



# Earnings Conference Call

## 2<sup>nd</sup> Quarter 2014

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17 July 2014

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Key highlights

Operational highlights

Financials updates

Guidance and outlook

Q&A

Experience the iPhone 5s  
with the **NEW iDiGi 50**. The most  
complete Internet plan at only  
**RM50/month.**



Apple iPhone 5s (16GB)

RM2,159

RM50  
Monthly Fee

2GB  
Internet

50 mins  
+  
200 SMS  
(DiGi to DiGi)

12 Months  
Contract

part of  telenor  
group

**Best for Internet**

Terms and conditions apply.  
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**Internet  
For All™**

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## Leading performance with solid results



**Score more with DG SmartPlan™, the most complete Internet plan from RM45/month (RM50)**

Sign up today and stand to win one of 101 50" LED TVs in DiGi Lalang Sampai Menang. Just pick a different team every day until one wins! Take part now, SMS WC to 20000.

- 2GB Internet
- 1 Extra GB Internet
- FREE 200 SMS (DiGi to DiGi)
- Extra 100 mins 100 SMS (All networks)
- Unlimited WhatsApp

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**DiGi**  
Internet For All™

### Revenue

RM1,746 million

▲ 5.6% Y-o-Y

### Service Revenue

RM1,568 million

▲ 2.8% Y-o-Y

### 46% EBITDA Margin

RM795 million

▲ 6.4% Y-o-Y

### 34% Ops Cash-Flow Margin

RM602 million

▲ 7.3% Y-o-Y

### 29% PAT Margin

RM499 million

▲ 31.3% Y-o-Y

# Relentless drive to deliver best customer experience

## Best For Internet

- ✓ Effective network management to deliver consistent data speed
- ✓ 3G/HSPA+ coverage to 82.7% population backed by 4,400km fibre network  
(End 2014: 86% 3G coverage and 1,500 LTE sites)
- ✓ Satisfy the speed requirements for commonly used mobile digital services



0.05 Mbps



0.5 - 1 Mbps



1 - 3 Mbps

- ✓ Free calls to customer service call center
- ✓ Dedicated myAndroid hubs

## Network quality and customer experience scorecard <sup>[1]</sup>

**<0.5%** Drop call rate in key market centres with 89% <sup>[2]</sup> reduction in customer complaints

**99.6%** Call set-up success rate

**99.7%** Data set-up success rate



[1] Based on latest available network statistics within DiGi coverage areas as at 30 June 2014

[2] Based on SKMM's 1Q14 ESAT report

# Tap market opportunities from modernised data network

## Internet focused offers and campaigns

**YOUTUBE FROM RM1/DAY**  
Be entertained with the best Internet Top Up packages for all your YouTube needs!  
[Find Out More](#)

**Lowest commitments ever**  
Pay only RM50/month when you get the iPhone 5c with iDiGi 50!

**101 LED TVs to be won. Just be a Lalang Football Fan!**  
From RM300, DiGi Prepaid™ Mobile Prepaid only you take part in DiGi's exciting contest. Win a 50" LED TV, DiGi and a different brand every day. Call 010-250 0000.

**Score a 50" LED TV tonight with the Best Internet Packages.**  
From RM300, DiGi Prepaid™ Mobile Prepaid only you take part in DiGi's exciting contest. Win a 50" LED TV, DiGi and a different brand every day. Call 010-250 0000.

**The best line-up of FREE smartphones.**  
From RM300, DiGi Prepaid™ Mobile Prepaid only you take part in DiGi's exciting contest. Win a 50" LED TV, DiGi and a different brand every day. Call 010-250 0000.

**3GB** High-Speed Internet  
**5GB** Unlimited Internet Surfing & Social Messaging  
**6GB** Additional  
**1GB** Additional

- Flexible bite sized internet passes
  - Affordable YouTube access at RM1 for 100MB for 24 hours
- Relevant smartphone bundles to cater for different segment groups
  - Entry level commitment for iPhones
  - Affordable mid-range smartphone bundles selection and value deals for high commitment plans
- Leverage on FIFA World Cup fever deals and promotions
- Targeted micro-campaigns based on in-depth customer analytics



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## Internet growth through a segmented but inclusive approach

1



### *Winning the high-value internet savvy customers*

- New cutting-edge services for high-end users

2



### *Growing penetration and usage among majority*

- Giving early adopters relevant reasons to use the Internet

3



### *Truly taking Internet to All*

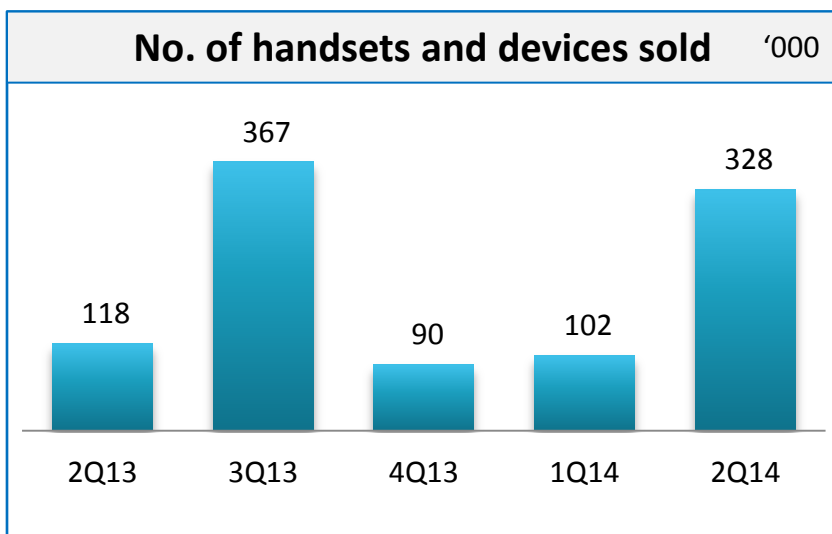
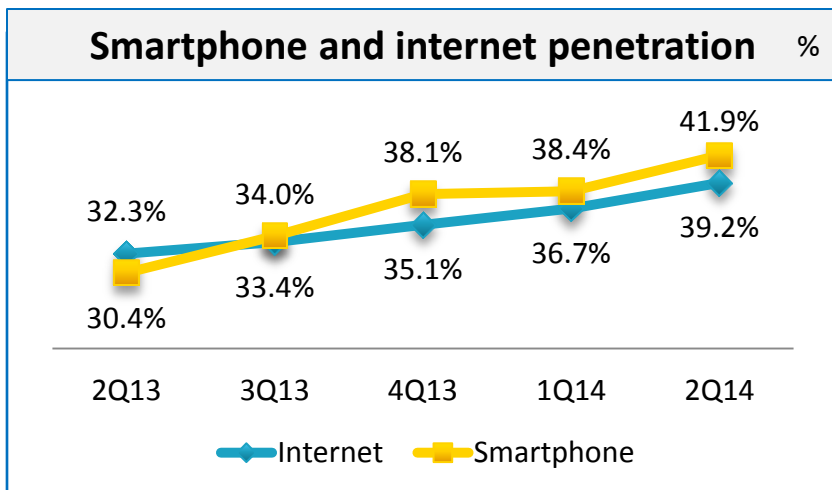
- Basic Internet services for entry users

