

4Q 2016 results

Digi.Com | 23 Jan 2017



NO LIMIT
DATA ROAMING & SURFING
25GB ALL-DAY
4G
INTERNET

FREE*
ROAMING
IN 5 COUNTRIES

Hooray! It's
**UNLIMITED
Weekend!**

Find out more >





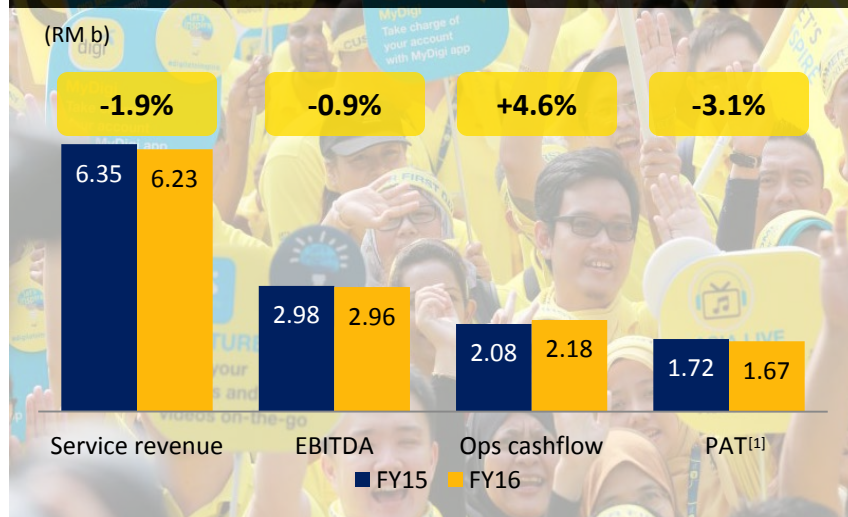
Key Highlights
Performance Review
Other Updates
2017 Outlook
Q&A



Resilient performance in a challenging year with solid milestones achieved

#2016bestnine

Our industry-leading pipeline of innovation is more robust than ever



+10.2%
**POSTPAID
REVENUE**

RM6.23b
**SERVICE
REVENUE**

**EBITDA
margin**
+1.7pp to 45%

Leading 4G+
coverage
4G+: 41%
4G LTE: 85%

Efficient capex
RM780m
(incl RM73m
savings in 2Q16)

