

2Q 2015 results

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13 July 2015



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



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Stronger postpaid trajectory and resilient performance amid industry challenges

11.8 mn

subscribers

- Service revenue up 1.3% y-y to RM1,589 million
 - Postpaid revenue growth of 3.5% y-y
- 46% EBITDA margin, although 0.9% lower EBITDA y-y
- 5.9 sen dividend per share equivalent to RM459 million



- Rapid expansion of high-speed data network with extensive 4G-LTE network coverage in key market centres
 - Nationwide LTE coverage reached approximately 35% of population
- Demand for mobile internet continued to escalate with more and more content, social media and digital services moving to mobile internet space



- Consistent focus on *Internet For All*, customer relationship, value proposition, brand and momentum continued to fuel reasons for customers to be on Digi's network
- Uniquely positioned to draw significant opportunities by enabling best customer experience in a profound way



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Solid track record in driving innovation and affordable mobile connectivity

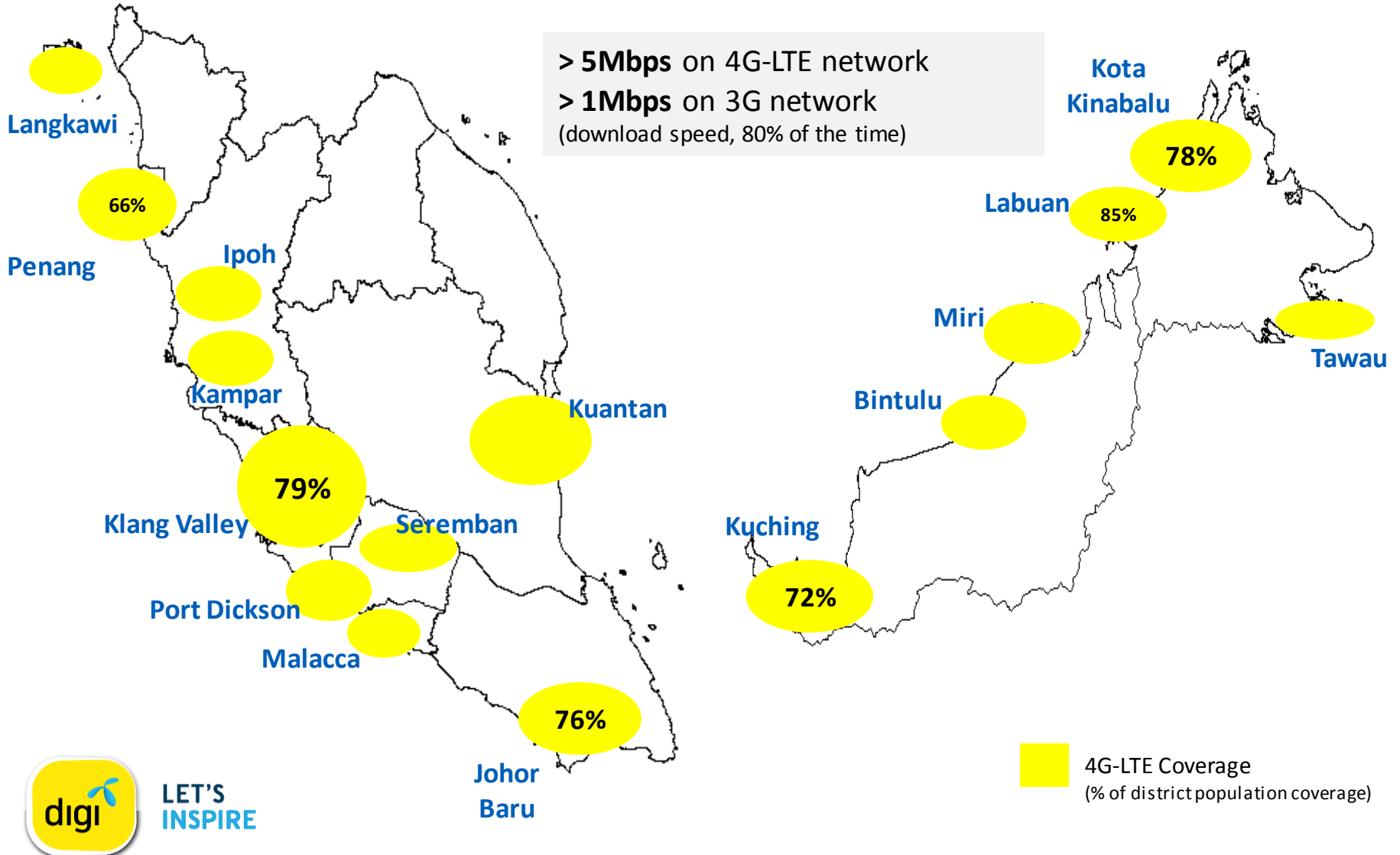


- Robust performance throughout the years anchored on strong brand proposition, on-ground execution and performance driven culture
- Strong commitment to drive momentum every single day to deliver the best customer experience and value with innovative mobile internet packages
- Continued to strengthen Digi's high-speed data network and reached more subscribers nationwide
 - More than 65% population across all the 5 key market centres
 - Progressively enabled 1800Mhz and 2600Mhz spectrum for LTE to boost capacity and significantly improve both indoor and outdoor internet experience
- New Policy Control and Charging (PCC) engine to support more innovative products and services for sustainable internet growth



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Robust 4G-LTE network with most consistent mobile internet experience



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Enabling more Malaysians to enjoy best mobile internet experience

20th Anniversary Promotions



Digi 4G-LTE Launches and Carnivals



Campaigns



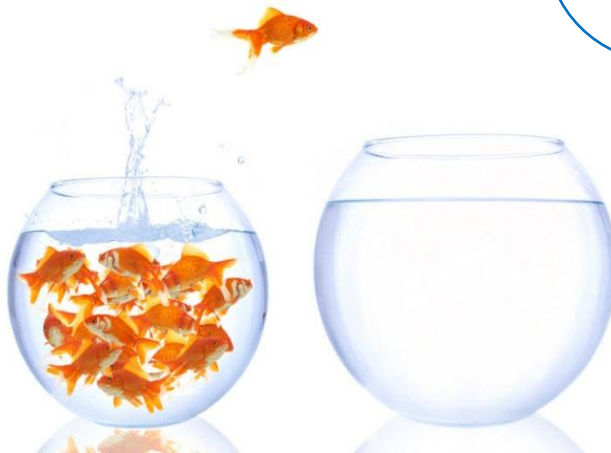
Digi Smart Prepaid



- Actively focus on enabling affordable and quality mobile internet access
- Strategic on-ground engagements to promote and reach out to customers
- Product positioning with greater emphasis on mobile internet value propositions for the customers
- Constantly bring new innovative digital services access such as Music Freedom, Capture, HyppTV etc

