



# Earnings Conference Call

## 3<sup>rd</sup> Quarter 2014

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20 October 2014

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Key highlights

Operational highlights

Financials updates

Guidance and outlook

Q&A



# Work, Play, WiFi together-gether.

## DiGi Broadband with MobiFi.

The mobile WiFi hotspot with consistent Internet for up to 10 devices. Now on DiGi's all-new network, from just RM25/month.



Long Battery Life

Up to 10 devices/user

FREE In-car Charger

4G LTE Enabled

part of  telcelor group

 Consistent Internet Experience with the all-new DiGi Network

Only applicable with a 12-month contract. Terms and conditions apply.  
☎ 016 221 1800  digi.my/broadband  
 facebook/digi  @DiGi\_Telco  
DiGi Telecommunications Sdn Bhd 2012344



Internet For All™

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# Achieved another set of important milestone

**Family is forever.**  
We were and will always be a big Keluarga Malaysia. Selamat Hari Merdeka to all our uncles, kakaks, taikos, machas, aunties, bros, macciks, adiks and annehs!  
From all of us at DiGi.

**DiGi Prepaid™**  
**60% EXTRA Internet**  
from RM7/week

**DiGi Rewards™**  
Enjoy 20% off and a chance of a RM50 voucher from Lazada  
SMS D1 to 20000

Get 10% off and a chance to win Motorola E from Lazada  
SMS D2 to 20000

part of **telenor group** **Consistent Internet Experience with the all-new DiGi Network**

Terms and conditions apply.  
016 221 1800 | digi.my/merdekarewards  
facebook/digi | @DiGi\_Telco  
DiGi Telecommunications Sdn Bhd (201201014)

**DiGi**  
Internet For All™

**Expansion of 3G pop coverage to 84% population**

**More LTE powered sites**

**Modernised billing platform**  
(both postpaid & prepaid)

✓ **Stronger prepaid revenue**  
(YTD 4.7% growth)

✓ **Surpassed 11.3 million subscribers**

# Delivered positive growth amidst challenging environment

**Experience iPhone 5s with the most complete Internet plan at only **RM999**.**

Exclusively with the **NEW iDiGi 148**.

- 6GB Internet
- 600 mins SMS
- EXTRA\*\* iDiGi Apps Quota
- Unlimited Internet Roaming from RM32/day
- Unlimited Weekend Calls

iPhone 5s (16GB)

**DiGi**  
Internet For All™

\*DiGi to DiGi calls on Saturday and Sunday.  
\*\*DiGi Apps consist of iMessage, iTunes, and Facetime.  
Terms and conditions apply.  
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part of **telenor group** **Best for Internet**

## Revenue

RM1,756 million

▲ 3.3% Y-o-Y

## Service Revenue

RM1,584 million

▲ 2.0% Y-o-Y

## 45% EBITDA Margin

RM789 million

▲ 3.0% Y-o-Y

## 29% Ops Cash-Flow Margin

RM513 million

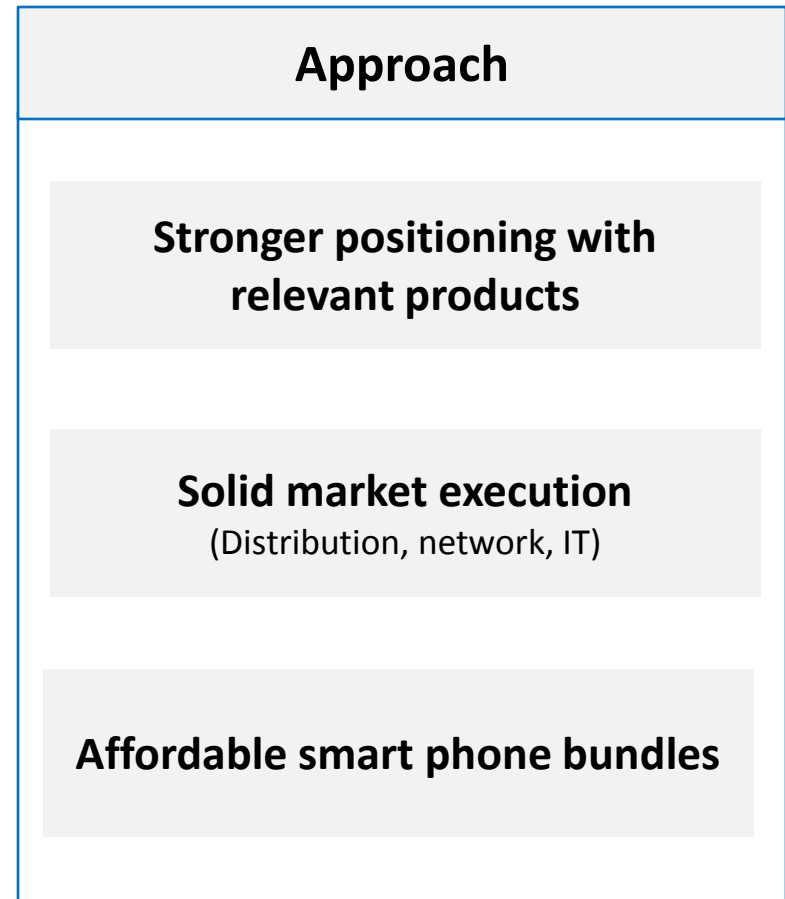
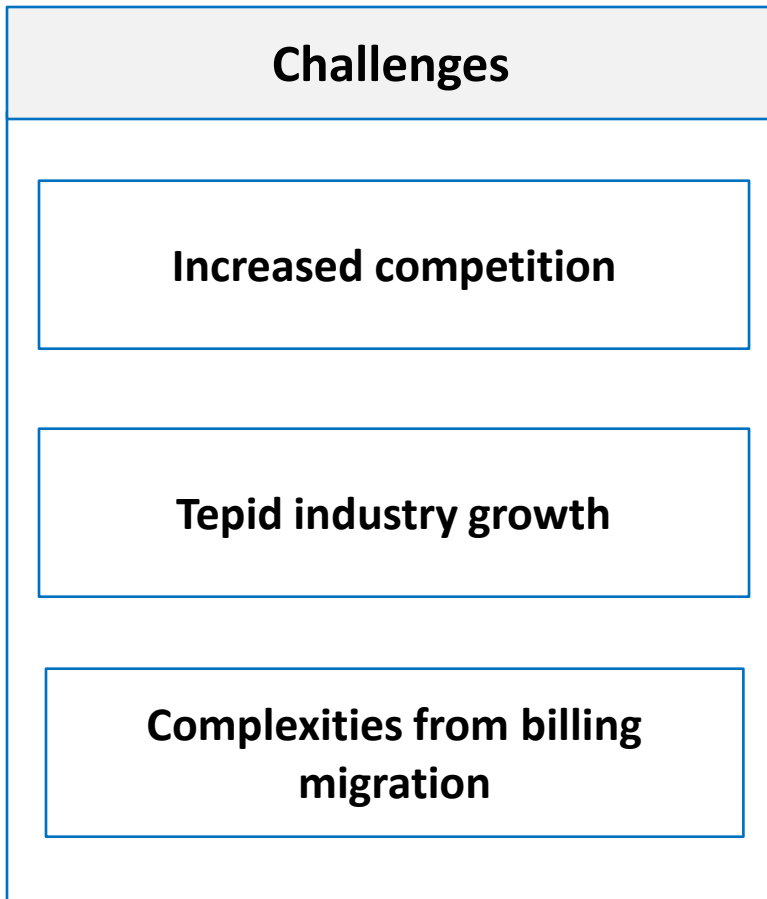
▼ -3.6% Y-o-Y