*Delivering Internet as part of our core offerings, across various customer maturity stages*



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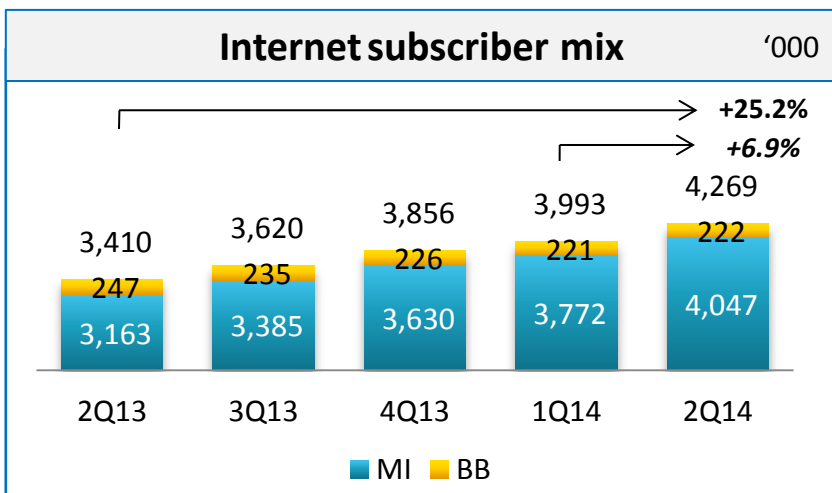
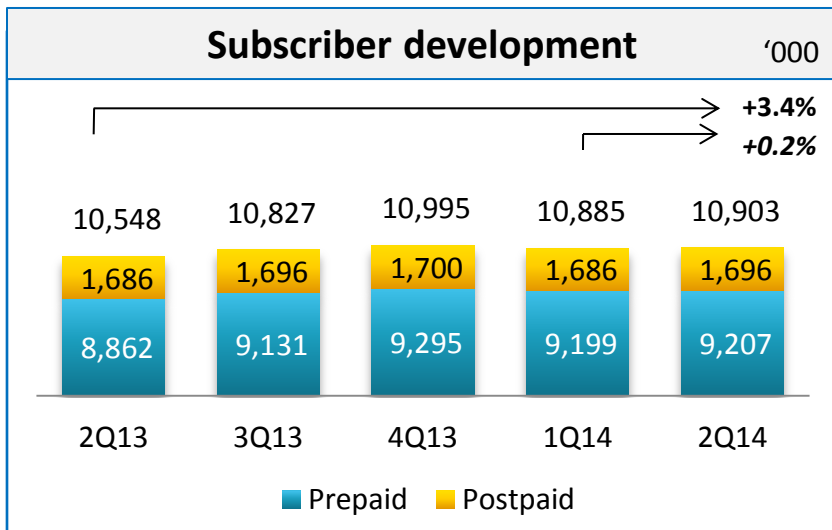
## Smartphone and internet penetration rose steadily



- Affordable smartphone bundles remained a strong catalyst to drive internet growth and acquisition
- Both internet and smartphone penetration climbed approximately +3pp q-o-q to 39.2% and 41.9% respectively
- Continued proliferation of smartphones empowered subscribers to enjoy reliable and affordable best for internet services offers
- Strategically captured strong demand for prepaid smartphone bundles
  - Fortifying service revenue contributions for the remaining quarters



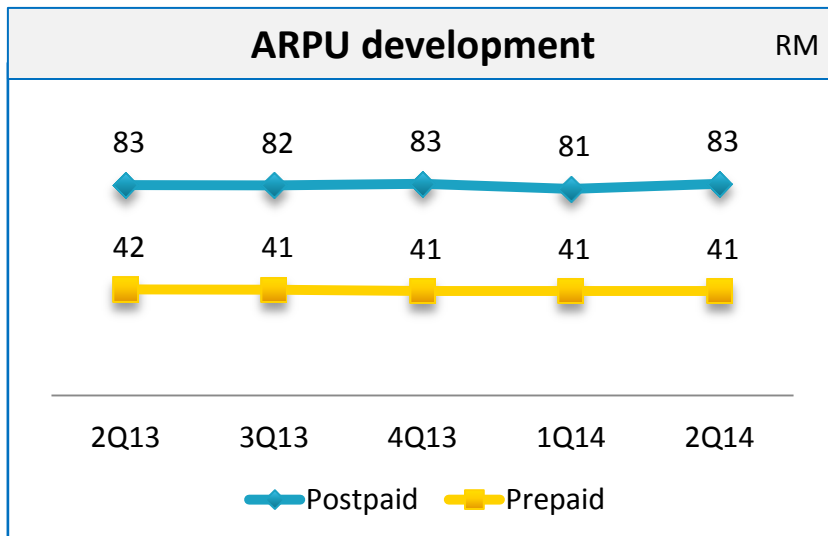
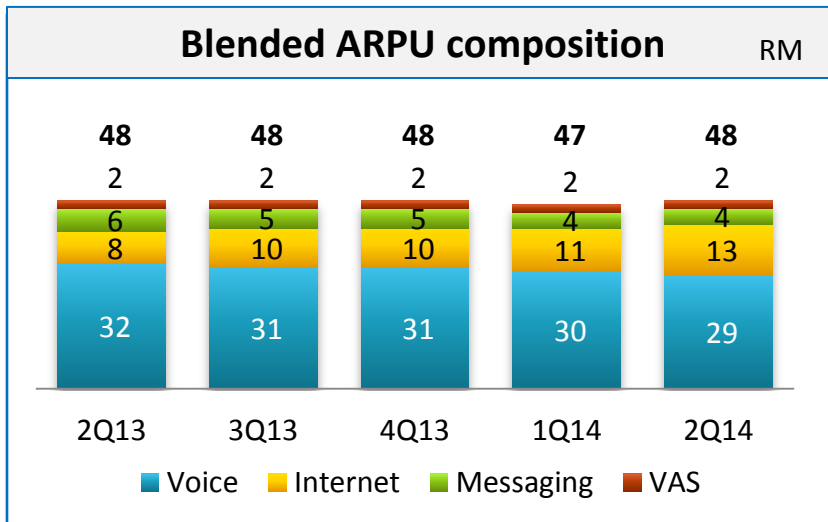
# Solid growth on active internet subscribers



