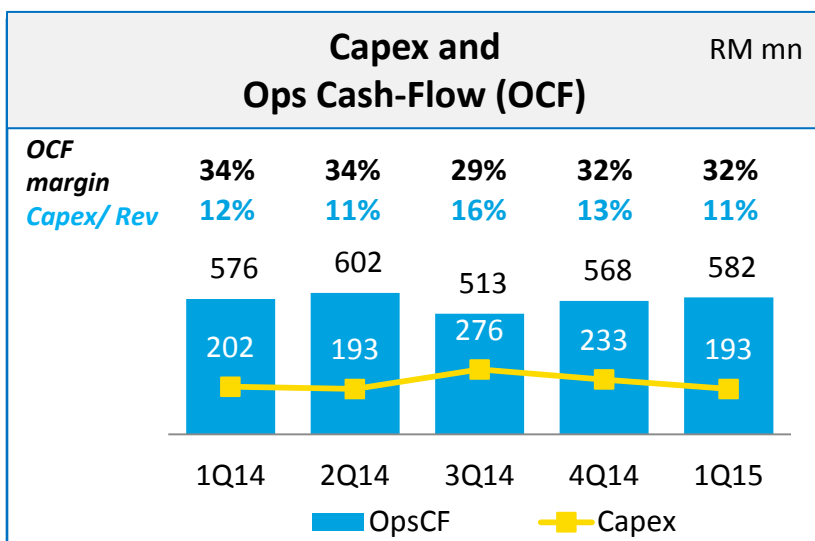
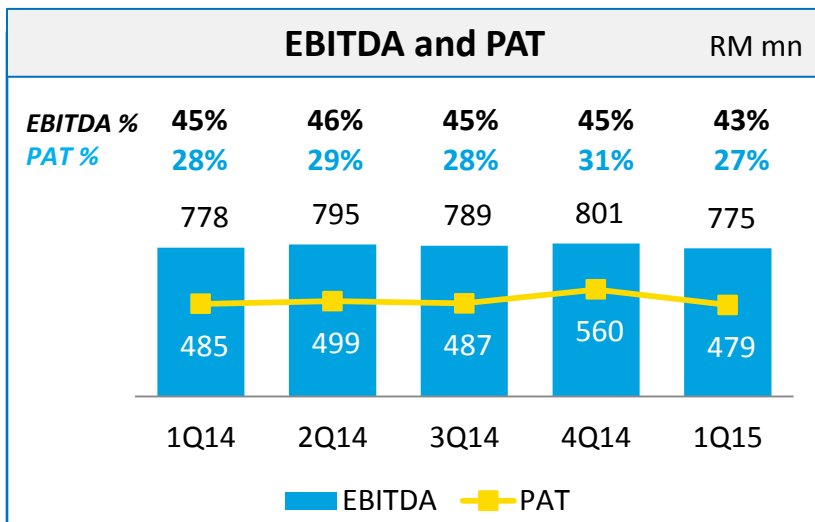
- Increased demand for smartphone bundles, compounded with MYR weakness contributed to higher COGS, which rose 7.2% y-o-y and 5.0% q-o-q
- Relatively higher sales and marketing cost to support revenue generating activities
- Opex remained well-managed with opex to revenue ratio improved to 25.9% from 26.3% in 4Q14 despite the marginally lower revenue base
- Strong focus on operational efficiency whilst strategically expand and strengthen data network