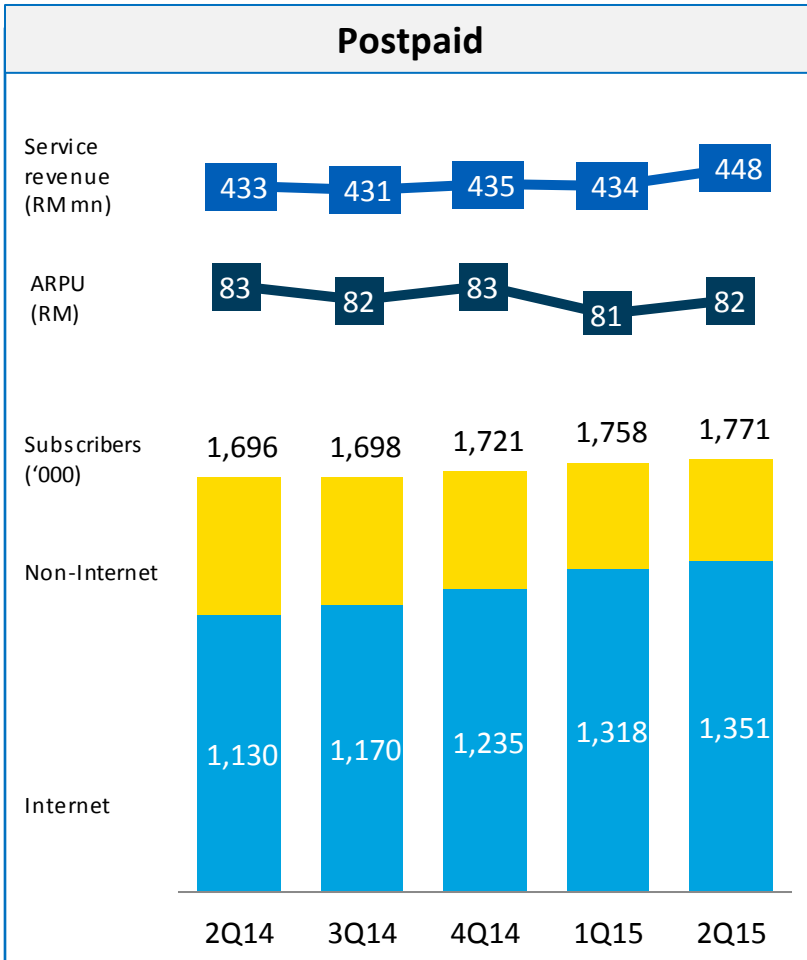
A paradigm shift to drive growth in a challenging and competitive environment

- Intensified competition
 - Evolution of traditional mobile services to data and digital services
 - Challenges on GST implementation and effects on consumer sentiments
 - Slower growth momentum in smartphone and internet penetration
- Strengthen value proposition to stimulate internet adoption and usage with excellent service built on a great network and experience
 - Drive upselling and data monetisation opportunities
 - Deepen customer relationship
 - Transition and transform capability and competencies to be a part of the customers' digital lifestyle and journey



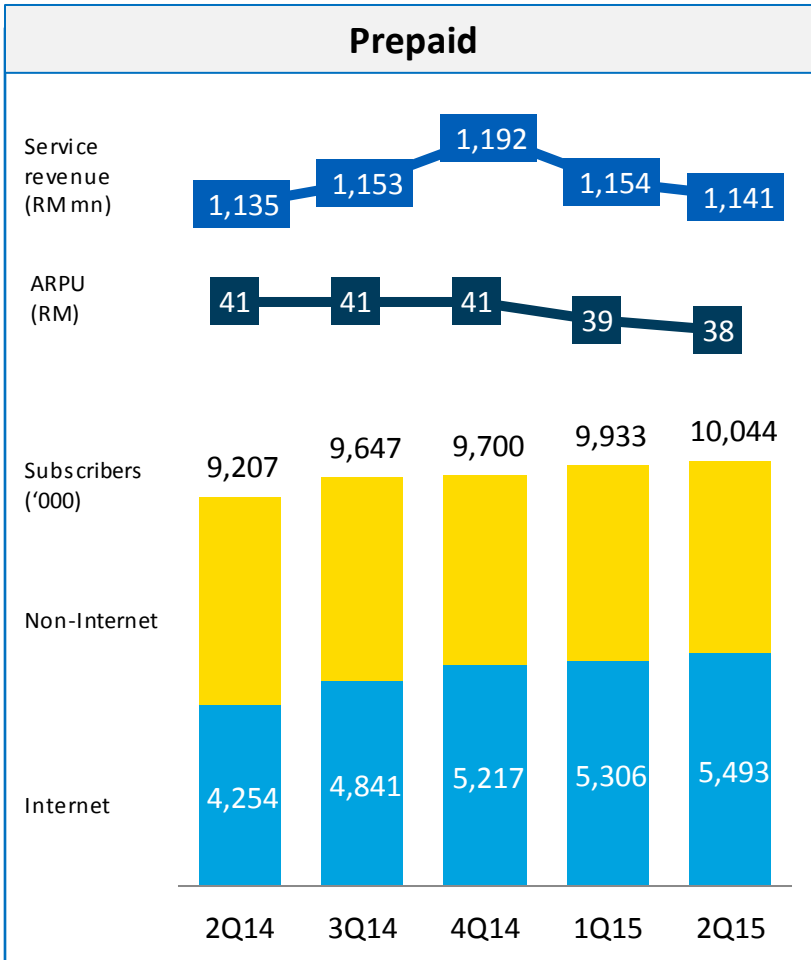
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Well-positioned to secure a fair share in postpaid mass market



