

DIGI.COM BERHAD (425190-X)

2Q 2018 | 13 July 2018



Digitalise your business in one click



Key Highlights



Operational & Performance Review



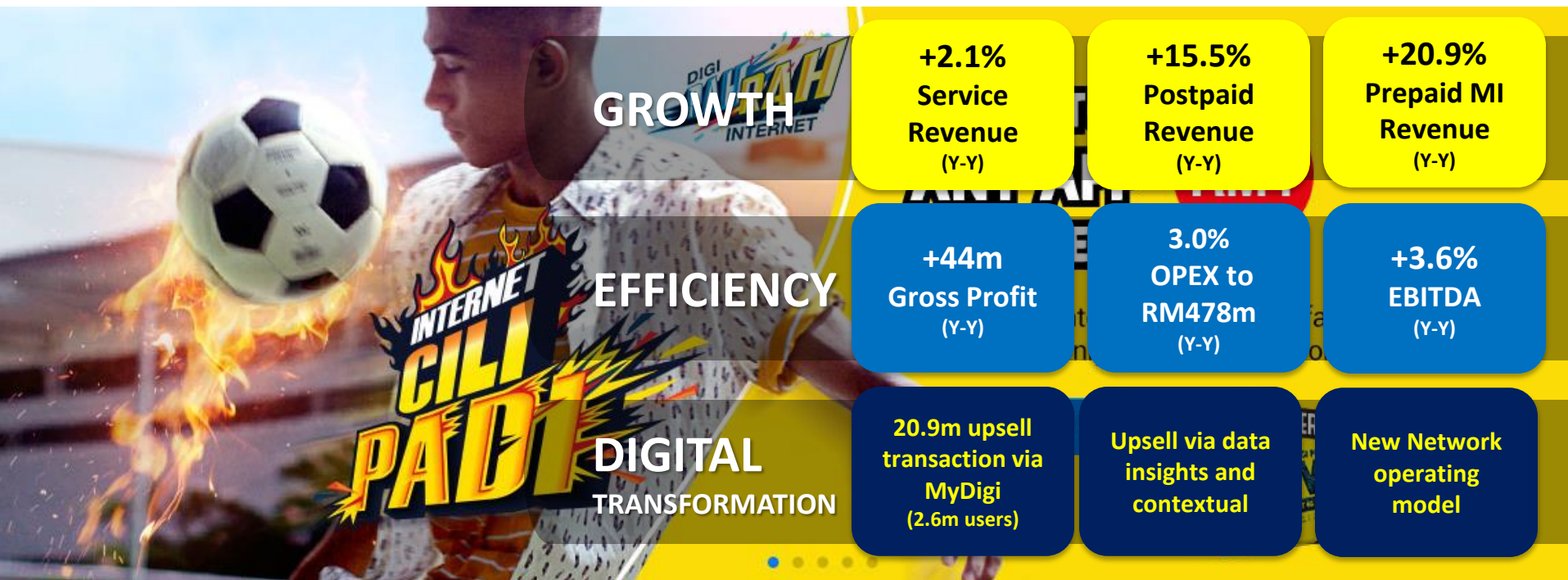
2018 Outlook



Q&A



GAINING MOMENTUM ON GROWTH and efficiency supported by digitisation capabilities



All analysis and comparisons are made based on old accounting principles. A summary of the financial impact post adoption of MFRS 15 will be included as part of Other Updates

A NEW MILESTONE ON DIGITAL TRANSFORMATION

to ensure future growth and customer experience

ROBUST 4G PLUS NETWORK

LTE-A: 58% of population
 4G-LTE: 89% of population
 Fiber: 8,300 KM

INTERNET USERS
 75.1%

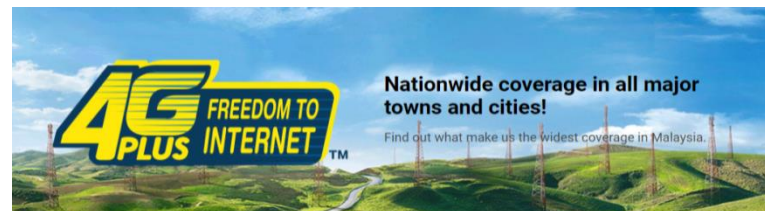
AVG. DATA USAGE
 8.2GB per month

+462K TO 7.1M
 4G SUBSCRIBERS

DATA TRAFFIC
 +73% Y-Y
 +14% Q-Q

CAPITALISE OPPORTUNITIES THROUGH NEW NETWORK OPERATING MODEL

- Collaborate with in-house managed service provider with an ambition to establish a **data-centric network centered on customer experience** and to deliver **optimal network operations**
- Enable fast track adoption of tools for analytics and machine learning and quicker access to:
 - Rollout of latest technologies
 - Proven methodologies
 - Global pool of competencies



STEPPING UP ON UPSELLING

and tactical internet centric campaigns to drive growth



Increase business efficiency when you go digital

Digital Ready Network Unleash your connectivity and reach 100+ countries	Customized Digital Solutions Enhance productivity on the go with business-oriented services	Roaming Freedom Free talk roaming and calling	Dedicated Business Customer Support Priority phone service and 24x7 online chat support
--	---	---	---

Go digital with Digi Business

digi
LET'S INSPIRE

Borderless connectivity for home and abroad.