[1] Net Opex = Opex + Forex/FV changes + Other Income

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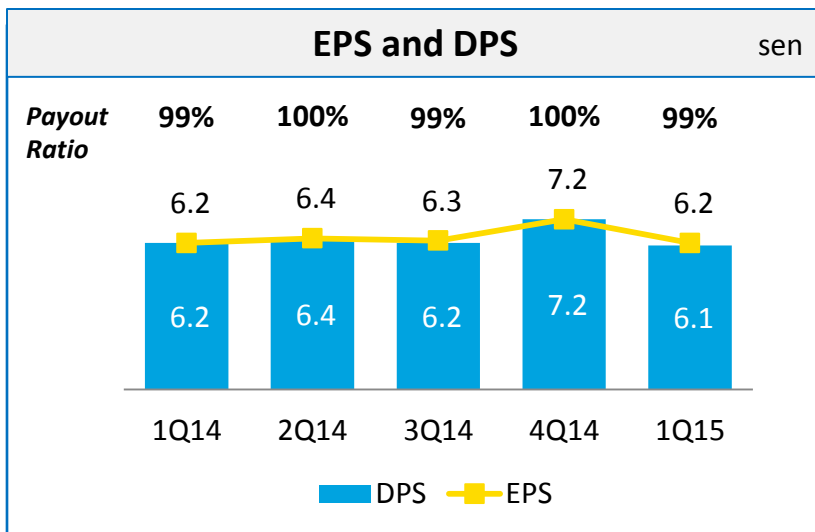
## Sustained absolute EBITDA at 1Q 2014 level



- Maintained absolute EBITDA similar to 1Q 2014 level, or 0.8% higher if normalised against forex loss
- Higher device sales and impact from MYR weakness lowered EBITDA margin to 43%
  - service revenue EBITDA margin remained strong at 49%
- PAT margin back to normalised trend in the absence of prior year tax benefit
- Capex as planned with investments to support network quality and capacity
- Continued 3G and LTE high-speed data network coverage expansion to 86.4% and 33.3% of population backed by 5,200 km of fibre network
- Ops Cash-Flow remained healthy at RM582 million or 32% of revenue