## 28% PAT Margin

RM487 million

▲ 8.5% Y-o-Y

# Strong demand for internet but growth opportunities challenged



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## Modernised billing platform for postpaid and prepaid

**Solid teamwork  
to serve our customers better**



- Successfully completed migration although not without challenges
- The convergent billing platform for both postpaid and prepaid customers is now in operation within stabilisation phase
- Further strengthens DiGi's capabilities to
  - Deliver more flexible and innovative products and services;
  - Improve lead time to support go-to-market launches;
  - Support dynamic charging functionalities;
  - Enable better customer insights with real time intelligence; and
  - Optimise cost structure to support future growth

# Targeted internet focused initiatives

**Plans and promotions**

**7 Days Money Back Guarantee**  
Sign up now!

**DG SmartPlan**  
The smartest plan for your smartphone. Get the most complete Internet plan from as low as RM150/month!

**DG Postpaid Simple**  
Enjoy RM1.00 worth of calls and SMS at only RM50/month.

**DiGi**  
The best all-in-one plan for subscribers who purchase their iPhone from DiGi – starting from RM150/month.

**DG Family™**  
Get voice calls, SMS and MMS for FREE!

**Get Your Surf On!**  
With such an affordable Mobile Internet + smartphone package from DiGi, there's no reason not to be online.

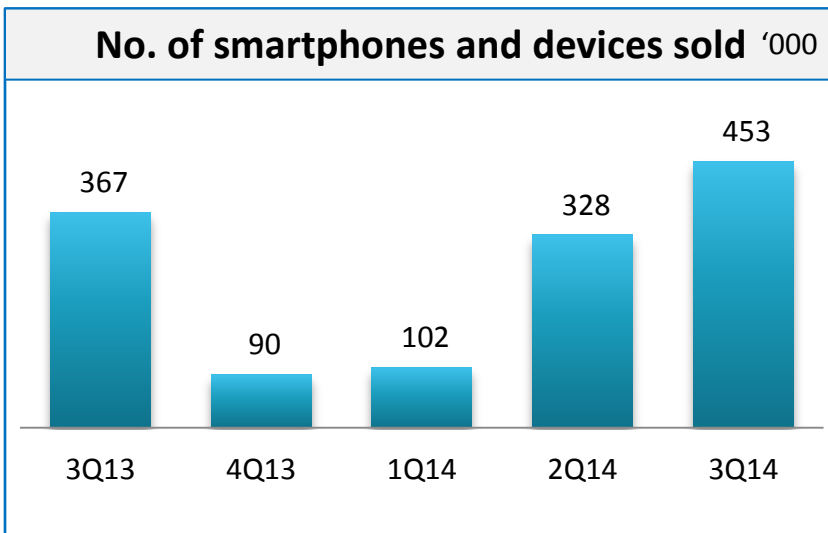
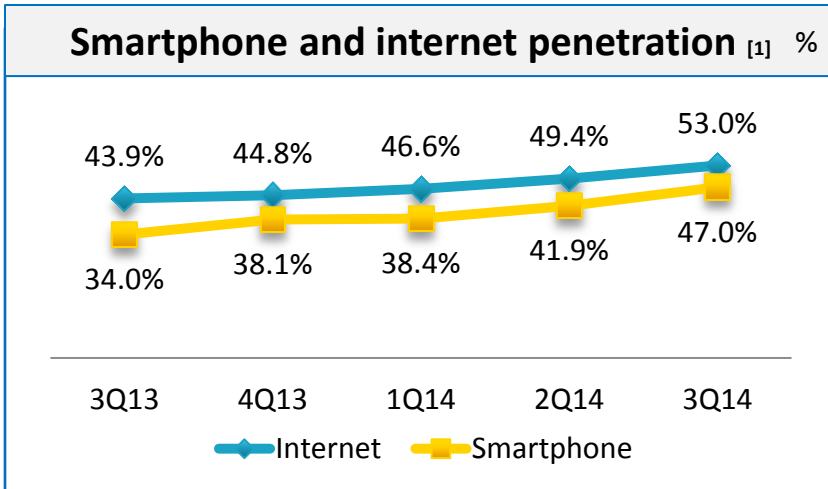
**Lenovo A369i**  
RRP RM486.80  
NOW ONLY  
**RM150**  
And get these benefits!  
DiGi® Easy Prepaid SIM Pack + 1-Year FREE Internet + 24-hour FREE calls & SMS to your Buddyz™

**BUY ONLINE**

- Continued focus on *Internet For All*
  - Affordable prepaid smart phone bundles with internet package
- Initiatives to promote modernised network
  - Trial promotions and nationwide customer engagements;
  - Entry level bite-sized internet packages; and
  - Airtime rewards
- Strengthened position on prepaid
  - Competitive offers to drive internet adoption, data revenue and acquisition