Enjoy seamless connectivity in 10 countries at no extra cost with Digi Postpaid.

digi RAH RAH INTERNET

Go borderless with the latest smartphones. Only with Digi Postpaid.

Exclusive carryover

Vivo X21

Huawei P20

Samsung Galaxy A8+

RM1

digi
LET'S INSPIRE

4G

Malaysia's Largest Network

Huawei Y5 Prime

digi
LET'S INSPIRE

Prepaid

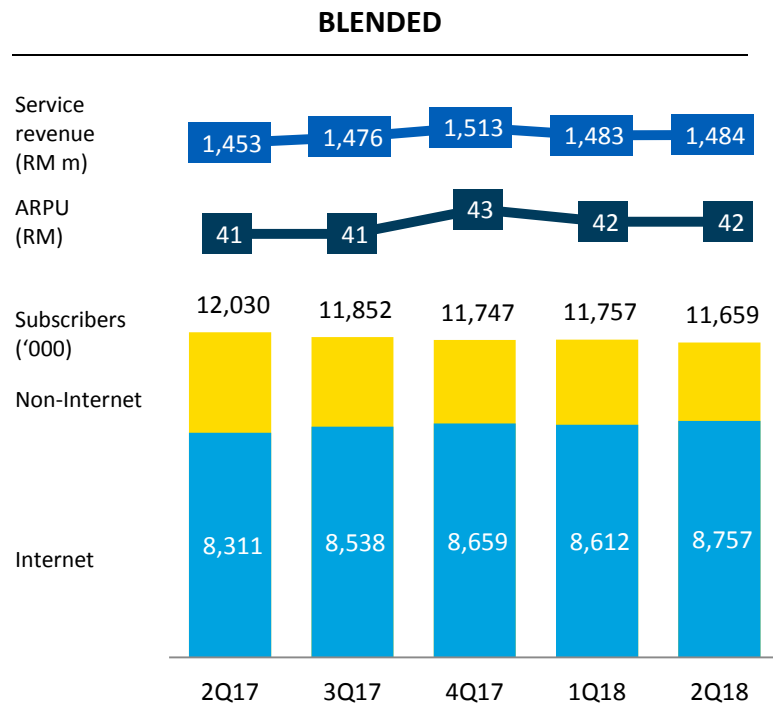
- Accelerated internet adoption and usage with easy entry *Freedom to Internet* propositions
 - Tactical Digi Rah Rah Internet passes for 2018 World Cup matches
 - Affordable one-time Internet Cili Padi passes
 - Recurring internet access through biGBonus and Super Tererrr plans
- Active on-ground campaigns in conjunction with Q2 festive demand

Postpaid

- Stepped up on high ARPU acquisitions via Borderless and device bundle propositions
- Stronger contract renewals and plan upgrades
- Preferred 4G entry level plans and bundle driving prepaid to postpaid conversions

STRONGER SERVICE REVENUE GROWTH

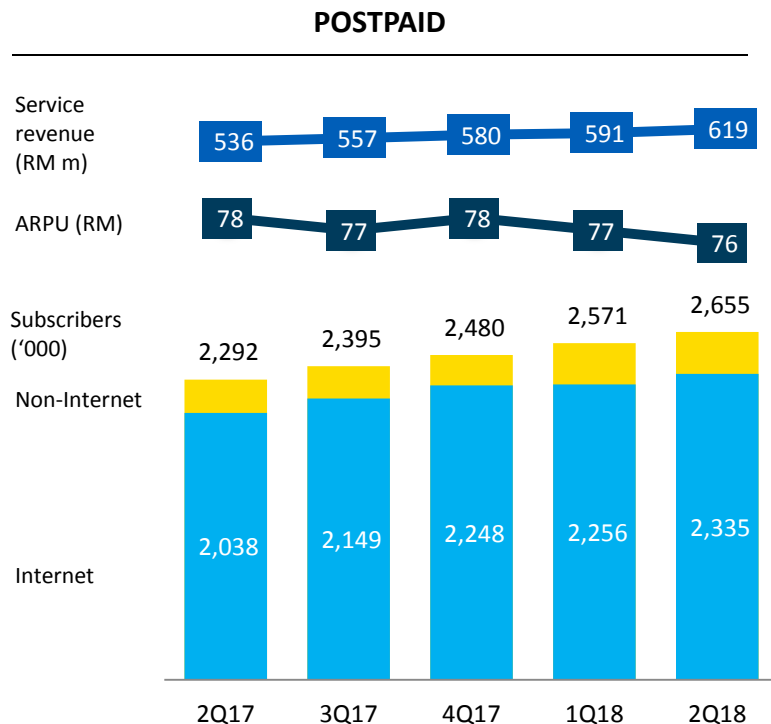
fuelled by solid postpaid and prepaid performance