- Prepaid and postpaid subscriber base strengthened in 2Q14; reversing earlier 1Q14's negative net adds trend
- Prepaid added 8K subscribers driven by
  - Targeted internet and trial campaigns
  - Affordable prepaid smartphone bundles
- Postpaid added 10K subscribers aided by
  - Mass subscriptions from revitalised postpaid SmartPlans
- Growing active internet users encouraged by Best For Internet initiatives

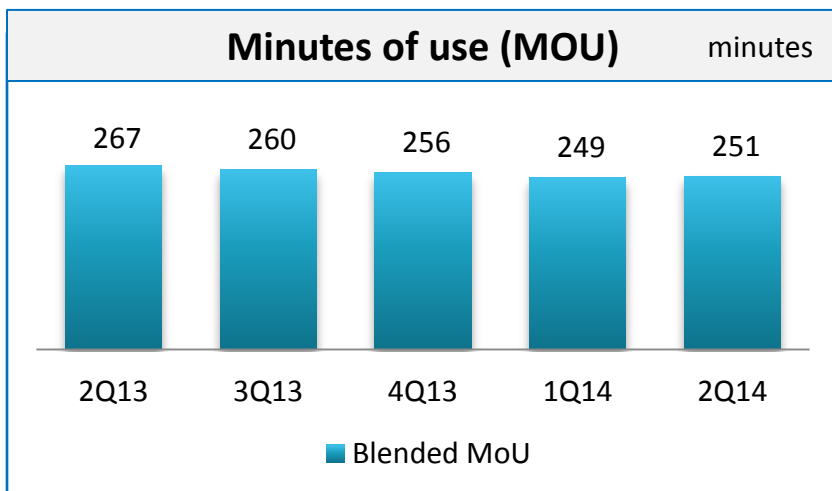
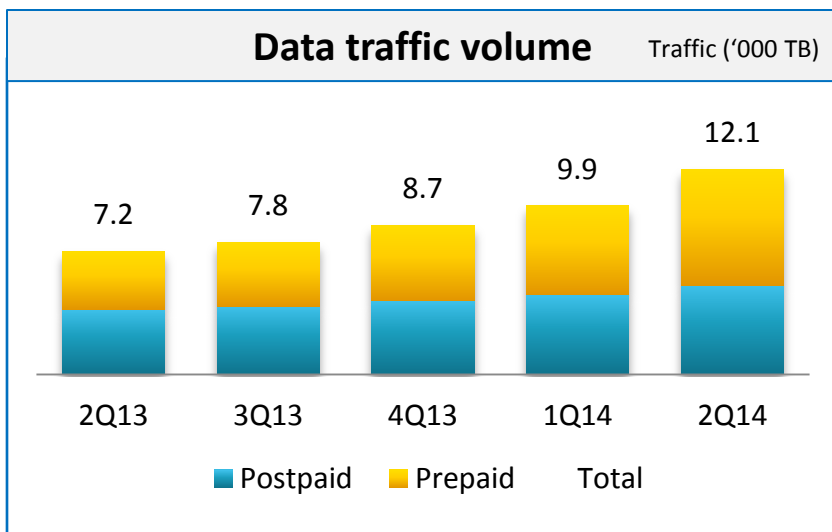
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## Steady ARPU for the last 5 quarters



- Both postpaid and prepaid registered resilient ARPU whilst expanding into new markets
- Internet focused initiatives reflected positively on the ARPU mix
  - 27% ARPU from internet
  - 40% ARPU from non-voice (data)
- Successful entry level, affordable internet subscriptions and usage campaigns continued to lift internet ARPU
- Prudent approach to manage data transition and capture internet growth opportunities sustainably