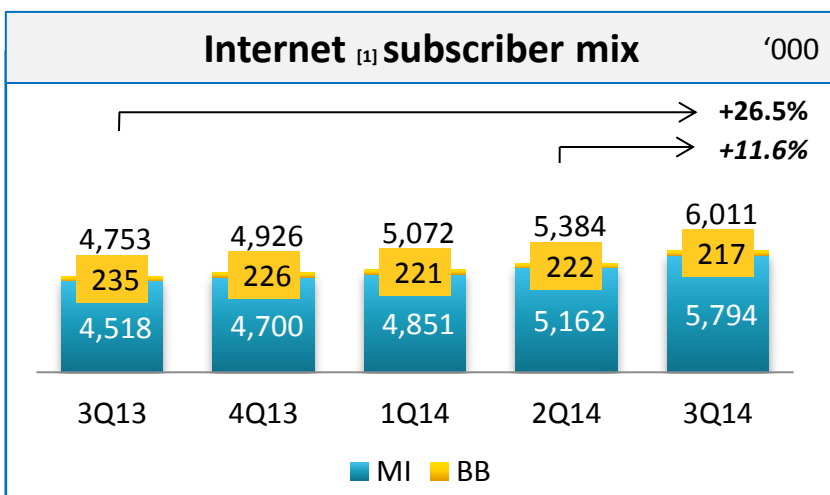
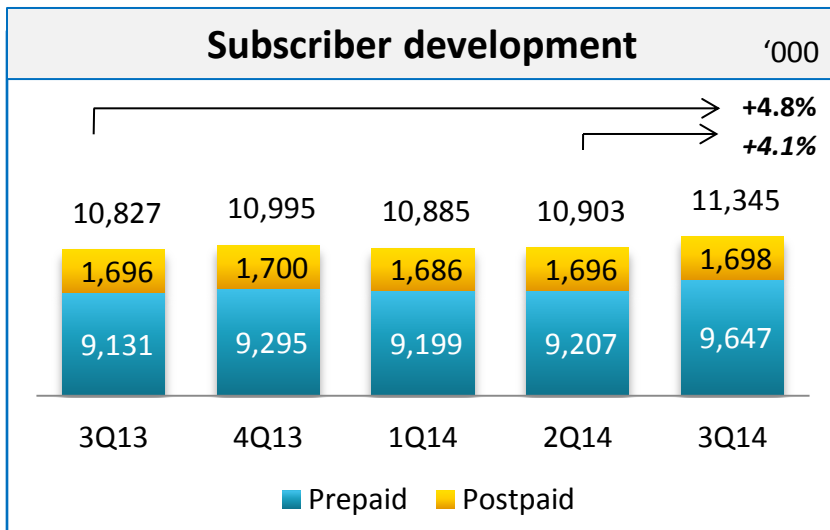
# Robust development on smartphone and internet penetration



- Both smartphone and internet penetration continued to rise
  - Sharp increase contributed by prepaid smartphone bundles
- Continued to capitalise on distribution strengths and affordable bundles to encourage smartphone adoption
- Leveraged on
  - Relevant new smartphone ranges (mid and affordable)
  - Bite-sized internet packages to stimulate internet adoption and demand
- Solid demands led to higher volumes of smartphones, enabling increased internet penetration and service revenue growth

[1] Revised to include subscribers with at least 150kb for the last 3 months

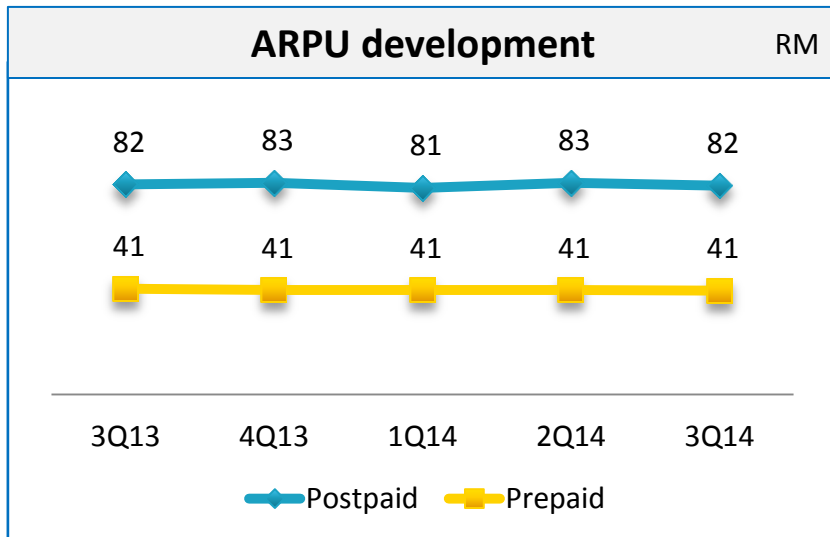
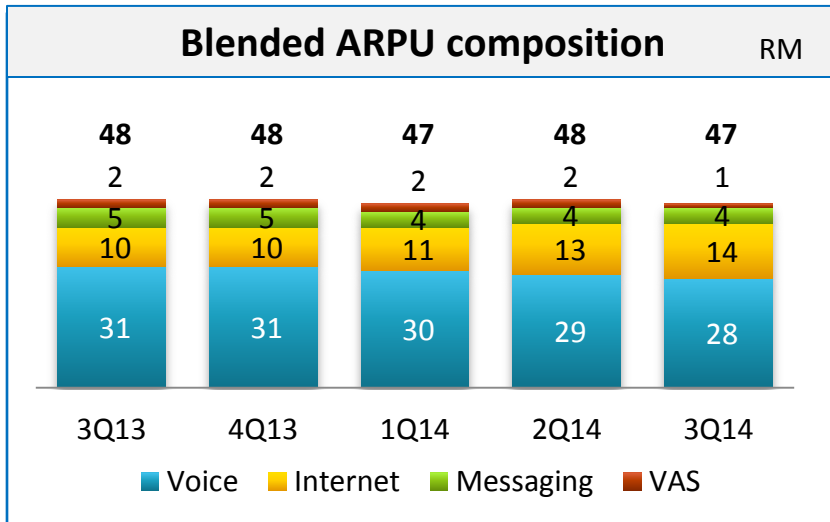
# Actively acquired subscribers to build momentum into 4Q14



- Stronger subscribers base led by positive momentum from prepaid smartphone bundles and network trial campaigns
- +440K prepaid subscribers for the quarter
  - Favourable trajectory into 4Q14 service revenue
- Postpaid subscriber base continued to remain flattish
  - Modest demand in anticipation for new smartphone launches
- Internet focused initiatives continued to spur positive growth for internet subscribers
  - +627K new active internet users, bringing a step closer to the *Internet For All* aspiration