- Service revenue grew 2.1% Y-Y and flat Q-Q
 - Solid postpaid growth with postpaid revenue increased to 42% of service revenue
 - Solid prepaid internet growth significantly cushioned revenue decline from legacy services
- Internet revenue climbed 26.4% Y-Y and 5.8% Q-Q to RM805m or 54.2% of service revenue alongside with higher smartphone adoption to 76.1% and solid increase in upsell transactions to 20.9m on MyDigi
- Resilient subscriber base while internet subscribers rose to 75.1%
 - 4G subscribers surged 33.2% year-on-year to 7.1m
- Sustained ARPU at RM42 supported by higher postpaid subscriber base

SOLID POSTPAID REVENUE GROWTH

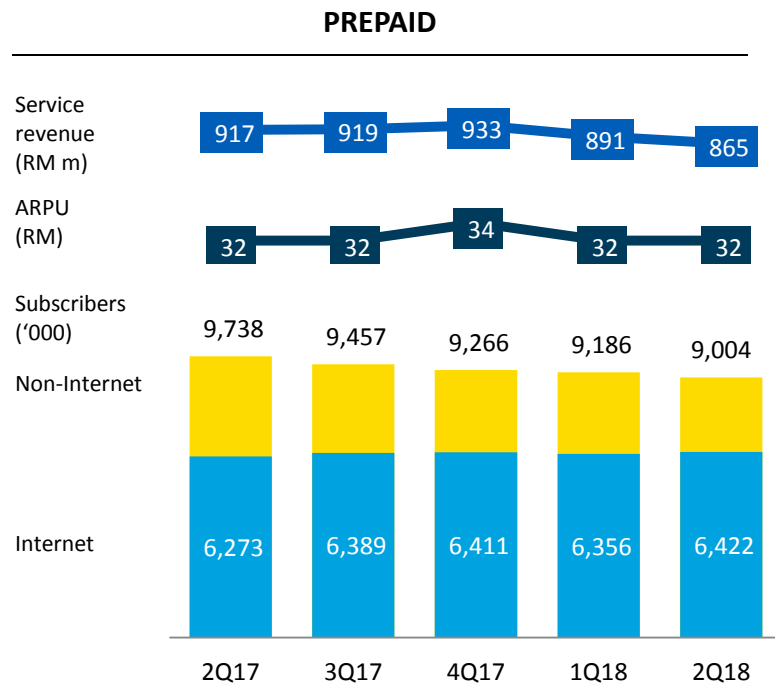
underpinned by stronger postpaid base



- Postpaid revenue rose 15.5% Y-Y and 4.7% Q-Q to RM619m
 - Increased plan upgrades via subscriptions for high value plans enabled with Borderless Roaming proposition
 - Easy entry plans and affordable 4G device bundles supported by stronger base management, data insights and digitisation capabilities continued to drive prepaid to postpaid conversions
- Postpaid internet revenue registered growth of 32.5% Y-Y and 8.7% to RM400m
- Postpaid subscriber base strengthened +84K to 2.6m backed by increasing internet subscribers to 87.9%
- Postpaid ARPU moderated to RM76, fuelled by continued prepaid to postpaid conversions

UPLIFT IN PREPAID PERFORMANCE

fuelled by 20.9% Y-Y prepaid internet revenue growth

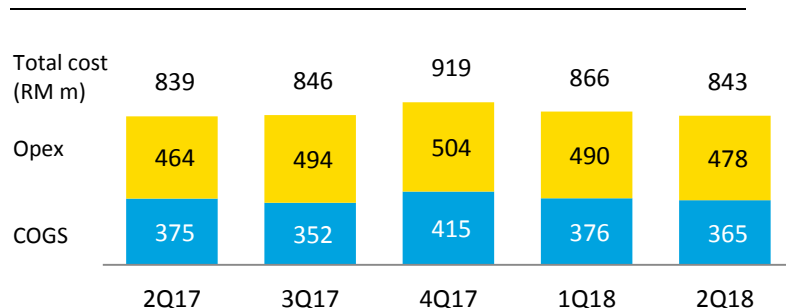


- Solid demand for Digi's prepaid affordable bite-sized internet passes and plans boosted by seasonal demand, targeted campaigns and offers led to higher internet adoption and usage amongst our prepaid subscribers
- Prepaid internet revenue surged 20.9% Y-Y and 3.1% Q-Q to RM405m or 46.8% of prepaid revenue
- Prepaid performance improved with revenue decline narrowed to -5.7% Y-Y and -2.9% Q-Q (2Q 2017: -13.9% and -3.7% respectively)
- On the back of stronger internet focus, prepaid internet subscribers rose 66K to 6.4m or 71.3% while prepaid ARPU resilient at RM32
- Prepaid subscribers moderated to 9.0m from continued prepaid to postpaid conversions and sharper focus on internet centric acquisitions