## Strong balance sheet with steady dividend payout ratio

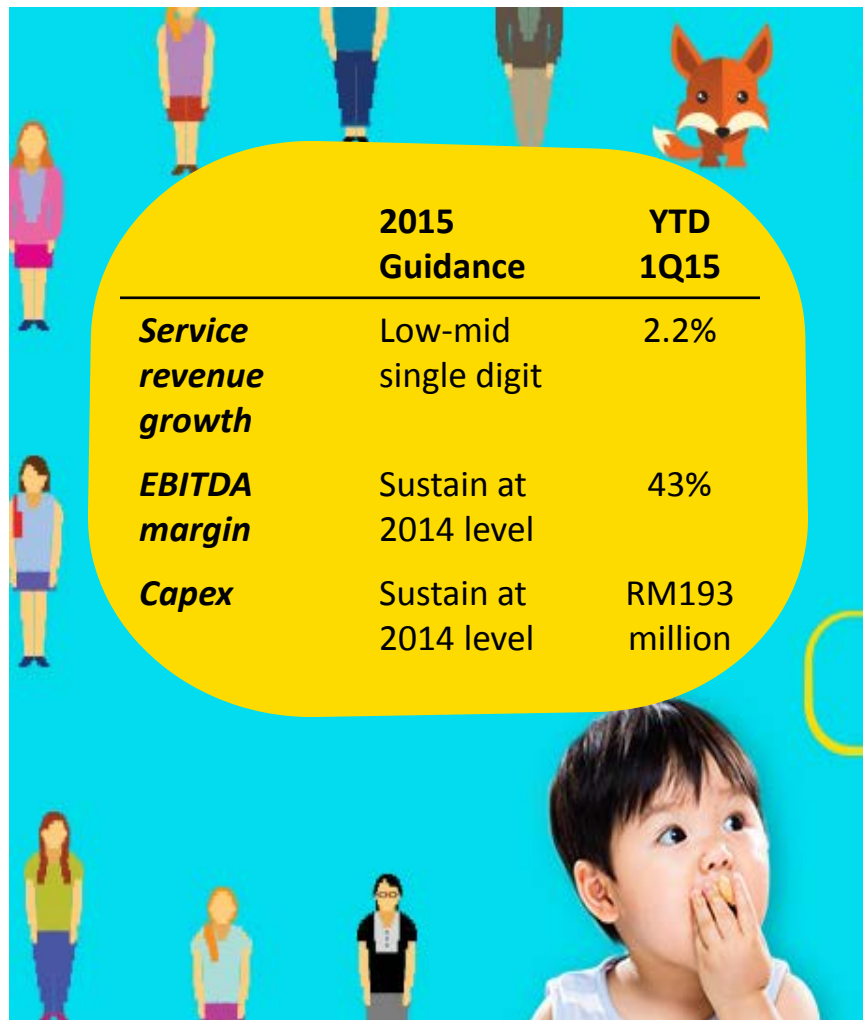


<b>Balance sheet</b> <span style="float: right;">RM mn</span>					
	1Q14	2Q14	3Q14	4Q14	1Q15
Total Assets	3,667	3,759	3,785	4,303	4,143
Total Equity	602	619	608	686	606
Interest-bearing debts	853	848	598	1,048	1,048
Cash & cash equivalents	372	403	259	526	357

- Healthy EPS at 6.2 sen, in the absence of tax benefits in 4Q14
- Consistent dividend payout ratio in excess of the minimum 80% payout
- Declared 1<sup>st</sup> interim dividend of 6.1 sen per share (net) equivalent to RM474 million, payable to shareholders on 5 June 2015
- Maintained strong balance sheet with relatively higher capex investment since FY 2014
- Low net debt to EBITDA at 0.2x
- Continue to pursue on-going capital management efficiency opportunities

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## Outlook and strategic priorities



The background of the slide features a bright blue field populated with stylized, flat-design human figures in various colors (purple, blue, green, pink, grey). In the upper right corner, a small, stylized orange fox with white markings is visible. In the lower right corner, a close-up of a young child's face is shown, looking upwards with a hand near their mouth.

	2015 Guidance	YTD 1Q15
<b><i>Service revenue growth</i></b>	Low-mid single digit	2.2%
<b><i>EBITDA margin</i></b>	Sustain at 2014 level	43%
<b><i>Capex</i></b>	Sustain at 2014 level	RM193 million

- Maintain guidance although challenged by increased competition and tougher operating environment
- Strong demand for mobile internet access remained a significant growth opportunity
- Stay focus in delivering the best internet experience for customers with prudent data monetisation and defend stronghold
- Strengthen competitiveness and on-ground execution to deliver continuous growth
- Continuous operational efficiency and performance excellence to be the best mobile internet provider for the mass market

ENJOY UP TO  
**50** MINS &  
SMS  
FOR FREE WHEN YOU  
RELOAD ONLINE



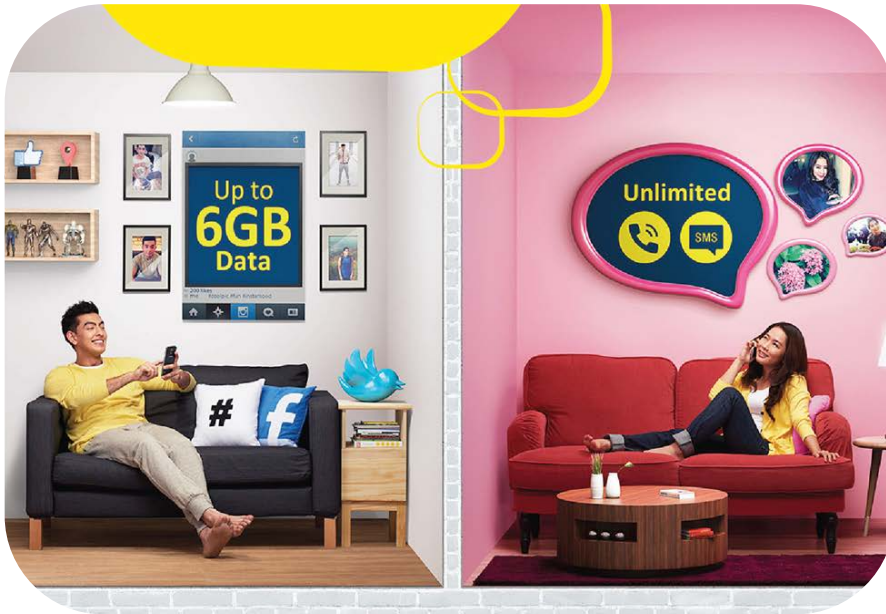
CHOOSE BETWEEN MORE CALLS  
OR MORE DATA WITH  
THE NEW DiGi SMARTPLAN