- Continued to strengthen its position in postpaid mass market
 - Solid take-up on smartphone bundles
 - Supported by rapid expansion of 4G-LTE network
- Steady climb on postpaid base with additional 75K subscribers in the last 4 quarters
 - 13K new subscribers in the current quarter
 - Active internet subscribers increased to 76.3% of total postpaid subscribers
- ARPU strengthened to RM82
- Postpaid service revenue rose 3.5% y-y as a flow through from encouraging smartphone bundles commitments secured in the preceding quarter and backed by 13.2% y-y growth from internet revenue

Relentless optimism to drive *Internet For All* aspirations

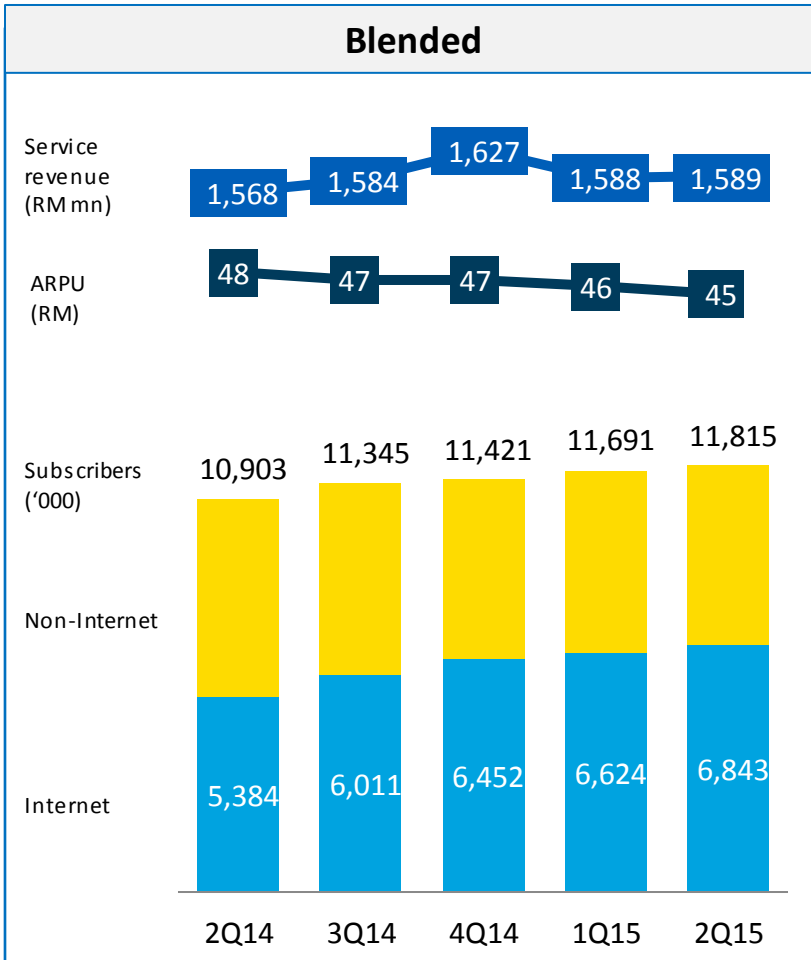


- Prepaid market adversely affected by fiery price competition, operational challenges and interim weaker spending post GST
- Although market remained challenging, Digi gained 111K net adds and strengthened its prepaid base to 10.0 million subscribers
- Higher smartphone adoption amongst the prepaid base continued to fuel internet penetration rate to 54.7%, up 8.5pp from a year ago
- Despite the stronger demand from internet, both ARPU and service revenue growth were temporarily subdued with various short-term promotions and freebies, on the back of weaker consumer sentiments and operational challenges during the quarter
- Prepaid service revenue remained resilient with marginal 0.5% y-y growth although 1.1% lower sequentially



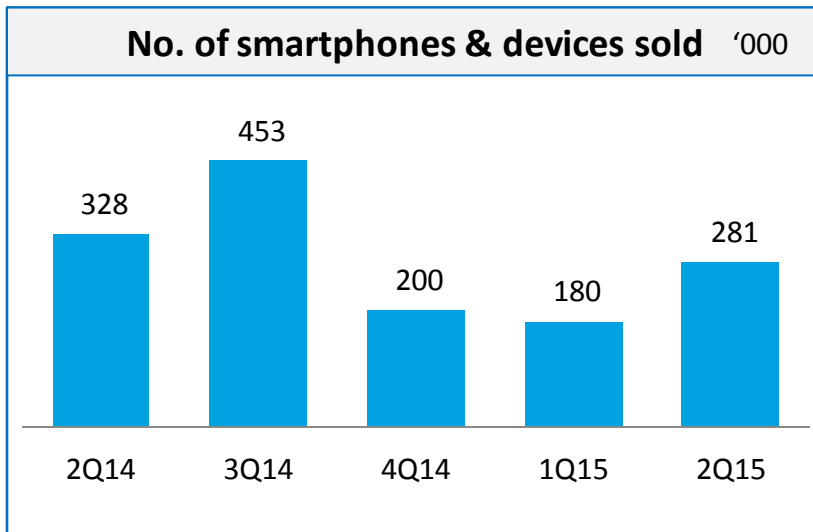
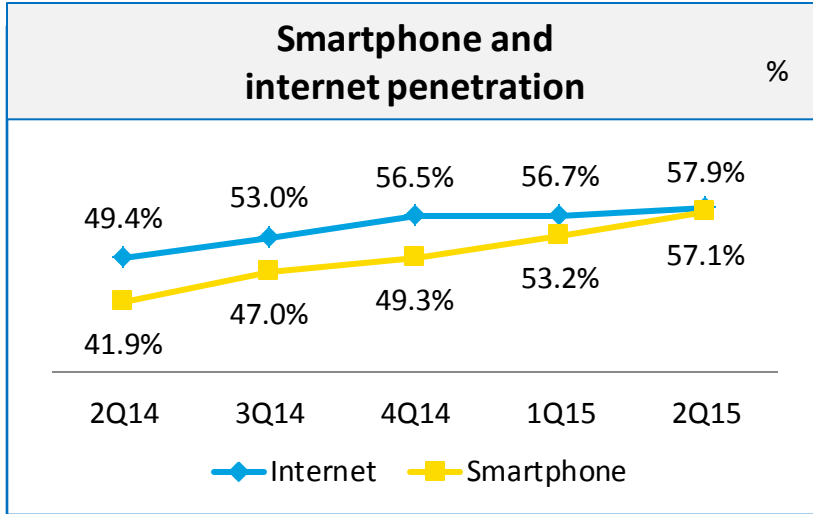
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Resilient 2Q service revenue against industry dynamics