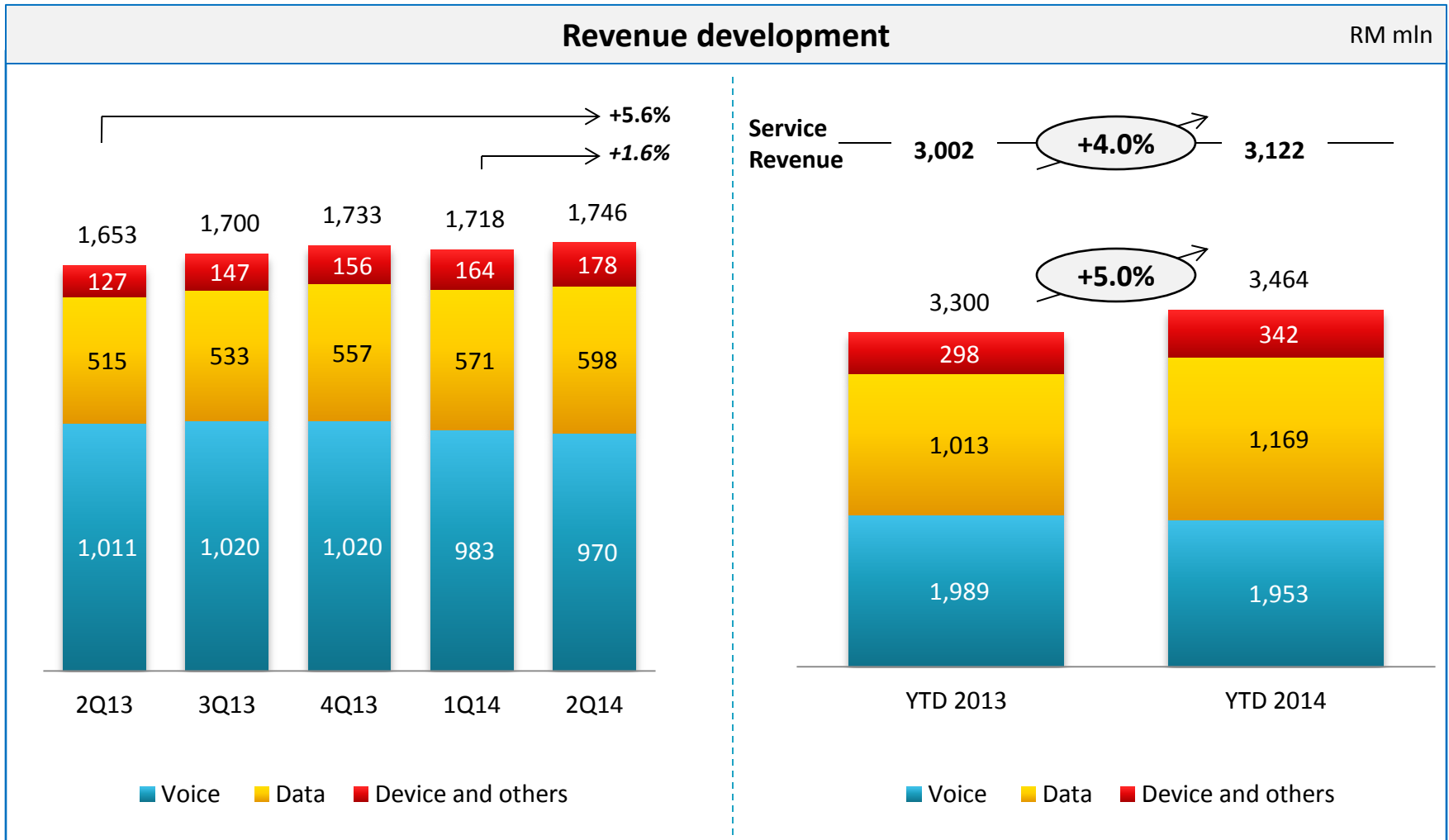
# Rise in data traffic fueled by stronger internet usage



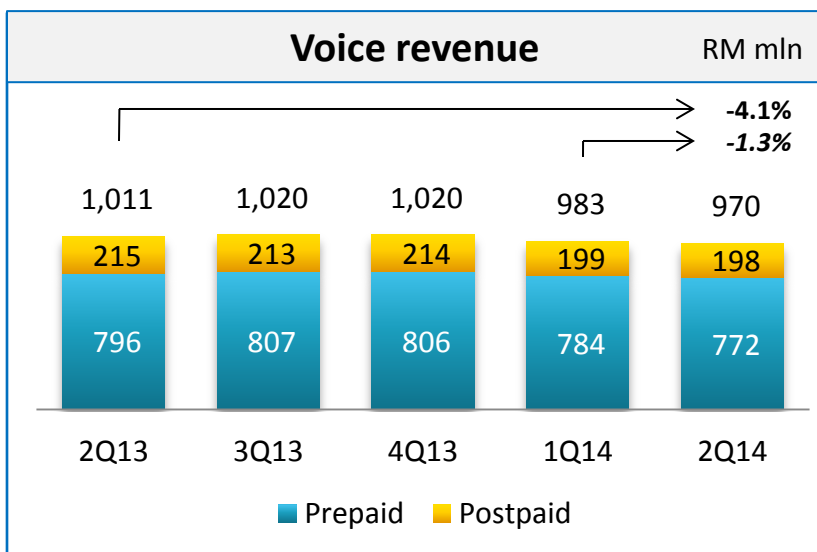
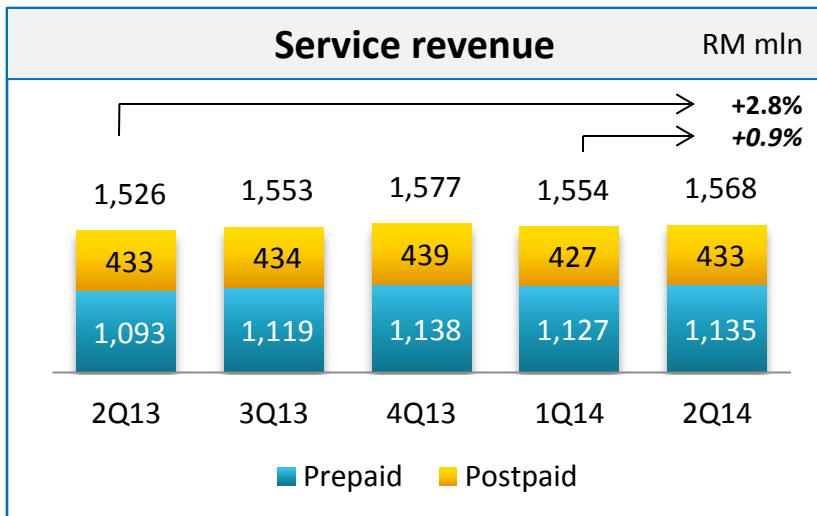
- Rapid data ecosystem advancement combined with solid distribution network persistently drove data traffic up 66.7% y-o-y and 21.6% q-o-q
  - Prepaid internet traffic grew 101.1% y-o-y and 29.9% q-o-q
  - Postpaid internet traffic grew 36.6% y-o-y and 12.4% q-o-q
- Opportunity to grow internet usage from entry level bite-size and occasional usage to more advanced regular internet usage
- Transition from traditional voice minutes managed well amidst relentless drive for internet growth

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# Well-positioned 1H 2014 growth to drive positive momentum