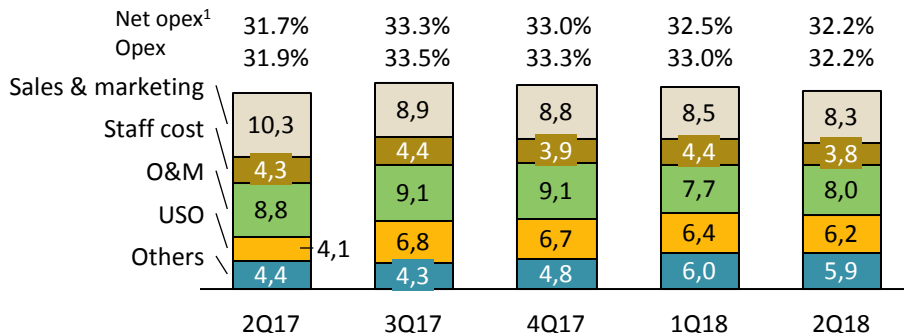
CONTINUED FOCUS ON EFFICIENCY

delivered stronger Gross Profit and Q-Q Opex

TOTAL COST (RM m)



OPEX - % OF SERVICE REVENUE



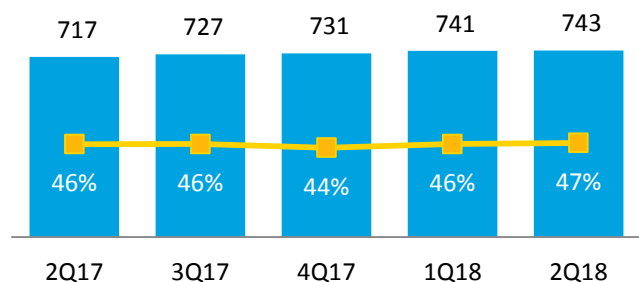
- Cost of goods sold (COGS) declined 2.7% Y-Y and 2.9% Q-Q
 - Volumes reduction from legacy voice and messaging
 - Improved traffic cost structure
- Gross profit increased RM44m or 3.7% Y-Y to RM1,221m supported by higher internet revenue contribution and improvement in COGS
- Opex increase of 3.0% Y-Y included impact from prior year one-off saving.
 - Q-Q Opex improved by 2.4% to 32.2% of service revenue
- Efficiencies well-supported by structural OE initiatives in sales and marketing activities including commission rationalization aided by digitization capabilities as well as optimized network operations

¹ Net opex = Opex + Forex/FV changes + Other income

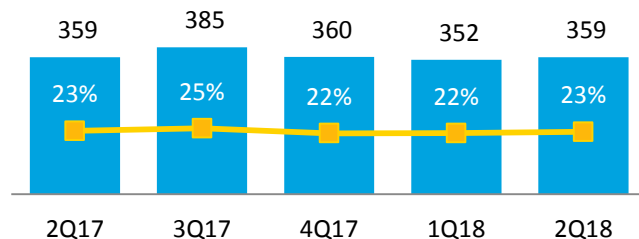
SOLID EBITDA AND PAT

as a flow through from stronger growth and efficiencies

EBITDA AND MARGIN (RM m and %)



PAT AND MARGIN (RM m and %)

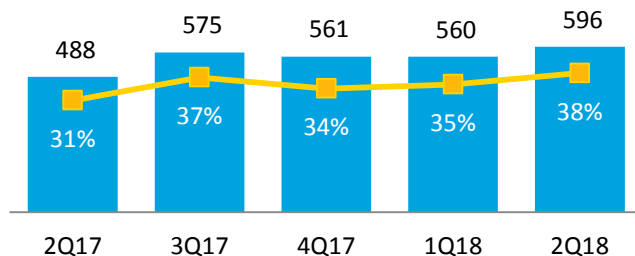


- EBITDA strengthened 3.6% Y-Y and flat Q-Q to RM743m or 47% margin
 - Supported by higher service revenue and efficient cost management
- PBT for the quarter rose 1.9% Y-Y and 2.3% Q-Q to RM492m as a result of stronger EBITDA and after accounting for RM40m network operating model transition cost and relatively modest depreciation charges of RM183m
- Lower depreciation of 5.7% Y-Y and 20.8% Q-Q included a reversal of depreciation on fully depreciated assets along with substantially lower amortization cost on 2100Mhz spectrum asset upon re-assignment in 1 April 2018
- PAT stood relatively steady year-on-year and up 2.0% Q-Q to RM359m or 23% margin

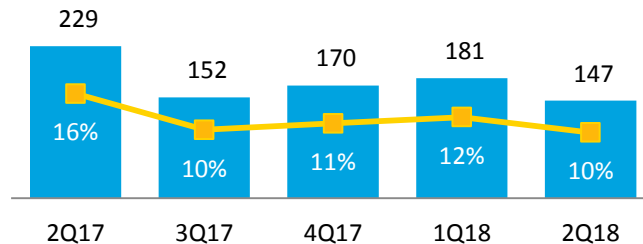
ROBUST OPS CASH FLOW

backed by stronger EBITDA and efficient capex

OPS CASH FLOW AND MARGIN (RM m and %)