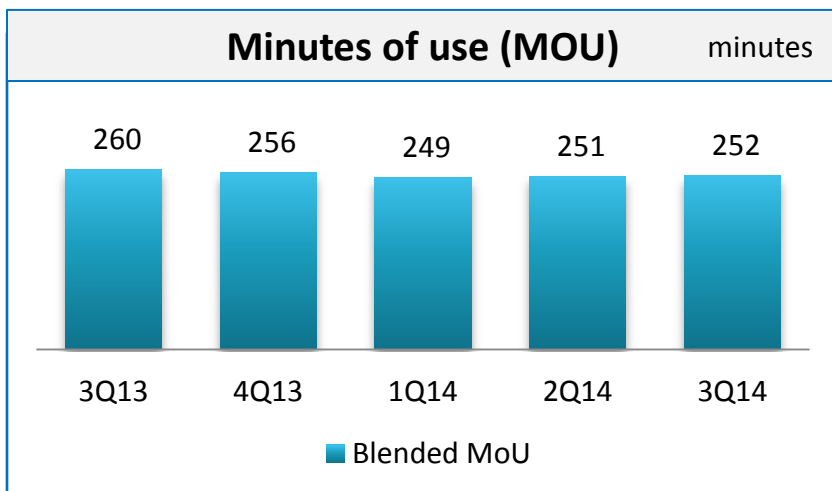
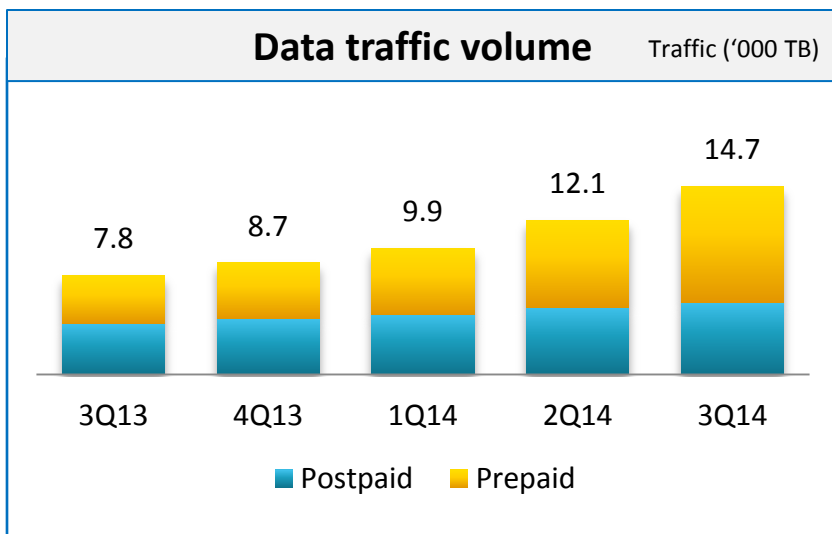
[1] Revised to include subscribers with at least 150kb for the last 3 months

# ARPU remained stable over a larger subscriber base



- Blended ARPU stayed resilient at RM47-48 range
- Internet focused initiatives successfully lifted Internet ARPU 40% y-o-y to RM14
  - Cushioned ARPU dilution from traditional services; and
  - Enabled relatively stable ARPU over a larger subscriber base
- Additional pressure on voice ARPU due to price competition
  - Marginally mitigated by increased voice usage during the Raya festive
- Sustained both prepaid and postpaid ARPU levels steadily

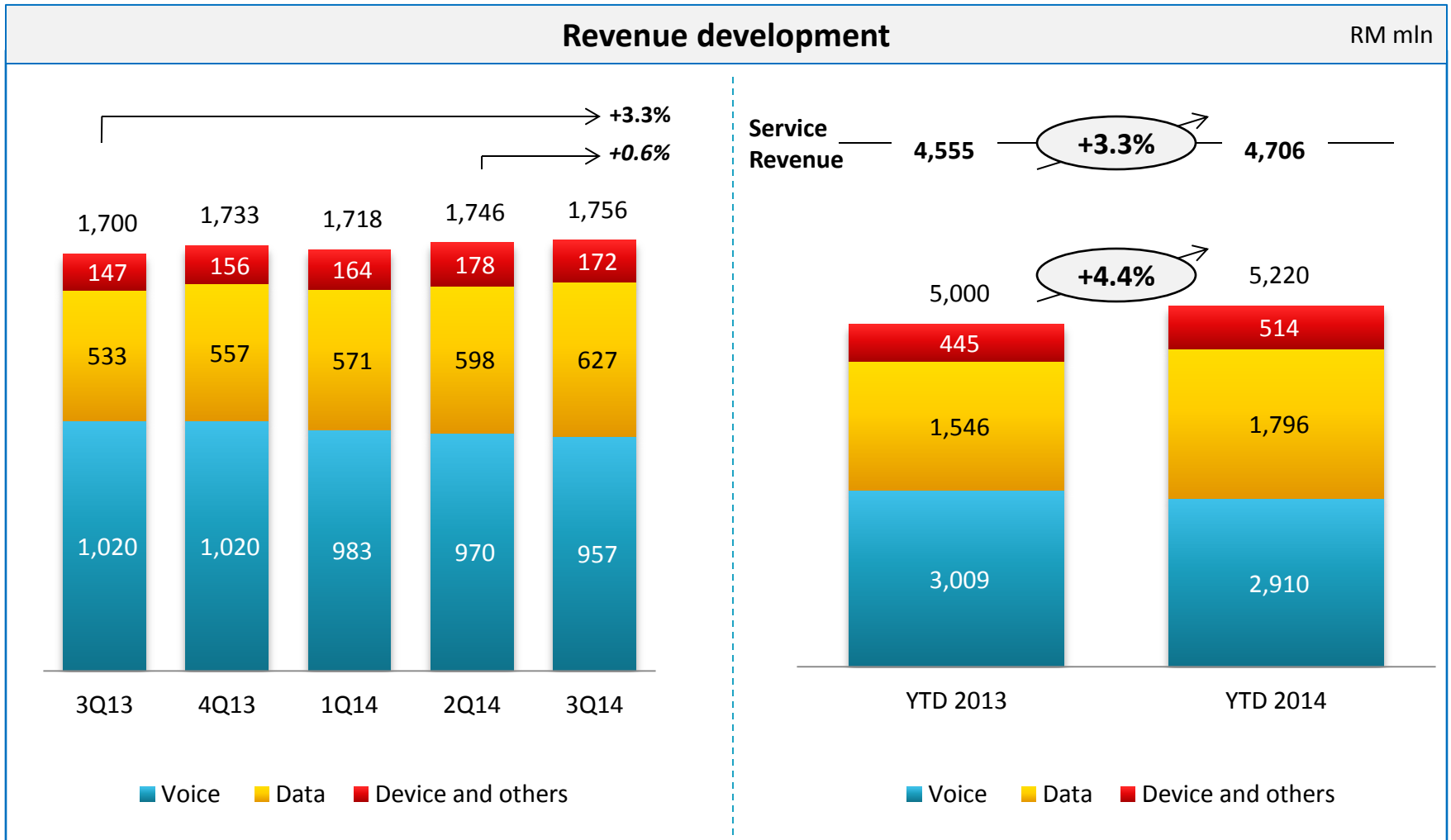
# Rise in data traffic fueled by stronger internet usage