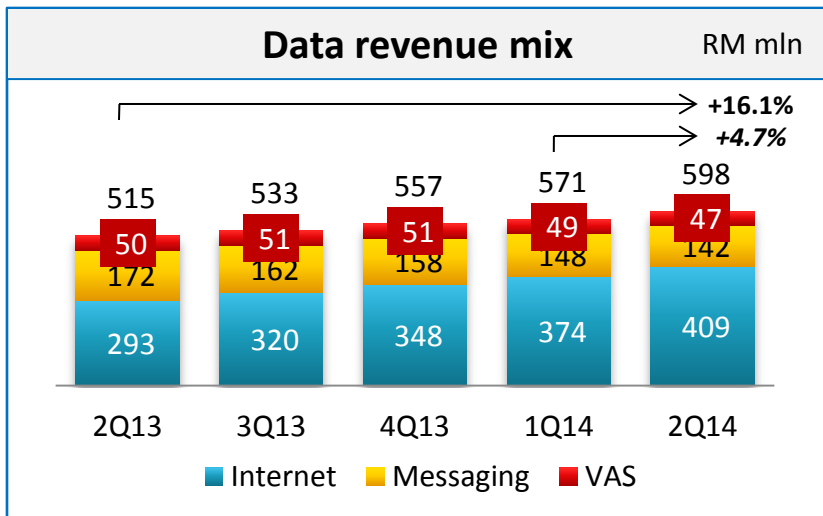


## Service revenue strengthened further to RM1.57 bln



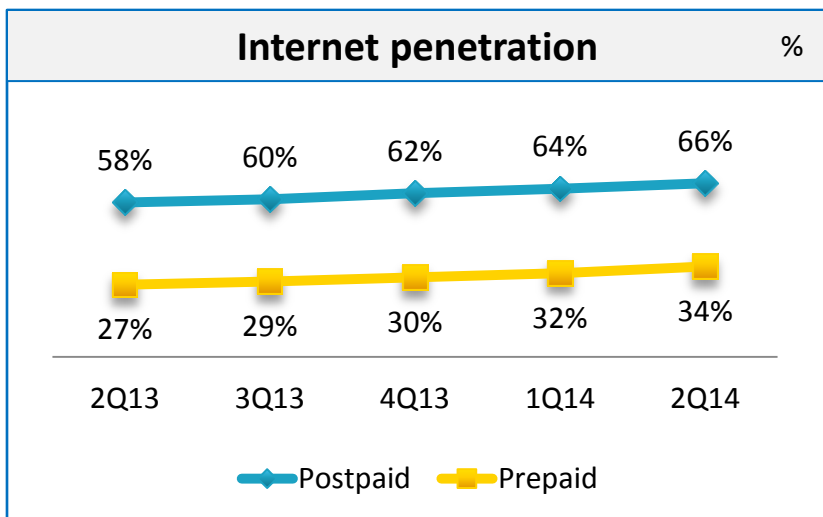
- Service revenue continued to grow at a healthy rate with 4.0% YTD growth
- Prepaid service revenue rose by 3.8% y-o-y and 0.7% q-o-q
  - weighed down by weaker voice revenue which declined 3.0% y-o-y and 1.5% q-o-q
- Postpaid service revenue maintained flat y-o-y and gained 1.4% q-o-q although voice revenue declined 7.9% y-o-y and 0.5% q-o-q
- Increase in data revenue more than compensated weaker traditional voice revenue
- Uplift in overall service revenue backed by increased subscriber base with stable ARPU

# Strong data demand continued to spur revenue growth



- Encouraging data revenue growth driven by innovative offers, differentiated customer experience and stronger data network

- Internet revenue gained 39.6% y-o-y and 9.4% q-o-q
  - Both prepaid and postpaid internet penetration added 2pp q-o-q

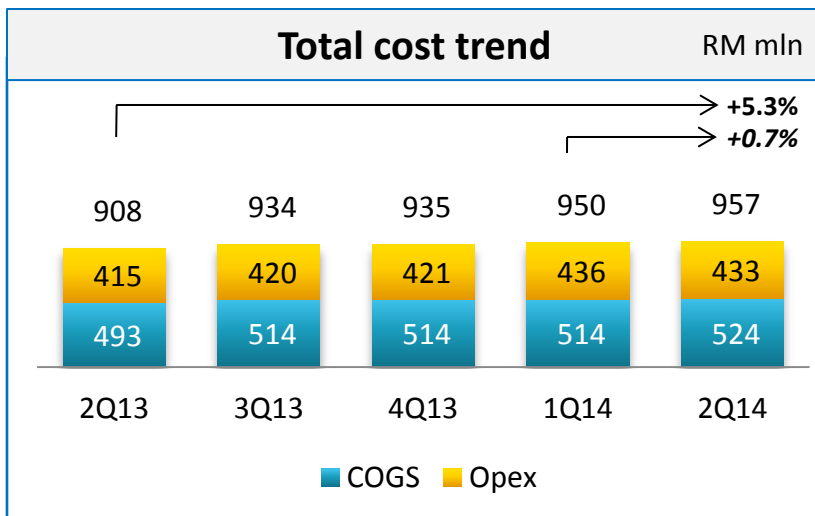


- Traditional messaging revenue fell 17.4% y-o-y and 4.1% q-o-q, mitigated by solid gains from internet

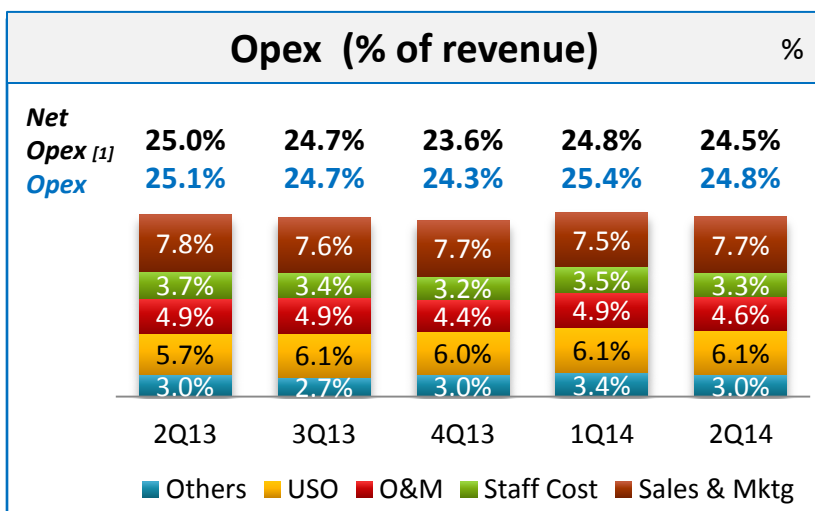
- Total data revenue gained 16.1% y-o-y and 4.7% q-o-q, strengthening the overall service revenue for the quarter