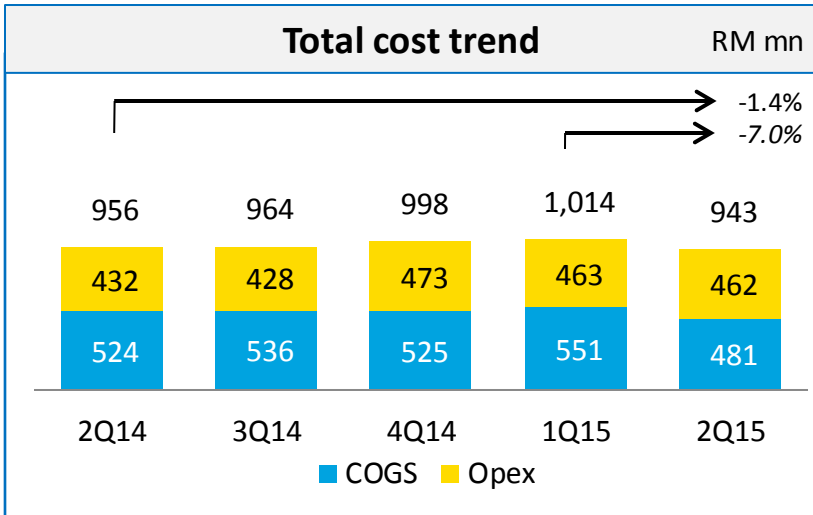
- Stable service revenue with y-y growth at 1.3%
- Internet revenue remained strong and registered a growth of 24.0% y-y although impacted by interim weaker spending post GST
- Forefront in bringing relevant digital services access to customers such as Music Freedom, Capture, Youtube, Facebook access
- Subscribers increased 124K to 11.8 million while internet subscribers rose to 6.8 million or 57.9% of total subscribers
- ARPU moderated to RM45 over a larger subscriber base and remained resilient
- Consumer sentiments and operational momentum have since gradually improved and demand for *always-on* mobile internet will spur stronger growth opportunities

Higher internet and smartphone penetration fuelled by affordable smartphone bundles

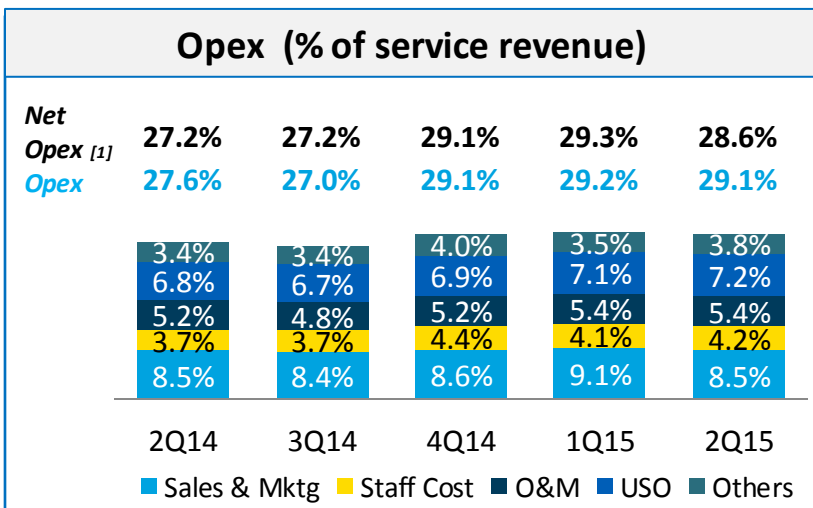


- Leveraged on simple, worry-free affordable smartphone bundles to enable higher internet adoption amongst Malaysians
- Both internet and smartphone penetration improved to 57.9% and 57.1%, respectively
- Favourably anchored a strong foundation to drive mobile internet growth opportunities
- Relatively higher mix of affordable smartphone bundles sold during the quarter compared to the preceding two quarters which were predominantly iPhone commitments
- Consequentially, device and other revenue for the quarter declined 24.7% y-y and 34.0% sequentially to RM134 million

Well-managed cost structure to drive greater value for customers

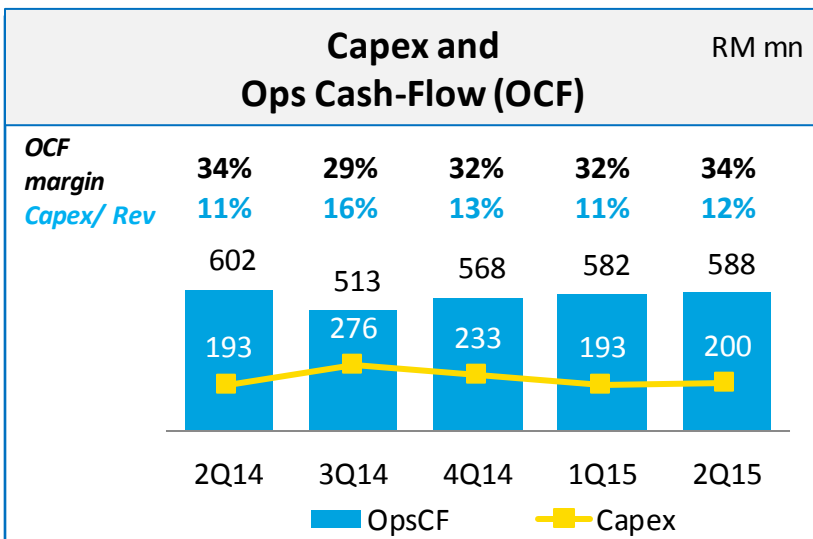
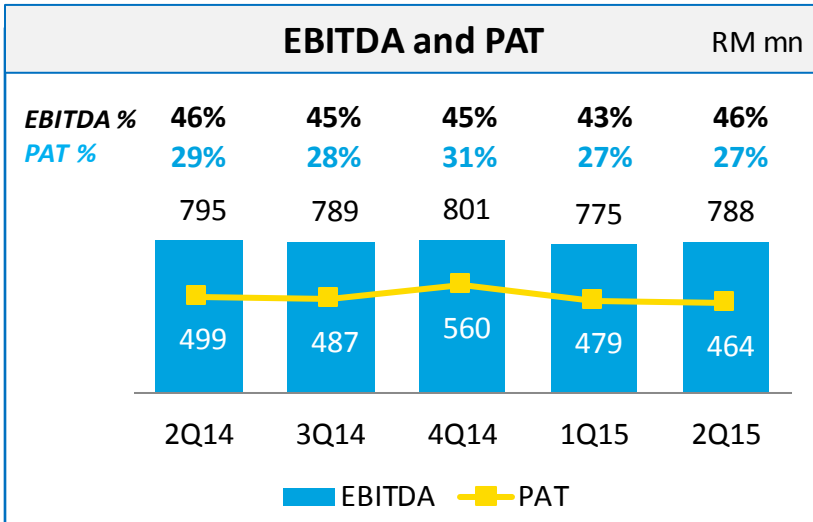