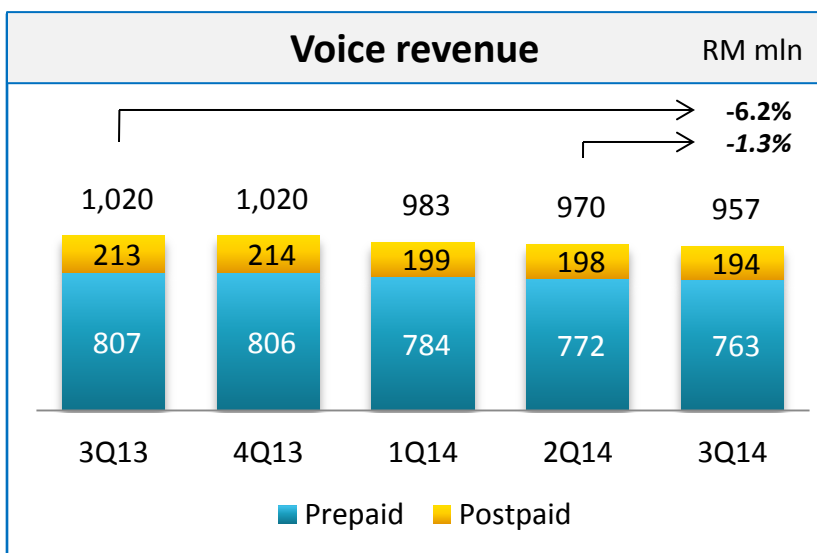
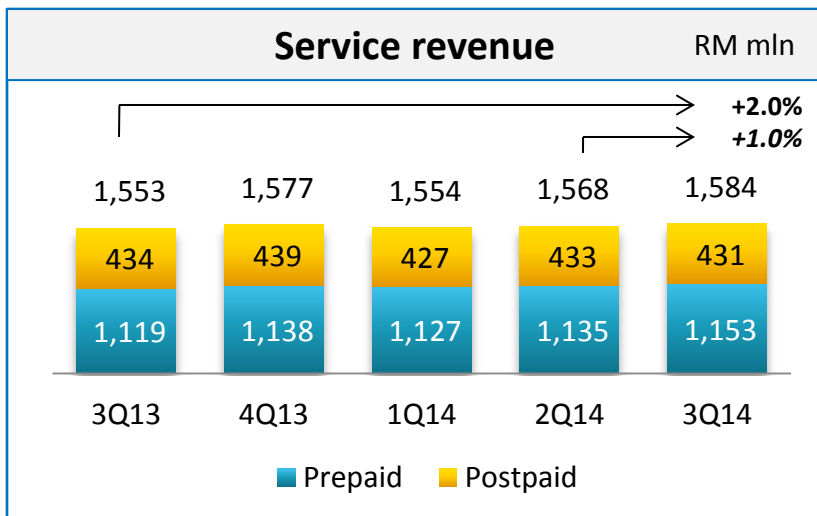
- Solid data demand continued to fuel traffic development 90% y-o-y and 22% q-o-q
- The uplift has also been stimulated by:
  - Higher subscriptions on affordable prepaid smartphone bundles;
  - Data network coverage expansion and stability; and
  - Encouraging bite-sized entry level packages
- Slight increase in MOU aided by incremental usage during the festive season

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# Solid execution paved the growth story

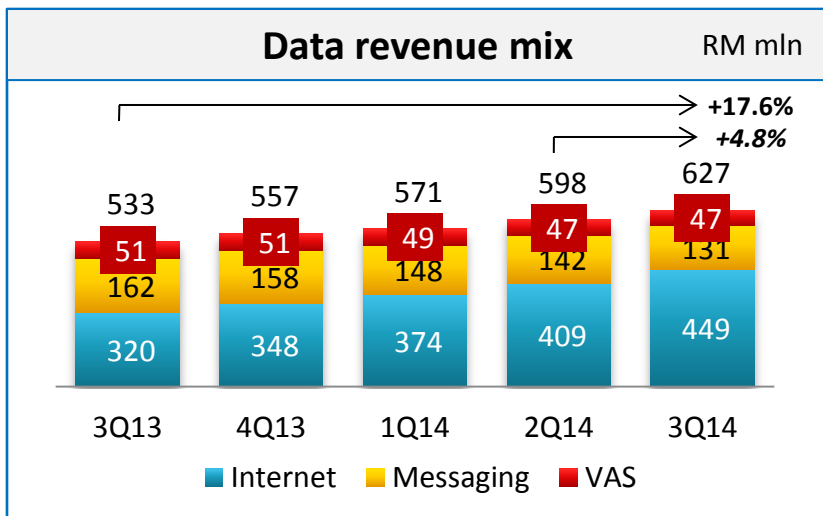


# Service revenue growth driven by robust prepaid development



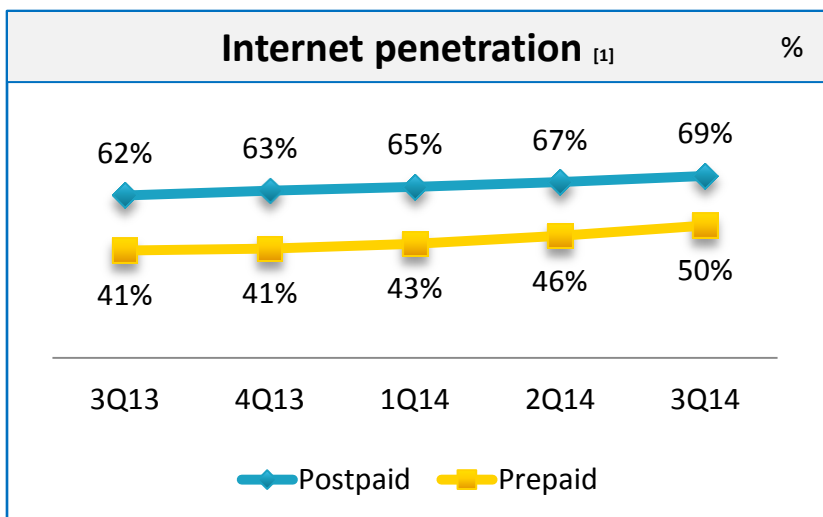
- Increased usage from internet and Raya festive alongside with larger subscriber base resulted in stronger sequential growth in service revenue
- Relative to 3Q13, which benefited from exponential data coverage expansion and more benign competition, y-o-y service revenue growth moderated
- Prepaid service revenue increased 3.0% y-o-y and 1.6% q-o-q, weighed down by levelling voice revenue which declined 5.5% y-o-y and 1.2% q-o-q.
- Flattish postpaid revenue development on the back of tepid subscribers development
  - Continuing efforts to build stronger momentum for postpaid

# Steadily unlocking data monetisation opportunities



- Strong uptake on prepaid smartphone bundles boosted incremental data usage and revenue
  - Unlocking data monetisation opportunities