# Well-managed efficient cost structure

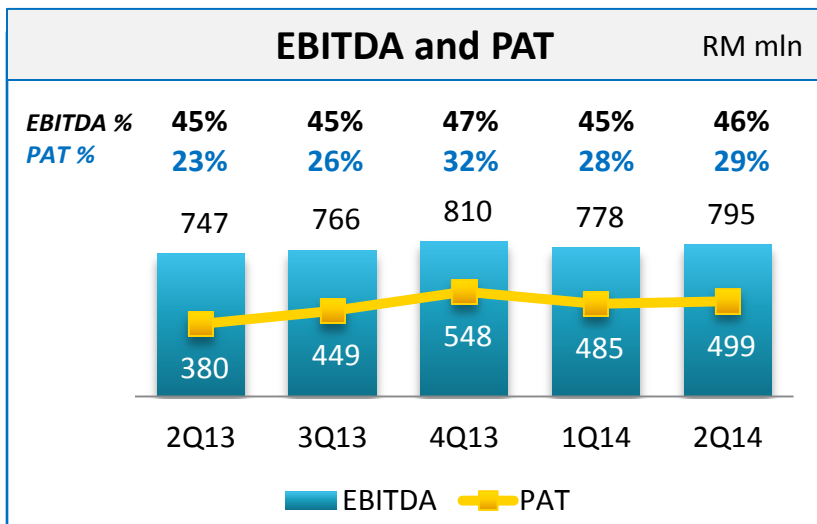


- Incremental y-o-y total cost driven by revenue generating related activities
  - Increased smartphone bundles sold
  - Seasonally higher A&P from FIFA World Cup promotions and campaigns
  - Higher USO contributions
- Improved y-o-y and q-o-q opex ratio aided by stronger revenue base and efficient cost management
- Operational efficiency remained a key priority in the execution of day-to-day activities and decision making activities

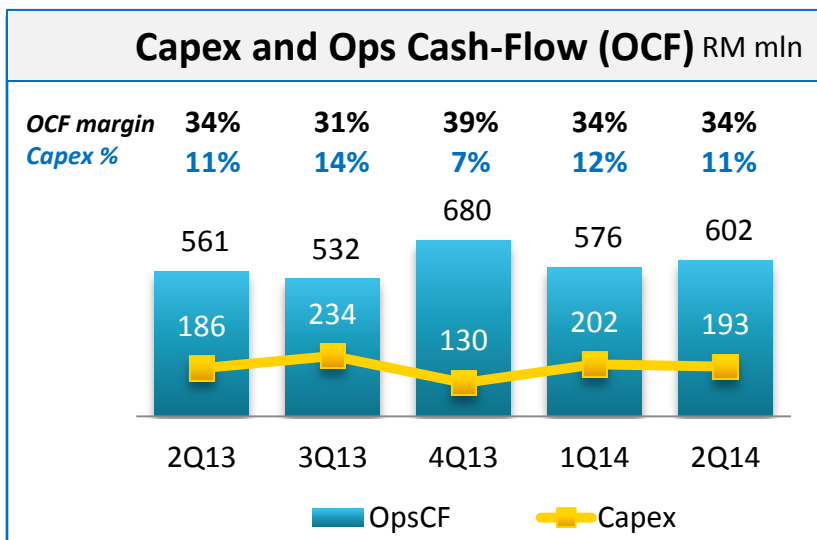


[1] Net Opex = Opex + Forex/FV changes + Other Income

# Stronger margins to ink a solid 1H performance

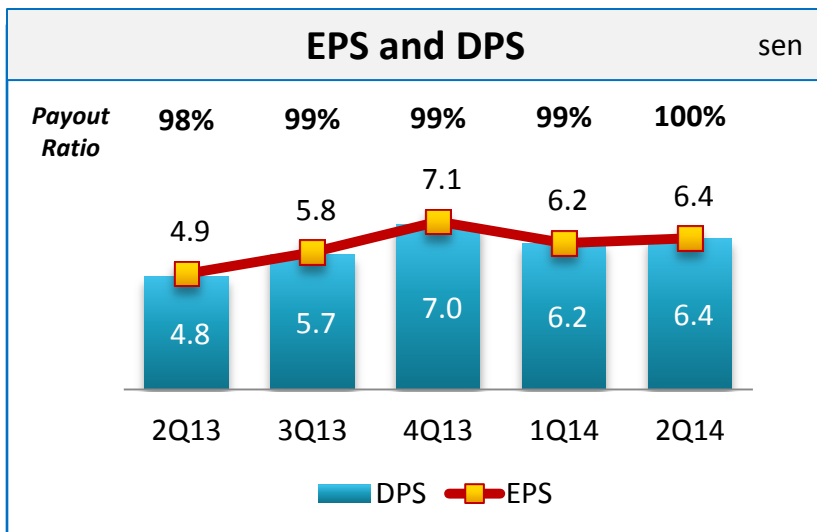


- Solid EBITDA supported by stronger revenue, prudent device subsidies management and efficient operations
- EBITDA gained 6.4% y-o-y, at 46% margin
- PAT rose 31.3% y-o-y to RM499 million
  - Benefited from relatively more efficient depreciation charges



- Capex spending broadly in line except for the re-prioritisation fibre roll out schedule
  - Achieved 2G/3G/HSPA+/4G site roll-out and capex commitments for 1H14
- Ops Cash-Flow remained healthy at 34%

## Healthy returns to shareholders backed by strong fundamentals



- EPS rose 30.6% y-o-y and 3.2% q-o-q
- Declared 2nd interim dividend of 6.4 sen/per share (net), payable on 5 Sep 2014
  - 33.3% higher dividend y-o-y
  - Equivalent payout of RM498 million or 99.7%
- Steady returns and potential opportunities to unlock balance sheet values remained a key driver for the recent share price appreciation
- Retained solid balance sheet with low gearing and sizeable cash-pile

**Balance sheet** RM mln

	2Q13	3Q13	4Q13	1Q14	2Q14
Total Assets	3,923	3,788	3,752	3,667	3,759
Total Equity	480	556	661	602	619
Interest-bearing debts	927	951	749	853	848
Cash & cash equivalents	761	550	411	372	403

# Paving the way to deliver 2014 guidance

2014 Guidance	1H14
4-6% Revenue growth	✓ 5%
Sustain EBITDA margin at 2013 level	✓ 45%

From RM3 weekly High-Speed Internet Unlimited Internet Surfing & Social Messaging

part of telenor group **Internet For All™** Terms and conditions apply. 016 221 1800 digi.my/mobileinternet facebook/digi @DIGI\_Telco DiGi Telecommunications Sdn Bhd (919944-M)