- COGS trimmed in line with lower device revenue for the quarter
- Weaker MYR resulted in relatively higher IDD traffic cost while price competition intensity weighed in at the expense of revenue and margin
- Opex to service revenue ratio remained fairly resilient at 29.1%, consistent level as the last two quarters amid competition intensity and rapid expansion of data network
- Overall cost structure remained efficient and well-managed with absolute opex remained stable sequentially at RM462 million
- Digi remained committed to pursue operational efficiencies opportunities to deliver reliable and affordable services to its customers.



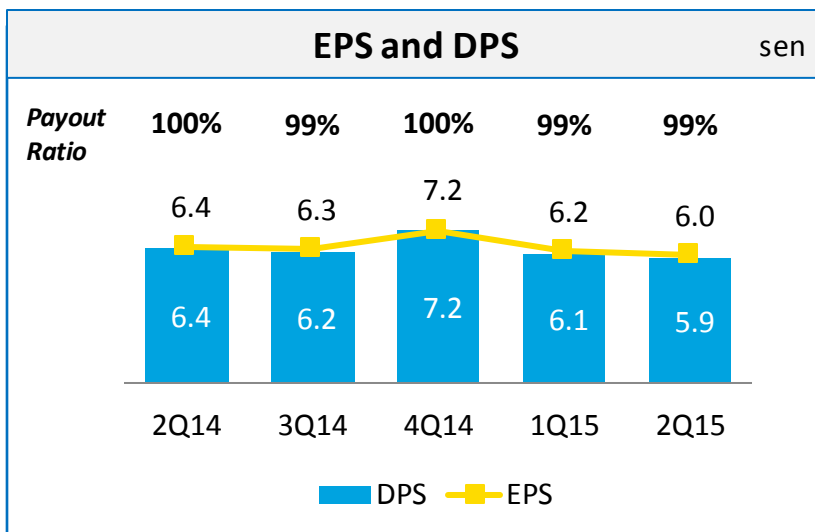
[1] Net Opex = Opex + Forex/FV changes + Other Income

EBITDA growth moderated by competition intensity and weaker MYR



- Service revenue EBITDA margin remained strong at 50%
- Absolute EBITDA declined 0.9% y-y to RM788 million although improved 1.7% sequentially
- Healthy Ops Cash-Flow margin at 34%
- Strategically invested RM200 million capex to boost data network coverage and quality for customers to enjoy best internet experience on Digi's network
- Solid progress on 4G-LTE expansion
 - Near completion of 1800Mhz frequency re-farming exercise for LTE nationwide
 - Progressively enabled 1800Mhz LTE overlay on 2600Mhz LTE network
 - Nationwide 3G and 4G-LTE network population coverage reached 86.6% and approximately 35%, respectively on the back of 5,600 km of fibre network

Solid balance sheet and healthy shareholder returns



- Resilient earnings per share at 6.0 sen per share with regular and consistent dividend payout ratio
- 2nd interim dividend of 5.9 sen per share (net) equivalent to RM459 million, payable to shareholders on 4 September 2015
- YTD dividend of 12.0 sen per share or RM933 million representing a decent yield of 4.6% on current share price at RM5.49
- Strong balance sheet substantiated by higher capex and prudent net debt to EBITDA ratio at 0.3x
- Well-positioned to enhance competitiveness on service quality improvement, coverage expansion and innovative products and services for the customers

Balance sheet RM mn

	2Q14	3Q14	4Q14	1Q15	2Q15
Total Assets	3,759	3,785	4,303	4,143	4,441
Total Equity	619	608	686	606	596
Interest-bearing debts	848	598	1,048	1,048	1,246
Cash & cash equivalents	403	259	526	357	303

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Relentless focus on *Internet For All*, customer, value proposition, brand and momentum

Key priorities

- Stronger brand positioning and deepen customer relationship
- Strengthen value proposition of products and services anchored on consistent and affordable high-speed internet connectivity
- Data monetisation from increased internet usage



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2015 Outlook

**1 SMART PLAN.
2 GREAT CHOICES.**

Digi SmartPlan with more data or more calls. Now yours to choose! We're giving you the best ways to stay connected, with the best value in a smartphone plan.
Digi SmartPlan. Your choice, your plan.