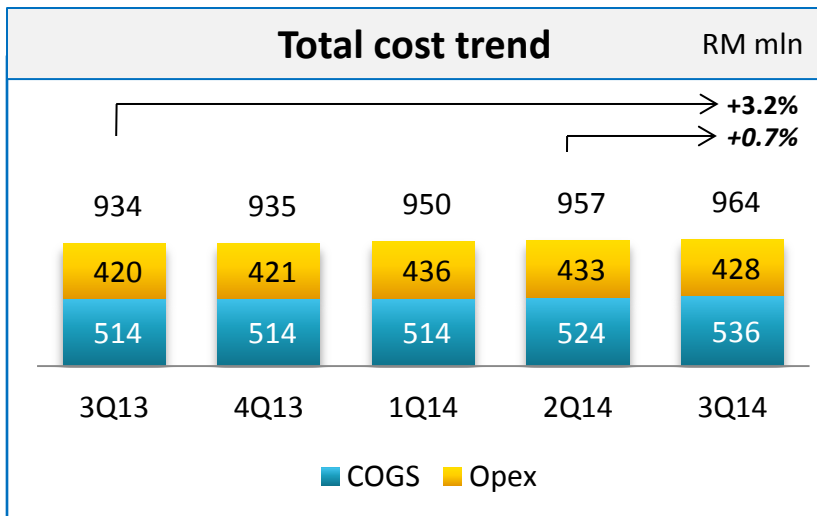
- Data and internet revenue as % of service revenue continued to surge
  - Data: +5.3pp y-o-y to 39.6%
  - Internet: +7.7pp y-o-y to 28.3%
  - More than compensated shortfall in messaging revenue



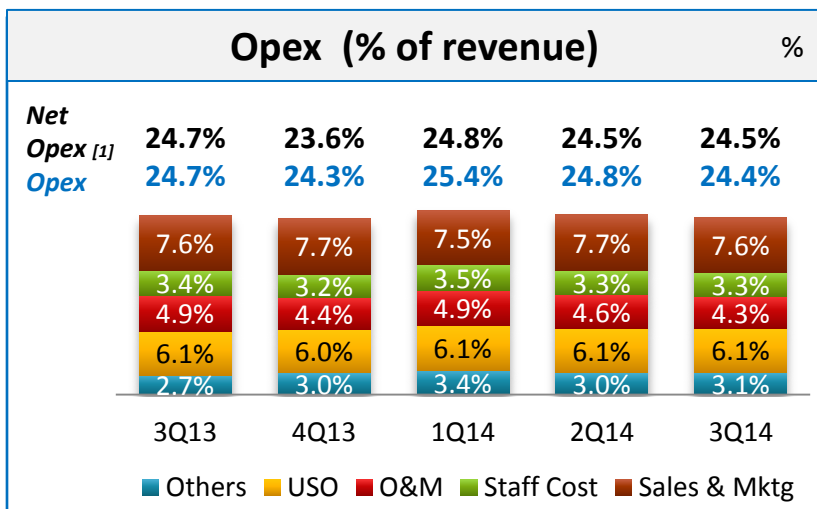
- Internet penetration for both prepaid and postpaid continued to rise steadily q-o-q, aided by a combination of affordable smartphones and internet packages

[1] Revised to include subscribers with at least 150kb for the last 3 months

# Persistent pursuance for efficient operations



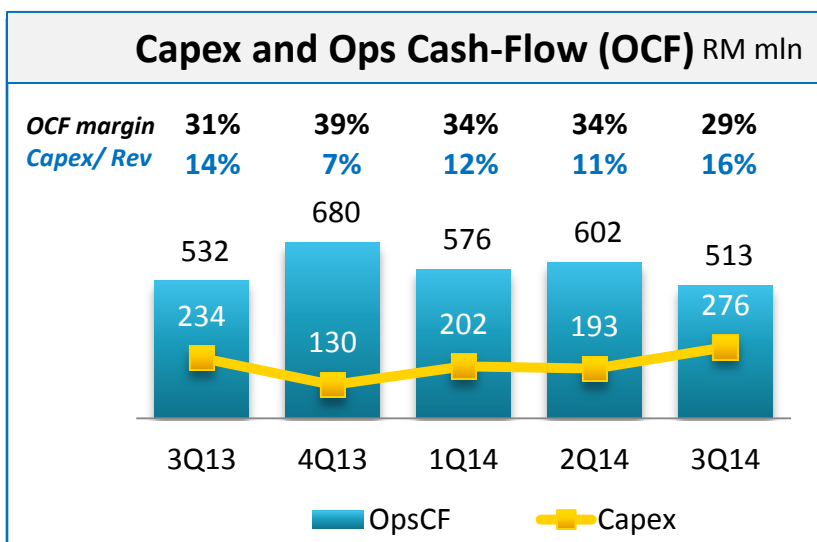
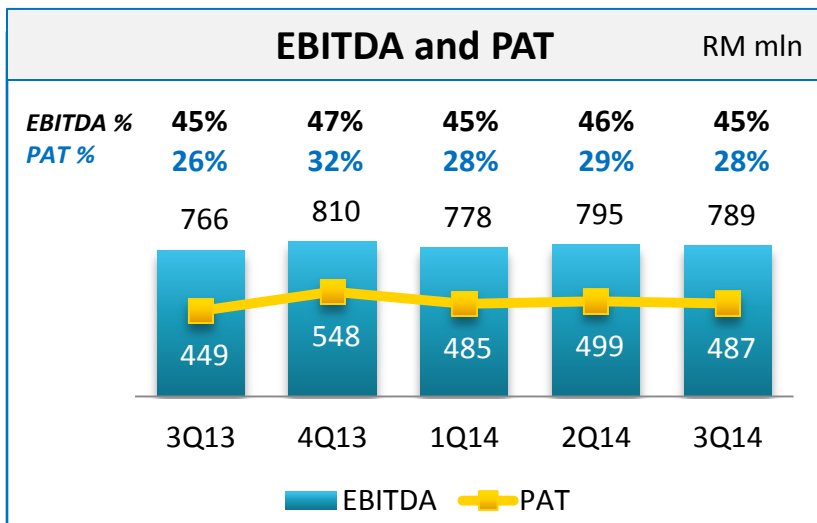
- Efficient cost development to sustain cost to revenue ratio and EBITDA margin
  - although challenged by increased competition
- Well-managed COGS to support revenue generating activities
- Stepped up operational efficiencies efforts to maintain net opex ratio