**Q&A**



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**Thank you**  
**See you next**  
**quarter!**

# Appendix

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## Key operating performance KPIs

(RM mn)	1Q15	4Q14	3Q14	2Q14	1Q14	4Q13	3Q13	2Q13	1Q13	Q-o-Q	Y-o-Y
Subscribers ('000)	11,691	11,421	11,345	10,903	10,885	10,995	10,827	10,548	10,372	2%	7%
Internet subscribers ('000)	6,624	6,452	6,011	5,384	5,072	4,926	4,753	4,349	3,917	3%	31%
MOU	235	248	252	251	249	256	260	267	267	-5%	-6%
Revenue	1,791	1,799	1,756	1,746	1,718	1,733	1,700	1,653	1,647	0%	4%
EBITDA	775	801	789	795	778	810	766	747	720	-3%	0%
EBITDA margins	43%	45%	45%	46%	45%	47%	45%	45%	44%	-1.3pp	-2.0pp
Depreciation & Amortisation	(140)	(132)	(127)	(115)	(118)	(122)	(221)	(247)	(288)	6%	19%
EBIT	635	669	662	680	660	688	545	500	432	-5%	-4%
Net finance (costs)/income	(9)	(9)	(5)	(6)	(6)	(5)	(6)	(6)	(8)	0%	50%
Profit Before Tax	626	660	657	674	654	683	539	494	424	-5%	-4%
Taxation	147	100	170	175	169	135	90	114	95	47%	-13%
Profit After Tax	479	560	487	499	485	548	449	380	329	-14%	-1%
EPS (sen)	6.2	7.2	6.3	6.4	6.2	7.0	5.8	4.9	4.2	-14%	0%
Prepaid ARPU (RM)	39	41	41	41	41	41	41	42	40	-5%	-5%
Postpaid ARPU (RM)	81	83	82	83	81	83	82	83	82	-2%	0%
Blended ARPU (RM)	46	47	47	48	47	48	48	48	47	-2%	-2%

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## Revenue composition

(RM mn)	1Q15	4Q14	3Q14	2Q14	1Q14	4Q13	3Q13	2Q13	1Q13	Q-o-Q	Y-o-Y
<b>REVENUE</b>	<b>1,791</b>	<b>1,799</b>	<b>1,756</b>	<b>1,746</b>	<b>1,718</b>	<b>1,733</b>	<b>1,700</b>	<b>1,653</b>	<b>1,647</b>	<b>0%</b>	<b>4%</b>
<b>Service Revenue</b>	<b>1,588</b>	<b>1,627</b>	<b>1,584</b>	<b>1,568</b>	<b>1,554</b>	<b>1,577</b>	<b>1,553</b>	<b>1,526</b>	<b>1,476</b>	<b>-2%</b>	<b>2%</b>
Voice revenue	916	973	957	970	983	1,020	1,020	1,011	978	-6%	-7%
Data revenue	672	654	627	598	571	557	533	515	498	3%	18%
<i>Internet</i>	505	480	449	409	374	348	320	293	265	5%	35%
<i>Messaging</i>	119	126	131	142	148	158	162	172	183	-6%	-20%
VAS	48	48	47	47	49	51	51	50	50	0%	-2%
<b>Device and other revenue</b>	<b>203</b>	<b>172</b>	<b>172</b>	<b>178</b>	<b>164</b>	<b>156</b>	<b>147</b>	<b>127</b>	<b>171</b>	<b>18%</b>	<b>24%</b>
<b>Prepaid Revenue</b>	<b>1,154</b>	<b>1,192</b>	<b>1,153</b>	<b>1,135</b>	<b>1,127</b>	<b>1,138</b>	<b>1,119</b>	<b>1,093</b>	<b>1,050</b>	<b>-3%</b>	<b>2%</b>
Voice revenue	731	777	763	772	784	806	807	796	768	-6%	-7%
Data revenue	423	415	390	363	343	332	312	297	282	2%	23%
<b>Postpaid Revenue</b>	<b>434</b>	<b>435</b>	<b>431</b>	<b>433</b>	<b>427</b>	<b>439</b>	<b>434</b>	<b>433</b>	<b>426</b>	<b>0%</b>	<b>2%</b>
Voice revenue	185	196	194	198	199	214	213	215	210	-6%	-7%
Data revenue	249	239	237	235	228	225	221	218	216	4%	9%