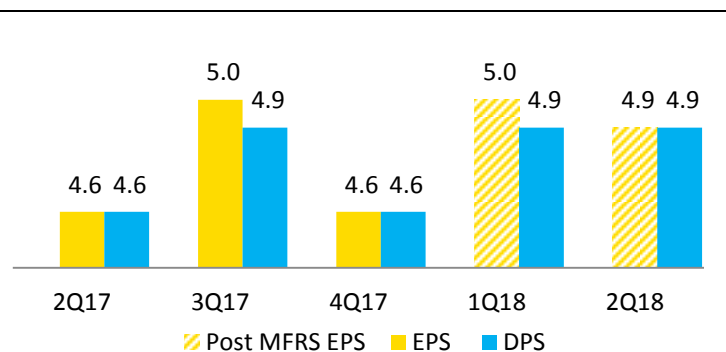
CAPEX (EX-SPECTRUM) AND MARGIN
(RM m and % of service revenue)



- Ops cashflow strengthened 22.1% Y-Y and 6.4% Q-Q to RM596m or 38% margin as a flow through from stronger EBITDA and relatively lower capex spend this quarter
- Capex investment at RM147m or 9.9% of service revenue
 - Efficiently delivered 4G-LTE and LTE-A network coverage expansion to 89% and 58% of population supported by 8,300km of Fiber network nationwide
- Embarked on network operating model shift to establish a data-centric network centered on customer experience and to deliver optimal network operations
- Remained committed on continuous network upgrades and optimisation, efficient spectrum deployment and stronger IT capabilities to support quality and affordable internet services for our increasing internet subscriber base

HEALTHY SHAREHOLDERS RETURN while sustaining strong balance sheet

EPS AND DPS (sen)



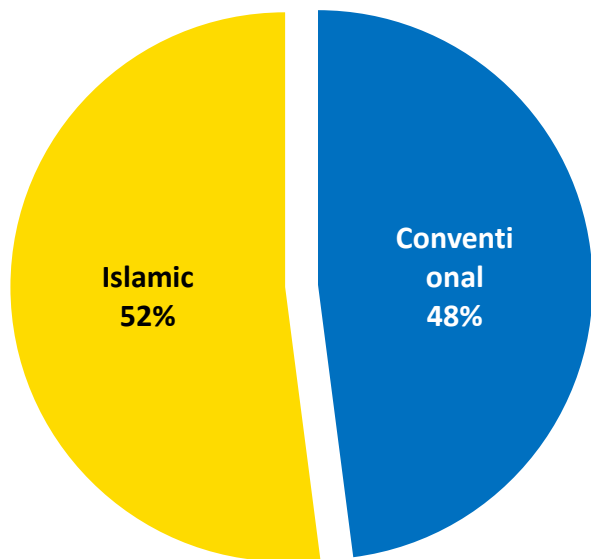
BALANCE SHEET (RM m)

	2Q17	3Q17	4Q17	1Q18	2Q18
Total Assets	5,996	5,869	5,834	6,027	6,035
Total Equity	513	540	519	669	673
Interest-bearing debts	1,810	1,802	1,305	1,302	1,300
Islamic debts	899	899	1,399	1,398	1,397
Cash & cash equivalents	628	661	575	461	428

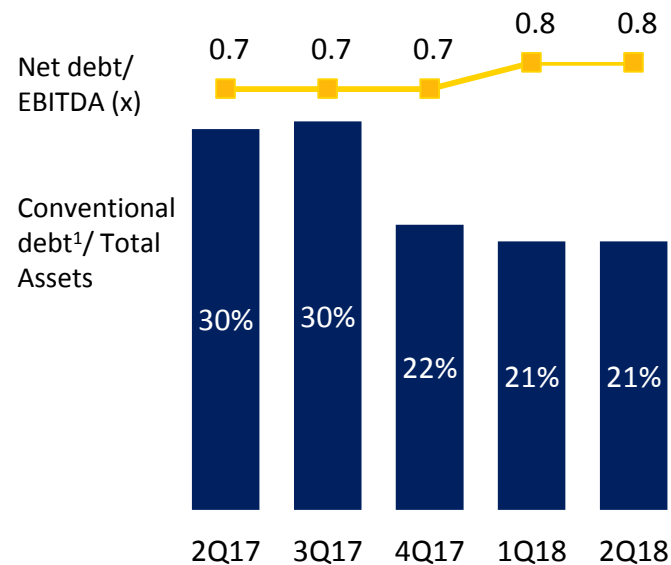
- Earnings per share (EPS) after accounting for MFRS impact stood healthy at 4.9 sen
- The Board of Directors declared 2nd interim dividend of 4.9 sen per share equivalent to RM381m, payable to shareholders on 28 September 2018
- Total assets relatively stable at RM6.04b, after accounting for efficient network and digital capabilities investments in addition to 2100Mhz spectrum investment made in 1Q 2018
- Net debt to EBITDA ratio remained healthy at 0.8 times while conventional debt over total asset steady at 21%
- Balance sheet continued to demonstrate solid financial capability and flexibility to fund immediate as well as future investments and operational commitments

LISTED AS SHARIAH-COMPLIANT SECURITY

in May 2018 supported by healthy debt threshold

DEBT¹ PROFILE (RM m)

DEBT RATIOS



¹ Exclude finance lease

IMPACT OF MFRS CHANGES

on 2Q 2018 performance

RM m	2Q 2018			
	(Pre-MFRS Δ)	(Post-MFRS Δ)	Delta	%
Service revenue	1,484	1,454	(30)	-2.0%
Total revenue	1,586	1,618	32	2.0%
Opex	478	485	7	1.5%
EBITDA	743	768	25	3.4%
Margin	46.8%	47.5%	0.6	0.6
Profit before tax	492	517	25	5.1%
Profit after tax	359	384	25	7.0%
Capex	147	147	-	0.0%
Ops cash flow	596	621	25	4.2%
Margin	37.6%	38.4%	0.8	0.8
EPS (sen)	4.6	4.9	0.3	7.0%
DPS (sen)	4.9			

With effect from 1 January 2018, Digi adopted *MFRS 15 Revenue From Contract With Customers* using a modified retrospective approach.