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

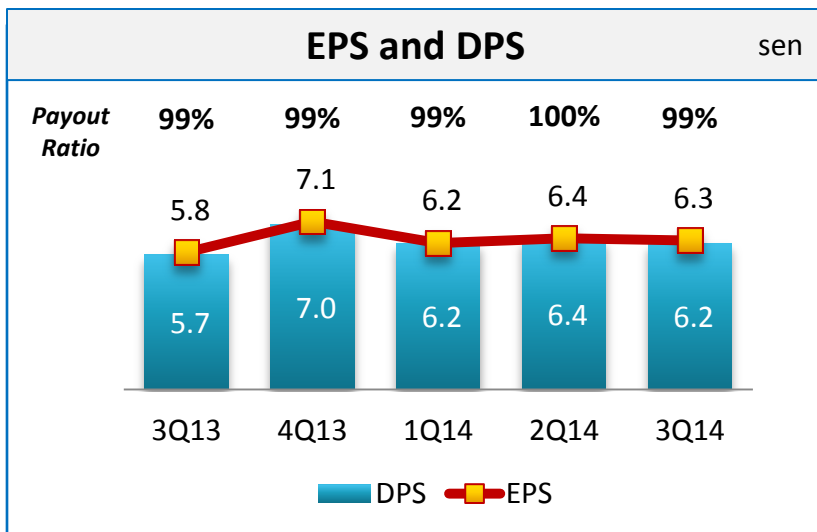


# Maintained healthy margins within capex guidance



- Sustained EBITDA margin at 45%
- EBITDA gained 3.0% y-o-y although marginally lower sequentially
- PAT rose 8.5% y-o-y
  - weighed down by progressively higher DD&A charges
- Capex driven by completion milestone achieved on billing migration and acceleration of LTE sites roll-out
- On track within RM900 million capex guidance
  - Continue to optimise network coverage and capacity to support internet growth demand

## Continued to deliver healthy returns



- 8.6% EPS growth y-o-y contributing to YTD EPS growth of 26.8%
- Declared 3<sup>rd</sup> interim dividend of 6.2 sen/per share (net), payable on 5 Dec 2014
  - 8.8% higher dividend y-o-y
  - Equivalent payout of RM482 million or 99%
- Maintained solid balance sheet with low gearing and healthy cash balance
- RM250 million debt repayment trimmed debt and cash balances
  - Further improved net debt/EBITDA ratio

**Balance sheet** RM mln

	3Q13	4Q13	1Q14	2Q14	3Q14
Total Assets	3,788	3,752	3,667	3,759	3,785
Total Equity	556	661	602	619	608
Interest-bearing debts	951	749	853	848	598
Cash & cash equivalents	550	411	372	403	259

# A tough quarter but embracing challenges with stride

2014 Guidance	3Q YTD14
4-6% Revenue growth	✓ 4%
Sustain EBITDA margin at 2013 level	✓ 45%

**1GB**  
Internet

Credit Limit Control

FREE  
100 hours  
3800 SMS  
3800 MMS

Quota Top Up from  
RM 1 day

FREE  
DiGiMusic™  
Facebook Zero  
Wikipedia Zero

**DiGi**  
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\*Only applicable with DiGiMusic™ Pre-Paid. Only applicable with a 12-month contract. Terms and conditions apply. © 2014 1000118001 @digicomms@tm.com | #digicomms | 99000, 99000, 99000 | DiGi Telecommunications Sdn Bhd 1000118001

Consistent Internet Experience with the all-new DiGi Network

- Continuously drive performance through:
  - Stronger capabilities to compete and defend;
  - Excellent execution of planned strategies and segmented approach
  - Relentless focus on operational efficiency
- Key priorities anchored on:
  - Strengthening brand position and Customer First approach
  - Driving *Internet For All* initiatives with relevant devices, digital services and new capabilities from modernised network, billing and distribution





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



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# Appendix



## Key operating performance KPIs

(RM mln)	3Q14	2Q14	1Q14	4Q13	3Q13	2Q13	1Q13	4Q12	3Q12	Q-o-Q	Y-o-Y
Subscribers ('000)	11,345	10,903	10,885	10,995	10,827	10,548	10,372	10,494	10,304	4%	5%
Internet subscribers ('000)	6,011	5,384	5,072	4,926	4,753	4,349	3,917	N/A	N/A	12%	27%
Revenue	1,756	1,746	1,718	1,733	1,700	1,653	1,647	1,629	1,583	1%	3%
EBITDA	789	795	778	810	766	747	720	725	715	-1%	3%
<i>EBITDA margins</i>	45%	46%	45%	47%	45%	45%	44%	44%	45%	-0.6pp	-0.1pp
Depreciation & Amortisation	(127)	(115)	(118)	(122)	(221)	(247)	(288)	(361)	(307)	10%	-43%
EBIT	662	680	660	688	545	500	432	364	408	-3%	21%
Net finance (costs)/income	(5)	(6)	(6)	(5)	(6)	(6)	(8)	(4)	(2)	-17%	-17%
Profit Before Tax	657	674	654	683	539	494	424	360	406	-3%	22%
Taxation	170	175	169	135	90	114	95	114	91	-3%	89%
Profit After Tax	487	499	485	548	449	380	329	246	315	-2%	8%
EPS (sen)	6.3	6.4	6.2	7.1	5.8	4.9	4.2	3.2	4.1	-2%	9%
Prepaid ARPU (RM)	41	41	41	41	41	42	40	41	41	0%	0%
Postpaid ARPU (RM)	82	83	81	83	82	83	82	83	82	-1%	0%
Blended ARPU (RM)	47	48	47	48	48	48	47	47	48	-2%	-2%

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## Revenue composition

(RM mln)	3Q14	2Q14	1Q14	4Q13	3Q13	2Q13	1Q13	4Q12	3Q12	Q-o-Q	Y-o-Y
<b>REVENUE</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>1,629</b>	<b>1,583</b>	<b>1%</b>	<b>3%</b>
<b>Service Revenue</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>1,492</b>	<b>1,470</b>	<b>1%</b>	<b>2%</b>
Voice revenue	957	970	983	1,020	1,020	1,011	978	1,004	1,010	-1%	-6%
Data revenue	627	598	571	557	533	515	498	488	460	5%	18%
<i>Internet</i>	<i>449</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>	10%	40%
<i>Messaging</i>	<i>131</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>	-8%	-19%
VAS	47	47	49	51	51	50	50	53	56	0%	-8%
<b>Device and other revenue</b>	<b>172</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>-3%</b>	<b>17%</b>
<b>Prepaid Revenue</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>1,067</b>	<b>1,050</b>	<b>2%</b>	<b>3%</b>
Voice revenue	763	772	784	806	807	796	768	785	792	-1%	-5%
Data revenue	390	363	343	332	312	297	282	282	258	7%	25%
<b>Postpaid Revenue</b>	<b>431</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>0%</b>	<b>-1%</b>
Voice revenue	194	198	199	214	213	215	210	219	218	-2%	-9%
Data revenue	237	235	228	225	221	218	216	206	202	1%	7%