Up to **6GB** Data

Unlimited

Choose High Data OR High Voice

From **RM 78** /month

Unlimited

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Digi Telecommunications Sdn Bhd (av-15-16)

- Price competition and compounding GST effects slowed down industry growth and operational momentum in 1H 2015
- Growth likely to improve but lingering effects will continue
- Monetisation from strong demand for quality mobile internet services will be an important catalyst for growth

	2015 Guidance	1H15
Service revenue growth	Low to mid single digit	1.8%
EBITDA margin	Sustain at 2014 level	45%
Capex	Sustain at 2014 level	RM393 million

20th ANNIVERSARY

Digi SmartPlan 148
RM **240** /year
REBATE

Digi SmartPlan 78
RM **60** /year
REBATE

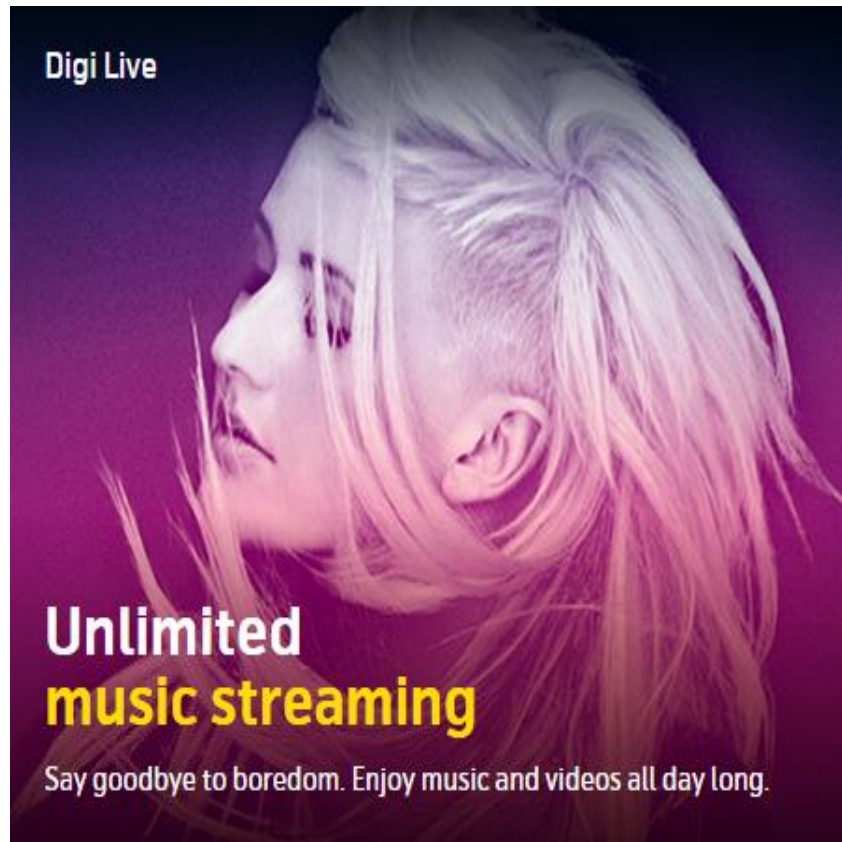
Digi SmartPlan 108
RM **120** /year
REBATE

Q&A



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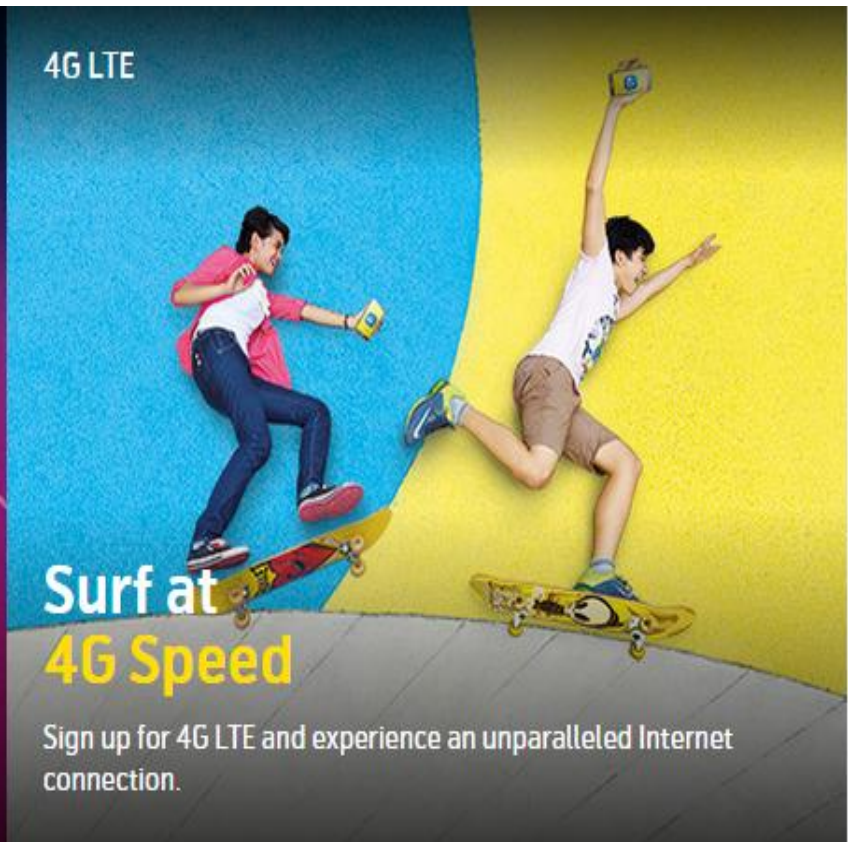
Digi Live



**Unlimited
music streaming**

Say goodbye to boredom. Enjoy music and videos all day long.

4G LTE



**Surf at
4G Speed**

Sign up for 4G LTE and experience an unparalleled Internet connection.

Thank you
See you next quarter!