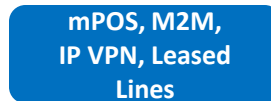
In 2Q 2018, the accounting of MFRS 15 provided an uplift of RM25m to the PAT via:

- Reduction in service revenue – RM30m
- Increase in device revenue – RM62m
- Increase in Opex – RM7m

TRACKING WELL ON 2018 PRIORITIES

with efficient operations and digital transformation

	2018 Updated Guidance ¹	YTD 2Q 2018
Service revenue growth	Flat	1.4%
EBITDA margin	46% - 47%	46.6%
Capex to service revenue ratio	10% - 12%	11.1%



- Solid 1H 2018 performance with a sharper focus on connecting our customers to what matters
- Continue to step up on growth and efficiencies
 - Strong execution of strategies in focus areas of growth across postpaid and prepaid
 - Leverage on data driven-insights and customer segmentation
 - Deliver on cost agenda on a platform of sustainable and efficient cost structure
- Drive digital transformation to ensure future growth and customer experience
- Committed in delivering sustainable growth while empowering more Malaysians to enjoy affordable and quality internet services and the benefits of digital connectivity

¹ FY 2018 Guidance based on old accounting principles



Q&A?

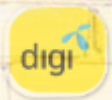
Disclaimer

This presentation and the following discussion may contain forward looking statements by Digi.Com Berhad (Digi) related to financial trends for future periods. Some of the statements contained in this presentation or arising from this discussion which are not of historical facts are statements of future expectations with respect to financial conditions, results of operations and businesses, and related plans and objectives. Such forward looking statements are based on Digi's current views and assumptions including, but not limited to, prevailing economic and market conditions and currently available information. These statements involve known and unknown risks and uncertainties that could cause actual results, performance or achievements to differ materially from those in the forward looking statements. Such statements are not and, should not be construed, as a representation as to future performance or achievements of Digi. In particular, such statements should not be regarded as a forecast or projection of future performance of Digi. It should be noted that the actual performance or achievements of Digi may vary significantly from such statements.



THANK YOU

See you next quarter!



LET'S
INSPIRE

Investor_Relations@digi.com.my
www.digi.com.my

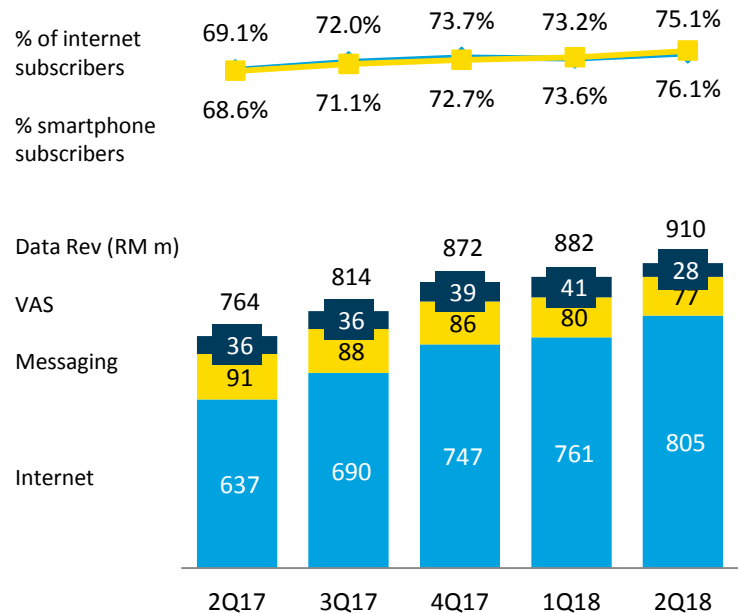


Appendix

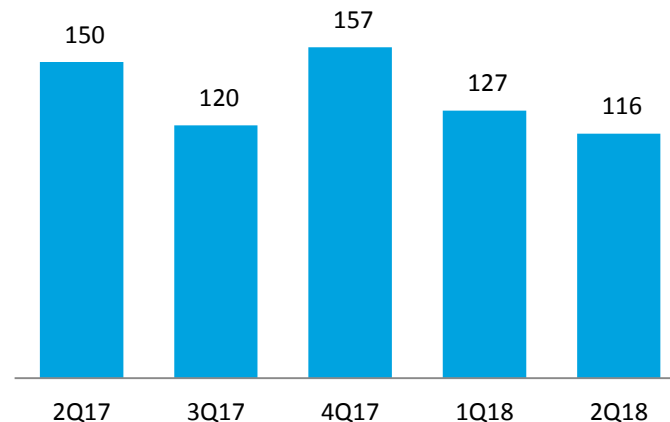
26.4% Y-Y INTERNET REVENUE GROWTH

fuelled by stronger internet subscribers and usage

DATA REVENUE AND PENETRATION



NO. OF DEVICES SOLD ('000)