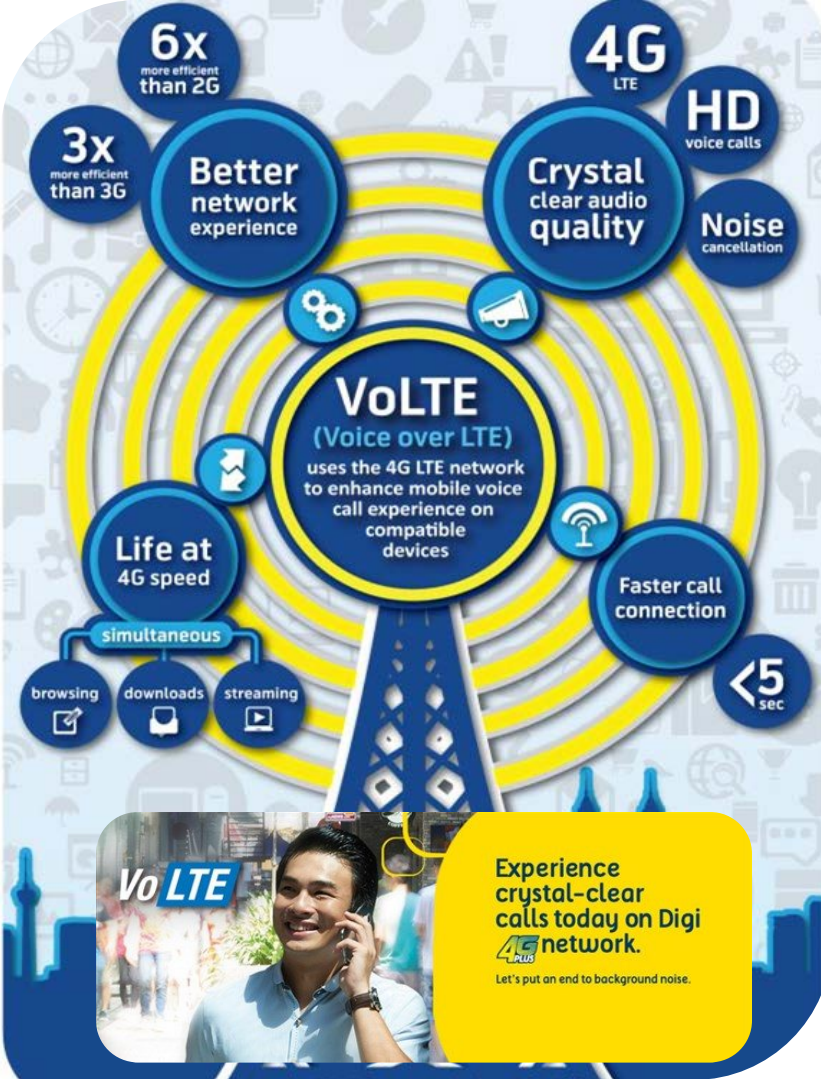
900Mhz and
1800Mhz
SPECTRUM

Solid progress
on digitisation
of
core business

**WINNING
TEAM**
Best Malaysian
Organisation

Healthy
dividends
**20.9 sen per
share**

^[1] Exclude one-off prior year tax provision of RM35m



4Q 2016

Key Highlights

Thriving ahead with solid postpaid growth and operational efficiencies

RAPIDLY GROWING LTE SUBSCRIBER BASE

+509K to 4.2m

RECORD HIGH POSTPAID REVENUE GROWTH

+13.6% to RM511m

RESILIENT SERVICE REVENUE

RM1,555m

SOLID EBITDA

+5.7% to RM741m or 44% margin

ROBUST NORMALISED PAT ^[1]

+7.3% to RM410m

HEALTHY SHAREHOLDERS RETURN

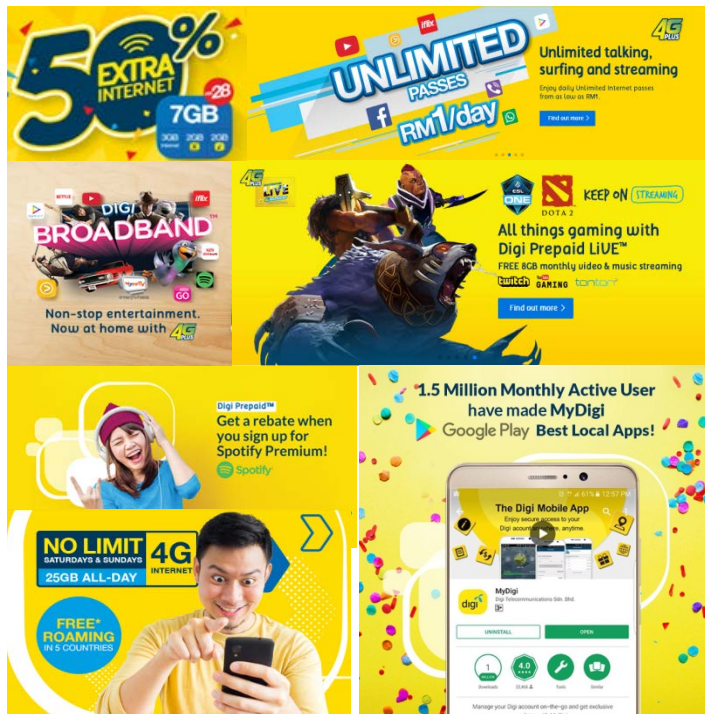
4.8 sen dividend per share

equivalent to RM373m or almost 100% payout ratio

^[1] Exclude one-off prior year tax provision of RM35m

Strengthened internet positioning with attractive entertainment and weekend propositions

Fun-filled entertainment value propositions



- Stronger internet positioning via Digi Prepaid LiVE and Prepaid Best plans
 - Solid interest among the young and entertainment oriented prepaid customers
 - Best video and music streaming as well as gaming experience on Digi's 4G+ network
 - 50% more quota on monthly internet passes
 - Affordable daily digital services passes for RM1/day
- Simplified postpaid plans with unique proposition on weekend and border roaming flexibility
 - Record high acquisition momentum and prepaid to postpaid conversions
 - Strong demand for entry level plan
- Launched home broadband plans in November with non-stop entertainment proposition
- Steady increase in MyDigi adoption with more than 1.5m monthly active user and growing

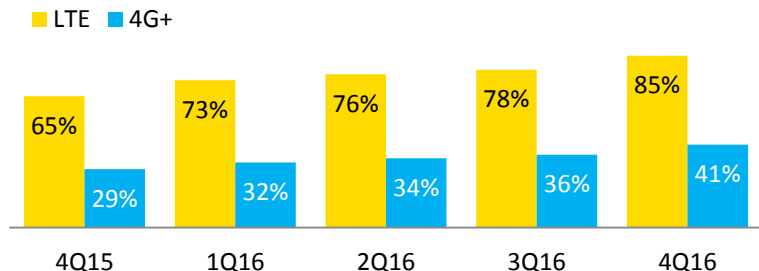
Innovative Digi concept store with enriched retail experience