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## Reported COGS and OPEX

(RM mn)	1Q15	4Q14	3Q14	2Q14	1Q14	4Q13	3Q13	2Q13	1Q13	Q-o-Q	Y-o-Y
<b>COGS</b>	<b>551</b>	<b>525</b>	<b>536</b>	<b>524</b>	<b>514</b>	<b>514</b>	<b>514</b>	<b>493</b>	<b>519</b>	<b>5%</b>	<b>7%</b>
Cost of materials	228	197	177	183	165	151	144	139	182	16%	38%
Traffic charges	323	328	359	341	349	363	370	354	337	-2%	-7%
<b>OPEX</b>	<b>463</b>	<b>473</b>	<b>428</b>	<b>432</b>	<b>436</b>	<b>421</b>	<b>420</b>	<b>415</b>	<b>417</b>	<b>-2%</b>	<b>6%</b>
Sales & marketing	145	140	133	133	129	133	130	129	122	4%	12%
Staff costs	64	72	58	58	60	57	57	61	60	-11%	7%
Operations & maintenance	86	85	76	81	84	76	84	81	83	1%	2%
Other expenses	168	176	161	160	163	155	149	145	152	-5%	3%
<i>USP fund and license fees</i>	113	112	107	107	105	104	103	95	96	1%	8%
<i>Credit loss allowances</i>	8	9	10	6	8	7	7	7	6	-11%	0%
<i>Others</i>	47	55	44	47	50	44	39	43	50	-15%	-6%
<b>TOTAL</b>	<b>1,014</b>	<b>998</b>	<b>964</b>	<b>956</b>	<b>950</b>	<b>935</b>	<b>934</b>	<b>908</b>	<b>936</b>	<b>2%</b>	<b>7%</b>

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## Reported Cash-Flow

(RM mn)	1Q15	4Q14	3Q14	2Q14	1Q14	4Q13	3Q13	2Q13	1Q13	Q-o-Q	Y-o-Y
Cash at start	526	259	403	372	411	550	761	579	709	>100%	28%
Cash-flow from operations	551	524	780	770	664	826	616	651	543	5%	-17%
Changes in working capital	29	1	93	(65)	(68)	(197)	(248)	9	(142)	>100%	-143%
Cash-flow used in investing activities	(189)	(226)	(271)	(191)	(192)	(126)	(227)	(180)	(186)	-16%	-2%
Cash-flow used in financing activities	(561)	(37)	(746)	(483)	(443)	(642)	(352)	(298)	(346)	>100%	27%
Net change in cash	(170)	262	(144)	31	(39)	(139)	(211)	182	(130)	-165%	>100%
Effect of exchange rate changes on cash and cash equivalents	1	5	0	0	0	0	0	0	0	-80%	100%
Cash at end	357	526	259	403	372	411	550	761	579	-32%	-4%
Capex	193	233	276	193	202	130	234	186	191	-17%	-4%
Ops Cash-Flow (EBITDA – Capex)	582	568	513	602	576	680	532	561	529	2%	1%
Ops Cash-Flow margin	32%	32%	29%	34%	34%	39%	31%	34%	32%	0.9pp	-1.0pp



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## Performance summary