REPORTED KEY PERFORMANCE INDICATORS

Pre-MFRS											
(RM m)	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	Q-Q	Y-Y
Subscribers ('000)	12,347	12,249	12,299	11,776	12,030	11,852	11,747	11,757	11,659	-0.8%	-3.1%
Internet subscribers ('000)	7,965	7,961	8,088	8,056	8,311	8,538	8,659	8,612	8,757	1.7%	5.4%
MOU	203	182	179	173	176	175	177	171	162	-5.3%	-8.0%
Revenue	1,655	1,619	1,670	1,574	1,552	1,570	1,645	1,599	1,586	-0.8%	2.2%
Mobile serv. revenue	1,557	1,554	1,555	1,472	1,453	1,476	1,513	1,483	1,484	0.1%	2.1%
EBITDA (before other items)	735	775	741	711	717	727	731	741	743	0.3%	3.6%
<i>EBITDA margin</i>	<i>44%</i>	<i>48%</i>	<i>44%</i>	<i>45%</i>	<i>46%</i>	<i>46%</i>	<i>44%</i>	<i>46%</i>	<i>47%</i>	<i>0.5pp</i>	<i>0.6pp</i>
Other items	-	-	-	-	-	-	(6)	-	(40)	100.0%	100.0%
Depreciation	(143)	(174)	(178)	(176)	(194)	(206)	(210)	(231)	(183)	-20.8%	-5.7%
EBIT	592	601	563	535	523	521	515	510	520	2.0%	-0.6%
Net finance (costs)/income	(16)	(16)	(19)	(25)	(40)	(10)	(35)	(29)	(28)	-3.4%	-30.0%
Profit Before Tax	576	585	544	510	483	511	480	481	492	2.3%	1.9%
Taxation	155	147	169	137	124	126	120	129	133	3.1%	7.3%
Profit After Tax	421	438	375	373	359	385	360	352	359	2.0%	0.0%
EPS (sen)	5.4	5.6	4.8	4.8	4.6	5	4.6	4.5	4.6	2.2%	0.0%
Prepaid ARPU (RM)	34	34	34	32	32	32	34	32	32	0.0%	0.0%
Postpaid ARPU (RM)	82	80	81	79	78	77	78	77	76	-1.3%	-2.6%
Blended ARPU (RM)	42	41	42	40	41	41	43	42	42	0.0%	2.4%

REPORTED KEY PERFORMANCE INDICATORS

Post-MFRS			
(RM m)	1Q18	2Q18	Q-Q
Subscribers ('000)	11,757	11,659	-0.8%
Internet subscribers ('000)	8,612	8,757	1.7%
MOU	171	162	-5.3%
Revenue	1,635	1,618	-1.0%
Mobile serv. revenue	1,461	1,454	-0.5%
EBITDA (before other items)	775	768	-0.9%
<i>EBITDA margin</i>	47%	47%	0.1pp
Other items		(40)	100.0%
Depreciation	(231)	(183)	-20.8%
EBIT	544	545	0.2%
Net finance (costs)/income	(29)	(28)	-3.4%
Profit Before Tax	515	517	0.4%
Taxation	129	133	3.1%
Profit After Tax	386	384	-0.5%
EPS (sen)	5.0	4.9	-2.0%
Prepaid ARPU (RM)	32	32	0.0%
Postpaid ARPU (RM)	74	72	-2.7%
Blended ARPU (RM)	41	41	0.0%

REVENUE COMPOSITION

Pre-MFRS											
(RM m)	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	Q-Q	Y-Y
REVENUE	1,655	1,619	1,670	1,574	1,552	1,570	1,645	1,599	1,586	-0.8%	2.2%
Mobile serv. revenue	1,557	1,554	1,555	1,472	1,453	1,476	1,513	1,483	1,484	0.1%	2.1%
Voice revenue	849	819	801	721	689	662	641	600	574	-4.3%	-16.7%
Data revenue	708	735	754	751	764	814	872	882	910	3.2%	19.1%
Other serv. revenue	0	0	0	0	0	0	0	1	0	-100.0%	0.0%
Device and other revenue	98	65	115	102	99	94	132	116	102	-12.1%	3.0%
Prepaid Revenue	1065	1065	1044	952	917	919	933	891	865	-2.9%	-5.7%
Voice revenue	655	631	613	541	511	485	464	431	398	-7.7%	-22.1%
Data revenue	410	434	431	411	406	434	470	460	467	1.5%	15.0%
Postpaid Revenue	492	489	511	520	536	557	580	591	619	4.7%	15.5%
Voice revenue	194	188	188	180	178	177	177	169	176	4.1%	-1.1%
Data revenue	298	301	323	340	358	380	403	422	443	5.0%	23.7%