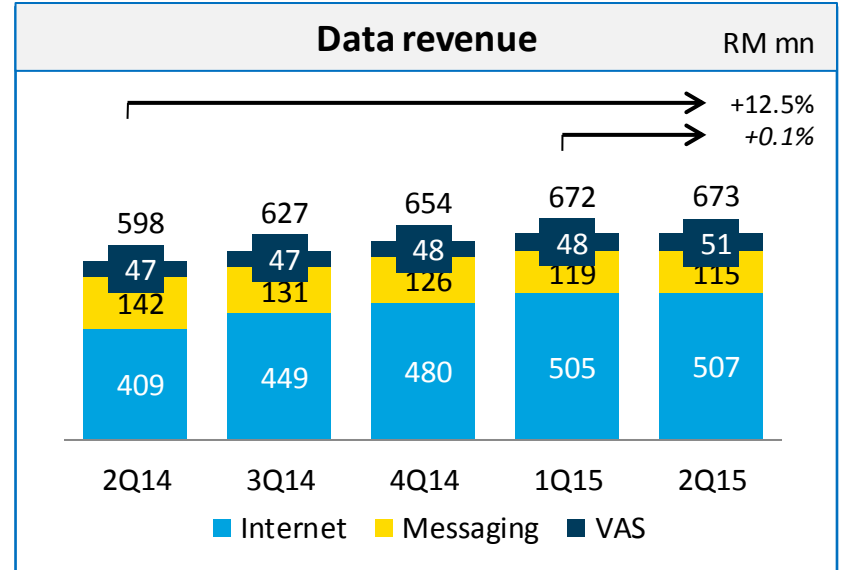
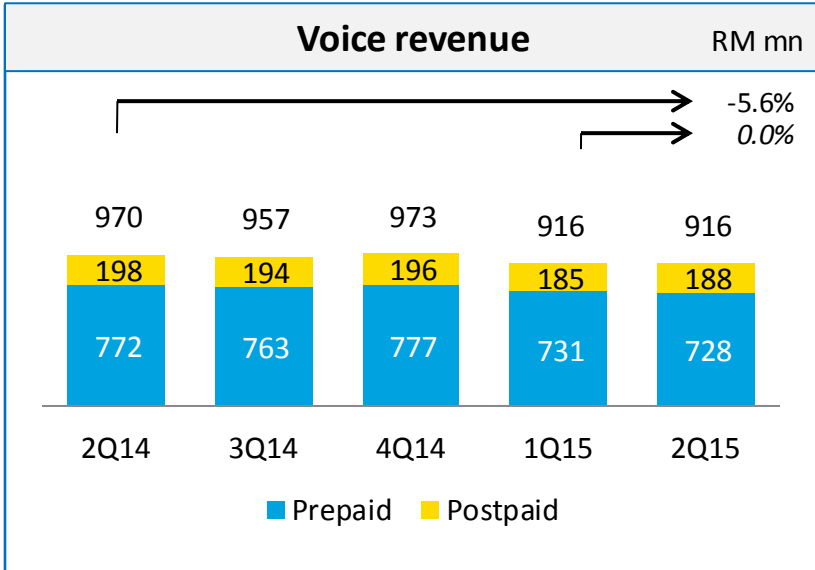
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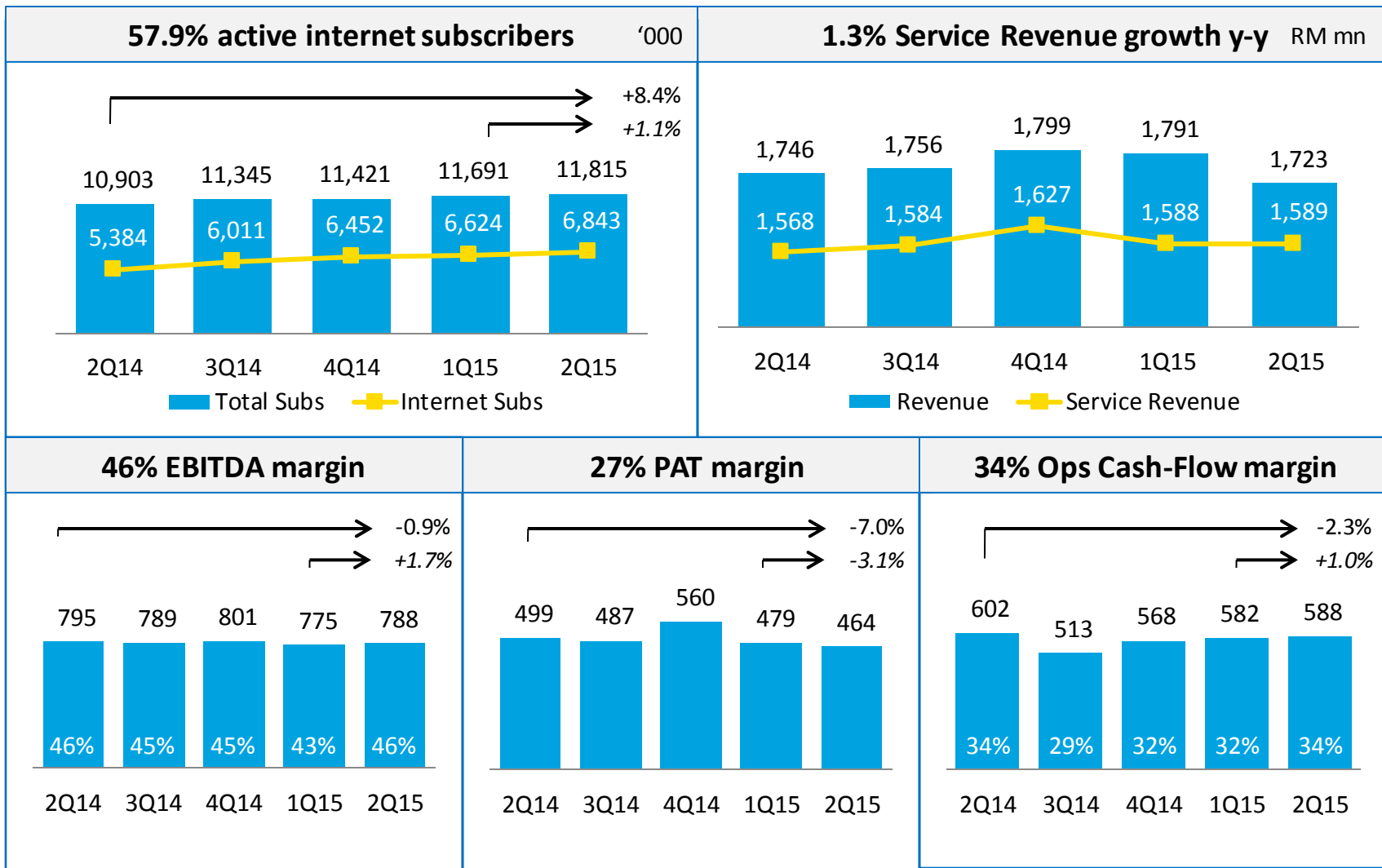
Appendix

Strong demand for mobile internet but interim weaker spending and competition intensity impacted revenue



2Q 2015

Performance summary



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Key operating performance KPIs