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## Reported COGS and OPEX

(RM mln)	3Q14	2Q14	1Q14	4Q13	3Q13	2Q13	1Q13	4Q12	3Q12	Q-o-Q	Y-o-Y
<b>COGS</b>	<b>536</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>2%</b>	<b>4%</b>
Cost of materials	177	183	165	151	144	139	182	157	106	-3%	23%
Traffic charges	359	341	349	363	370	354	337	349	341	5%	-3%
<b>OPEX</b>	<b>428</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>-1%</b>	<b>2%</b>
Sales & marketing	133	134	129	133	130	129	122	122	134	-1%	2%
Staff costs	58	58	60	57	57	61	60	51	61	0%	2%
Operations & maintenance	76	81	84	76	84	81	83	74	81	-6%	-10%
Other expenses	161	160	163	155	149	145	152	153	150	1%	8%
<i>USP fund and license fees</i>	107	107	105	104	103	95	96	92	93	0%	4%
<i>Credit loss allowances</i>	10	6	8	7	7	7	6	8	10	67%	43%
<i>Others</i>	44	47	50	44	39	43	50	53	47	-6%	13%
<b>TOTAL</b>	<b>964</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>1%</b>	<b>3%</b>

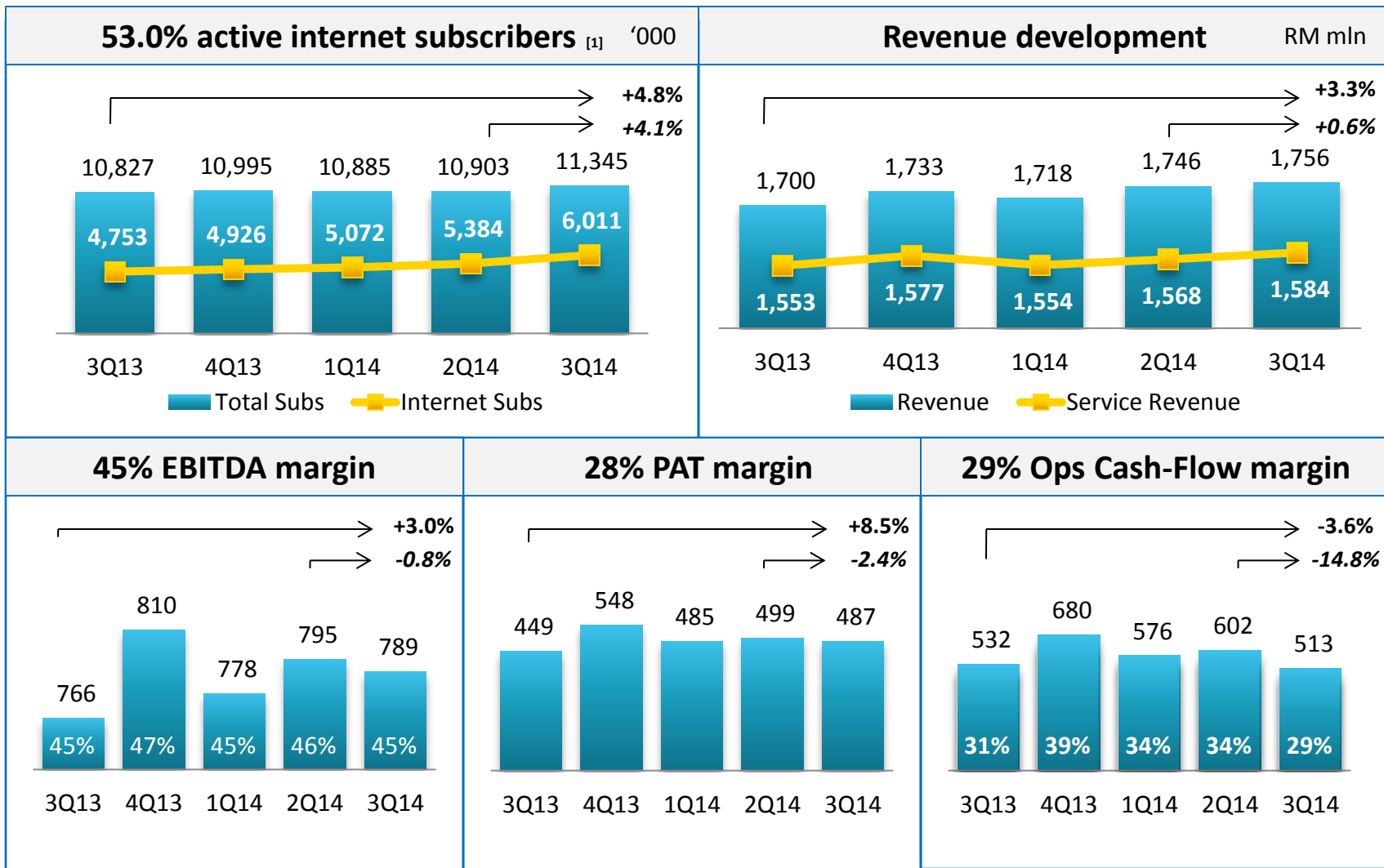


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## Reported Cash-Flow

(RM mil)	3Q14	2Q14	1Q14	4Q13	3Q13	2Q13	1Q13	4Q12	3Q12	Q-o-Q	Y-o-Y
<b>Cash at start</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>
Cash-flow from operations	780	770	664	826	616	651	543	542	477	1%	27%
Changes in working capital	93	(65)	(68)	(197)	(248)	9	(142)	(110)	55	-243%	-138%
Cash-flow used in investing activities	(271)	(191)	(192)	(126)	(227)	(180)	(186)	(243)	(137)	42%	19%
<i>Capex</i>	(276)	(193)	(202)	(130)	(234)	(186)	(191)	(255)	(150)	43%	18%
Cash-flow used in financing activities	(746)	(483)	(443)	(642)	(352)	(298)	(346)	(933)	(459)	54%	112%
Net change in cash	(144)	31	(39)	(139)	(211)	182	(130)	(744)	(64)	-565%	-32%
<b>Cash at end</b>	<b>259</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>-36%</b>	<b>-53%</b>
<b>Ops Cash-Flow (EBITDA – Capex)</b>	<b>513</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>-15%</b>	<b>-4%</b>
<b>Ops Cash-Flow margin</b>	<b>29%</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>-5.3pp</b>	<b>-2.1pp</b>

# Performance summary



[1] Revised to include subscribers with at least 150kb for the last 3 months