**DiGi**  
Always the smarter choice

## DiGi's priorities in 2H 2014

- Customer first focus with Best For Internet network coverage, products to drive strong internet uptake and usage
- Secure competitive network and IT infrastructure capabilities amounting to RM900 million capex
- Solid execution of strategies and continuous focus on operational efficiency
- Stay ahead amidst sluggish industry revenue growth outlook





**DiGi**  
**LALANG**  
**SAMPAI**  
**MENANG**

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

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# Appendix





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## Key operating performance KPIs

(RM mln)	2Q14	1Q14	4Q13	3Q13	2Q13	1Q13	4Q12	3Q12	2Q12	Q-o-Q	Y-o-Y
Subscriber base	10,903	10,885	10,995	10,827	10,548	10,372	10,494	10,304	10,229	0%	3%
Revenue	1,746	1,718	1,733	1,700	1,653	1,647	1,629	1,583	1,580	2%	6%
EBITDA	795	778	810	766	747	720	725	715	752	2%	6%
<i>EBITDA margins</i>	46%	45%	47%	45%	45%	44%	44%	45%	48%	0.2pp	0.4pp
Depreciation & Amortisation	(115)	(118)	(122)	(221)	(247)	(288)	(361)	(307)	(332)	-3%	-53%
EBIT	680	660	688	545	500	432	364	408	420	3%	36%
Net finance (costs)/income	(6)	(6)	(5)	(6)	(6)	(8)	(4)	(2)	(1)	0%	0%
Profit Before Tax	674	654	683	539	494	424	360	406	419	3%	36%
Taxation	175	169	135	90	114	95	114	91	95	4%	54%
Profit After Tax	499	485	548	449	380	329	246	315	324	3%	31%
EPS (sen)	6.4	6.2	7.1	5.8	4.9	4.2	3.2	4.1	4.2	3%	31%
Prepaid ARPU	41	41	41	41	42	40	41	41	41	0%	-2%
Postpaid ARPU	83	81	83	82	83	82	83	82	85	2%	0%
Blended ARPU	48	47	48	48	48	47	47	48	48	2%	0%

## Revenue composition

(RM mln)	2Q14	1Q14	4Q13	3Q13	2Q13	1Q13	4Q12	3Q12	2Q12	Q-o-Q	Y-o-Y
<b>REVENUE</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>1,629</b>	<b>1,583</b>	<b>1,580</b>	<b>2%</b>	<b>6%</b>
<b>Service Revenue</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>1,492</b>	<b>1,470</b>	<b>1,470</b>	<b>1%</b>	<b>3%</b>
Voice revenue	970	983	1,020	1,020	1,011	978	1,004	1,010	1,025	-1%	-4%
Data revenue	598	571	557	533	515	498	488	460	445	5%	16%
<i>Internet</i>	<i>409</i>	<i>374</i>	<i>348</i>	<i>320</i>	<i>293</i>	<i>265</i>	<i>242</i>	<i>210</i>	<i>191</i>	<i>9%</i>	<i>40%</i>
<i>Messaging</i>	<i>142</i>	<i>148</i>	<i>158</i>	<i>162</i>	<i>172</i>	<i>183</i>	<i>193</i>	<i>194</i>	<i>195</i>	<i>-4%</i>	<i>-17%</i>
VAS	47	49	51	51	50	50	53	56	59	-4%	-6%
<b>Device and other revenue</b>	<b>178</b>	<b>164</b>	<b>156</b>	<b>147</b>	<b>127</b>	<b>171</b>	<b>137</b>	<b>113</b>	<b>110</b>	<b>9%</b>	<b>40%</b>
<b>Prepaid Revenue</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>1,067</b>	<b>1,050</b>	<b>1,034</b>	<b>1%</b>	<b>4%</b>
Voice revenue	772	784	806	807	796	768	785	792	792	-2%	-3%
Data revenue	363	343	332	312	297	282	282	258	242	6%	22%
<b>Postpaid Revenue</b>	<b>433</b>	<b>427</b>	<b>439</b>	<b>434</b>	<b>433</b>	<b>426</b>	<b>425</b>	<b>420</b>	<b>436</b>	<b>1%</b>	<b>0%</b>
Voice revenue	198	199	214	213	215	210	219	218	233	-1%	-8%
Data revenue	235	228	225	221	218	216	206	202	203	3%	8%