(RM mn)	2Q15	1Q15	4Q14	3Q14	2Q14	1Q14	4Q13	3Q13	2Q13	Q-o-Q	Y-o-Y
Subscribers ('000)	11,815	11,691	11,421	11,345	10,903	10,885	10,995	10,827	10,548	1%	8%
Internet subscribers ('000)	6,843	6,624	6,452	6,011	5,384	5,072	4,926	4,753	4,349	3%	27%
MOU	240	235	248	252	251	249	256	260	267	2%	-4%
Revenue	1,723	1,791	1,799	1,756	1,746	1,718	1,733	1,700	1,653	-4%	-1%
EBITDA	788	775	801	789	795	778	810	766	747	2%	-1%
<i>EBITDA margins</i>	46%	43%	45%	45%	46%	45%	47%	45%	45%	2.4pp	0.2pp
Depreciation & Amortisation	(150)	(140)	(132)	(127)	(115)	(118)	(122)	(221)	(247)	7%	30%
EBIT	638	635	669	662	680	660	688	545	500	0%	-6%
Net finance (costs)/income	(11)	(9)	(9)	(5)	(6)	(6)	(5)	(6)	(6)	22%	83%
Profit Before Tax	627	626	660	657	674	654	683	539	494	0%	-7%
Taxation	162	147	100	170	175	169	135	90	114	10%	-7%
Profit After Tax	464	479	560	487	499	485	548	449	380	-3%	-7%
EPS (sen)	6.0	6.2	7.2	6.3	6.4	6.2	7.0	5.8	4.9	-3%	-6%
Prepaid ARPU (RM)	38	39	41	41	41	41	41	41	42	-3%	-7%
Postpaid ARPU (RM)	82	81	83	82	83	81	83	82	83	1%	-1%
Blended ARPU (RM)	45	46	47	47	48	47	48	48	48	-2%	-6%

2Q 2015

Revenue composition

(RM mn)	2Q15	1Q15	4Q14	3Q14	2Q14	1Q14	4Q13	3Q13	2Q13	Q-o-Q	Y-o-Y
REVENUE	1,723	1,791	1,799	1,756	1,746	1,718	1,733	1,700	1,653	-4%	-1%
Service Revenue	1,589	1,588	1,627	1,584	1,568	1,554	1,577	1,553	1,526	0%	1%
Voice revenue	916	916	973	957	970	983	1,020	1,020	1,011	0%	-6%
Data revenue	673	672	654	627	598	571	557	533	515	0%	13%
<i>Internet</i>	507	505	480	449	409	374	348	320	293	0%	24%
<i>Messaging</i>	115	119	126	131	142	148	158	162	172	-3%	-19%
VAS	51	48	48	47	47	49	51	51	50	6%	9%
Device and other revenue	134	203	172	172	178	164	156	147	127	-34%	-25%
Prepaid Revenue	1,141	1,154	1,192	1,153	1,135	1,127	1,138	1,119	1,093	-1%	1%
Voice revenue	728	731	777	763	772	784	806	807	796	0%	-6%
Data revenue	413	423	415	390	363	343	332	312	297	-2%	14%
Postpaid Revenue	448	434	435	431	433	427	439	434	433	3%	3%
Voice revenue	188	185	196	194	198	199	214	213	215	2%	-5%
Data revenue	260	249	239	237	235	228	225	221	218	4%	11%



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Reported COGS and OPEX

(RM mn)	2Q15	1Q15	4Q14	3Q14	2Q14	1Q14	4Q13	3Q13	2Q13	Q-o-Q	Y-o-Y
COGS	481	551	525	536	524	514	514	514	493	-13%	-8%
Cost of materials	157	228	197	177	183	165	151	144	139	-31%	-14%
Traffic charges	324	323	328	359	341	349	363	370	354	0%	-5%
OPEX	462	463	473	428	432	436	421	420	415	0%	7%
Sales & marketing	135	145	140	133	133	129	133	130	129	-7%	2%
Staff costs	67	64	72	58	58	60	57	57	61	5%	16%
Operations & maintenance	85	86	85	76	81	84	76	84	81	-1%	5%
Other expenses	175	168	176	161	160	163	155	149	145	4%	9%
<i>USP fund and license fees</i>	<i>115</i>	<i>113</i>	<i>112</i>	<i>107</i>	<i>107</i>	<i>105</i>	<i>104</i>	<i>103</i>	<i>95</i>	2%	7%
<i>Credit loss allowances</i>	<i>8</i>	<i>8</i>	<i>9</i>	<i>10</i>	<i>6</i>	<i>8</i>	<i>7</i>	<i>7</i>	<i>7</i>	0%	33%
<i>Others</i>	<i>52</i>	<i>47</i>	<i>55</i>	<i>44</i>	<i>47</i>	<i>50</i>	<i>44</i>	<i>39</i>	<i>43</i>	11%	11%
TOTAL	943	1,014	998	964	956	950	935	934	908	-7%	-1%



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Reported Cash-Flow

(RM mn)	2Q15	1Q15	4Q14	3Q14	2Q14	1Q14	4Q13	3Q13	2Q13	Q-o-Q	Y-o-Y
Cash at start	357	526	259	403	372	411	550	761	579	-32%	-4%
Cash-flow from operations	744	551	524	780	770	664	826	616	651	35%	-3%
Changes in working capital	(327)	29	1	93	(65)	(68)	(197)	(248)	9	-1228%	>100%
Cash-flow used in investing activities	(198)	(189)	(226)	(271)	(191)	(192)	(126)	(227)	(180)	5%	4%
Cash-flow used in financing activities	(277)	(561)	(37)	(746)	(483)	(443)	(642)	(352)	(298)	-51%	-43%
Net change in cash	(58)	(170)	262	(144)	31	(39)	(139)	(211)	182	-66%	-287%
Effect of exchange rate changes on cash and cash equivalents	4	1	5	0	0	0	0	0	0	>100%	N/A
Cash at end	303	357	526	259	403	372	411	550	761	-15%	-25%
Capex	200	193	233	276	193	202	130	234	186	4%	4%
Ops Cash-Flow (EBITDA – Capex)	588	582	568	513	602	576	680	532	561	1%	-2%
<i>Ops Cash-Flow margin</i>	<i>34%</i>	<i>32%</i>	<i>32%</i>	<i>29%</i>	<i>34%</i>	<i>34%</i>	<i>39%</i>	<i>31%</i>	<i>34%</i>	<i>1.6pp</i>	<i>-0.4pp</i>



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