REVENUE COMPOSITION

Post-MFRS					
(RM m)	1Q18	2Q18		Q-Q	Y-Y
REVENUE	1,635	1,618		-1.0%	
Mobile serv. revenue	1,461	1,454		-0.5%	
Voice revenue	578	544		-5.9%	
Data revenue	882	910		3.2%	
Other serv. revenue	1	0		-100.0%	
Device and other revenue	174	164		-5.7%	
Prepaid Revenue	891	865		-2.9%	
Voice revenue	431	398		-7.7%	
Data revenue	460	467		1.5%	
Postpaid Revenue	569	589		3.5%	
Voice revenue	147	146		-0.7%	
Data revenue	422	443		5.0%	

COGS AND OPEX

Pre-MFRS											
(RM m)	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	Q-Q	Y-Y
COGS	403	345	412	373	375	352	415	376	365	-2.9%	-2.7%
Cost of materials	91	72	113	116	120	100	155	146	166	13.7%	38.3%
Traffic charges	312	273	299	257	255	252	260	230	199	-13.5%	-22.0%
OPEX	509	503	518	494	464	494	504	490	478	-2.4%	3.0%
Sales & marketing	134	137	156	145	149	131	133	126	123	-2.4%	-17.4%
Staff costs	72	64	56	61	63	65	58	66	57	-13.6%	-9.5%
Operations & maintenance	124	122	125	127	128	134	138	114	119	4.4%	-7.0%
Other expenses	179	180	182	161	124	164	175	184	179	-2.7%	44.4%
<i>USP fund and license fees</i>	<i>116</i>	<i>120</i>	<i>111</i>	<i>97</i>	<i>59</i>	<i>101</i>	<i>102</i>	<i>95</i>	<i>92</i>	<i>-3.2%</i>	<i>55.9%</i>
<i>Credit loss allowances</i>	<i>13</i>	<i>12</i>	<i>12</i>	<i>10</i>	<i>9</i>	<i>10</i>	<i>16</i>	<i>16</i>	<i>15</i>	<i>-6.3%</i>	<i>66.7%</i>
<i>Others</i>	<i>50</i>	<i>48</i>	<i>59</i>	<i>54</i>	<i>56</i>	<i>53</i>	<i>57</i>	<i>73</i>	<i>72</i>	<i>-1.4%</i>	<i>28.6%</i>
TOTAL	912	848	931	867	839	846	919	866	843	-2.7%	0.5%

COGS AND OPEX

Post-MFRS					
(RM m)	1Q18	2Q18		Q-Q	Y-Y
COGS	376	365		-2.9%	
Cost of materials	146	166		13.7%	
Traffic charges	230	199		-13.5%	
OPEX	492	485		-1.4%	
Sales & marketing	129	125		-3.1%	
Staff costs	65	58		-10.8%	
Operations & maintenance	114	119		4.4%	
Other expenses	184	183		-0.5%	
<i>USP fund and license fees</i>	95	96		1.1%	
<i>Credit loss allowances</i>	16	15		-6.3%	
<i>Others</i>	73	72		-1.4%	
TOTAL	868	850		-2.1%	

CASH FLOW STATEMENT

(RM m)	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	Q-Q	Y-Y
Cash at start	503	366	331	377	479	628	661	575	461	-19.8%	-3.8%
Cash flow from operations	728	738	524	518	664	625	522	682	661	-3.1%	-0.5%
Changes in working capital	(103)	(190)	(634)	(127)	(73)	514	(67)	(138)	(169)	22.5%	131.5%
Cash flow used in investing activities	(162)	(199)	(232)	(190)	(224)	(743)	(163)	(295)	(141)	-52.2%	-37.1%
Cash flow used in financing activities	(599)	(384)	387	(98)	(218)	(363)	(378)	(363)	(384)	5.8%	76.1%
Net change in cash	(136)	(35)	45	103	149	33	(86)	(114)	(33)	-71.1%	-122.1%
Effect of exchange rate changes on cash and cash equivalents	(1)	-	1	(1)	-	-	-	-	-	0.0%	0.0%
Cash at end	366	331	377	479	628	661	575	461	428	-7.2%	-31.8%
Capex (ex-spectrum)	167	202	240	197	229	152	170	181	147	-18.8%	-35.8%
Ops cash flow (EBITDA – Capex)	568	573	501	514	488	575	561	560	596	6.4%	22.1%
<i>Ops cash flow margin</i>	<i>34%</i>	<i>35%</i>	<i>30%</i>	<i>33%</i>	<i>31%</i>	<i>37%</i>	<i>34%</i>	<i>35%</i>	<i>38%</i>	<i>2.6pp</i>	<i>6.1pp</i>

EBITDA RECONCILIATION

Pre-MFRS								
(RM m)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	YTD 2017	YTD 2018
EBITDA (boi) (Local definition)	711	717	727	731	741	743	1,428	1,484
Exclude:								
Forex (gain)/loss	2	-	2	-	(3)	4	2	1
EBITDA (boi) (Telenor definition)	713	717	729	731	738	747	1,430	1,485