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## Reported COGS and OPEX

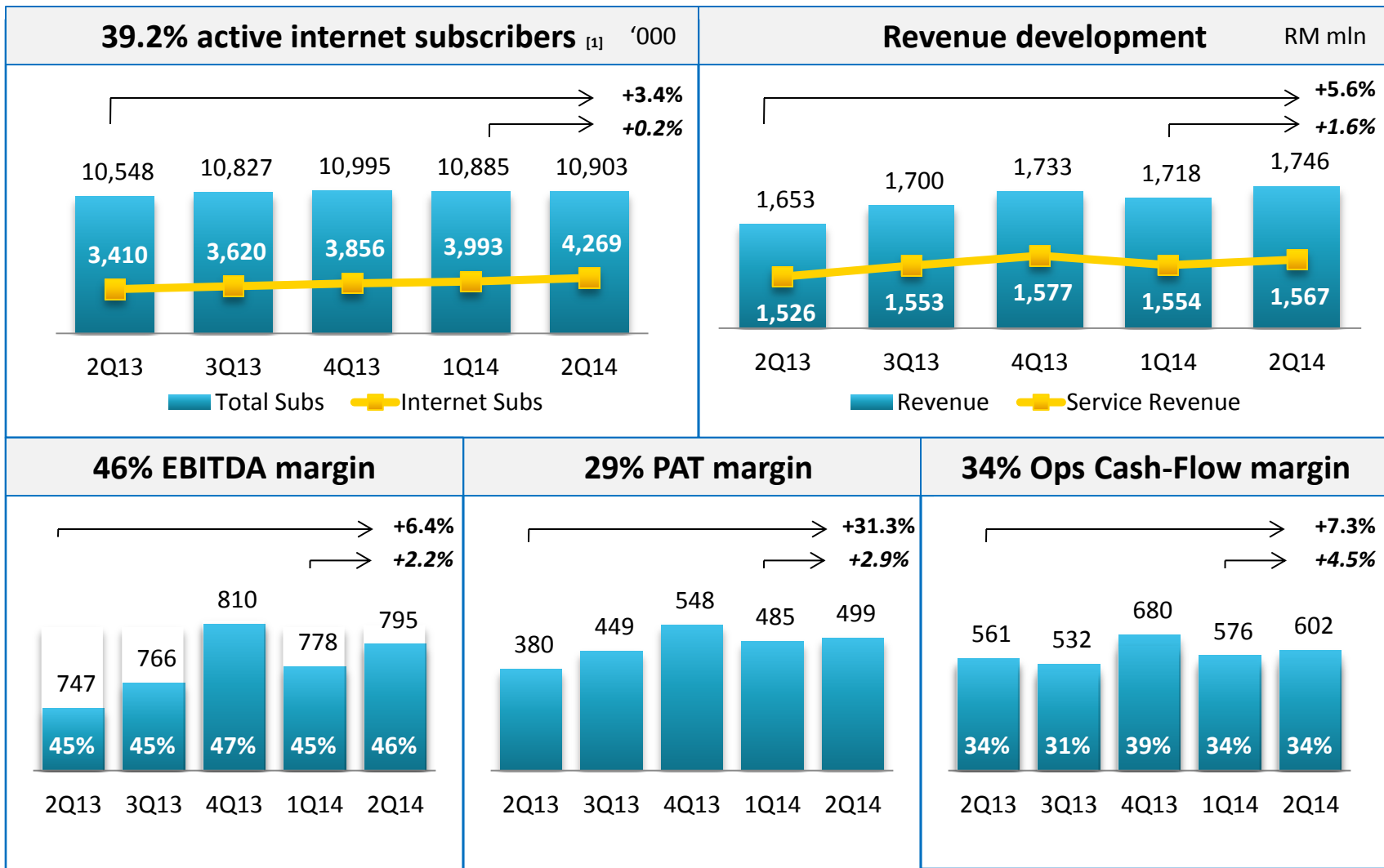
(RM mln)	2Q14	1Q14	4Q13	3Q13	2Q13	1Q13	4Q12	3Q12	2Q12	Q-o-Q	Y-o-Y
<b>COGS</b>	<b>524</b>	<b>514</b>	<b>514</b>	<b>514</b>	<b>493</b>	<b>519</b>	<b>506</b>	<b>447</b>	<b>442</b>	<b>2%</b>	<b>6%</b>
Cost of materials	183	165	151	144	139	182	157	106	105	11%	32%
Traffic charges	341	349	363	370	354	337	349	341	337	-2%	-4%
<b>OPEX</b>	<b>433</b>	<b>436</b>	<b>421</b>	<b>420</b>	<b>415</b>	<b>417</b>	<b>400</b>	<b>426</b>	<b>396</b>	<b>-1%</b>	<b>4%</b>
Sales & marketing	134	129	133	130	129	122	122	134	125	4%	4%
Staff costs	58	60	57	57	61	60	51	61	61	-3%	-5%
Operations & maintenance	81	84	76	84	81	83	74	81	58	-4%	0%
Other expenses	160	163	155	149	145	152	153	150	152	-2%	10%
<i>USP fund and license fees</i>	<i>107</i>	<i>105</i>	<i>104</i>	<i>103</i>	<i>95</i>	<i>96</i>	<i>92</i>	<i>93</i>	<i>96</i>	<i>2%</i>	<i>13%</i>
<i>Credit loss allowances</i>	<i>6</i>	<i>8</i>	<i>7</i>	<i>7</i>	<i>7</i>	<i>6</i>	<i>8</i>	<i>10</i>	<i>8</i>	<i>-25%</i>	<i>-14%</i>
<i>Others</i>	<i>47</i>	<i>50</i>	<i>44</i>	<i>39</i>	<i>43</i>	<i>50</i>	<i>53</i>	<i>47</i>	<i>48</i>	<i>-6%</i>	<i>9%</i>
<b>TOTAL</b>	<b>957</b>	<b>950</b>	<b>935</b>	<b>934</b>	<b>908</b>	<b>936</b>	<b>906</b>	<b>873</b>	<b>838</b>	<b>1%</b>	<b>5%</b>

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## Reported Cash-Flow

(RM mil)	2Q14	1Q14	4Q13	3Q13	2Q13	1Q13	4Q12	3Q12	2Q12	Q-o-Q	Y-o-Y
<b>Cash at start</b>	<b>372</b>	<b>411</b>	<b>550</b>	<b>761</b>	<b>579</b>	<b>709</b>	<b>1,453</b>	<b>1,517</b>	<b>1,518</b>	<b>-9%</b>	<b>-36%</b>
Cash-flow from operations	770	664	826	616	651	543	542	477	682	16%	18%
Changes in working capital	(65)	(68)	(197)	(248)	9	(142)	(110)	55	(59)	-4%	-822%
Cash-flow used in investing activities	(191)	(192)	(126)	(227)	(180)	(186)	(243)	(137)	(165)	-1%	6%
<i>Capex</i>	<i>(193)</i>	<i>(202)</i>	<i>(130)</i>	<i>(234)</i>	<i>(186)</i>	<i>(191)</i>	<i>(255)</i>	<i>(150)</i>	<i>(177)</i>	<i>-4%</i>	<i>4%</i>
Cash-flow used in financing activities	(483)	(443)	(642)	(352)	(298)	(346)	(933)	(459)	(459)	9%	62%
Net change in cash	31	(39)	(139)	(211)	182	(130)	(744)	(64)	(1)	-179%	-83%
<b>Cash at end</b>	<b>403</b>	<b>372</b>	<b>411</b>	<b>550</b>	<b>761</b>	<b>579</b>	<b>709</b>	<b>1,453</b>	<b>1,517</b>	<b>8%</b>	<b>-47%</b>
<b>Ops Cash-Flow (EBITDA – Capex)</b>	<b>602</b>	<b>576</b>	<b>680</b>	<b>532</b>	<b>561</b>	<b>529</b>	<b>470</b>	<b>565</b>	<b>575</b>	<b>5%</b>	<b>7%</b>
<b>Ops Cash-Flow margin</b>	<b>34%</b>	<b>34%</b>	<b>39%</b>	<b>31%</b>	<b>34%</b>	<b>32%</b>	<b>29%</b>	<b>36%</b>	<b>36%</b>	<b>1.0pp</b>	<b>0.6pp</b>

# Performance summary



[1] Refined to excl. unique subs with usage below 50kB /month