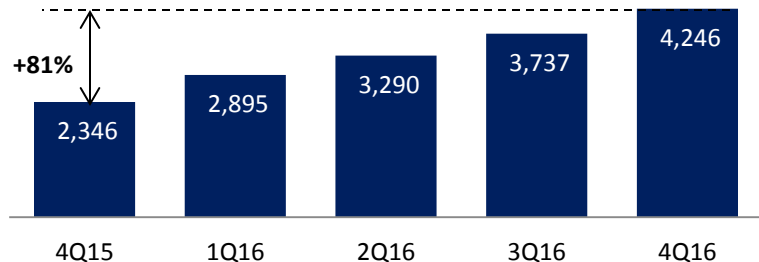
**Paperless Registration | Self-Serve | Digital Walls | Innovative Layouts |
Enriched Retail Experience**

Soaring growth in data usage supported Digi's leading 4G+ network nationwide

4G+ network population coverage



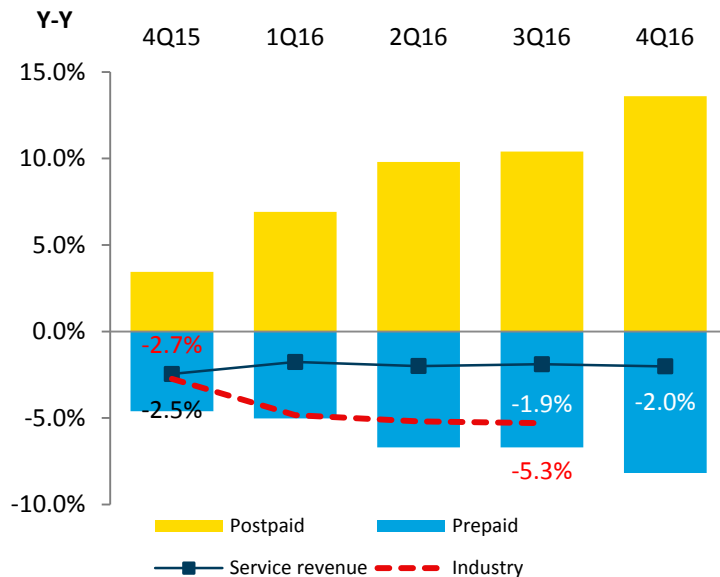
LTE subscribers ('000)



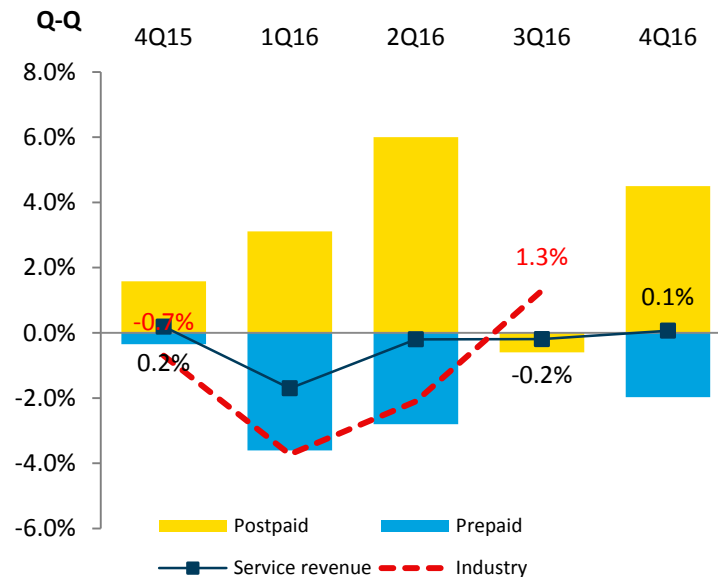
- Rapid deployment of 4G+ network coverage and capacity with best internet experience for entertainment
 - 4G LTE coverage expansion to 85%, covering 275 towns
 - 4G+ coverage expansion to 41%, covering 61 towns
 - 7,600km of extensive fibre network
- Surpassed 4.2m 4G LTE subscribers or 34.9% of total subscribers
 - +81% or 1.9m new 4G LTE subscribers in 2016
- Solid y-y growth in internet subscribers
 - 586K incremental internet subscribers to 8.1m
 - Exponential growth in average data usage (Prepaid: 0.9x, Postpaid: 1.4x)
- Launched VoLTE service for better call experiences through higher quality audio, faster call connections and simultaneous use of data
- Commenced network readiness for 900Mhz spectrum deployment

Steady sequential service revenue with thriving postpaid growth

Resilient y-y service revenue anchored by stronger postpaid growth

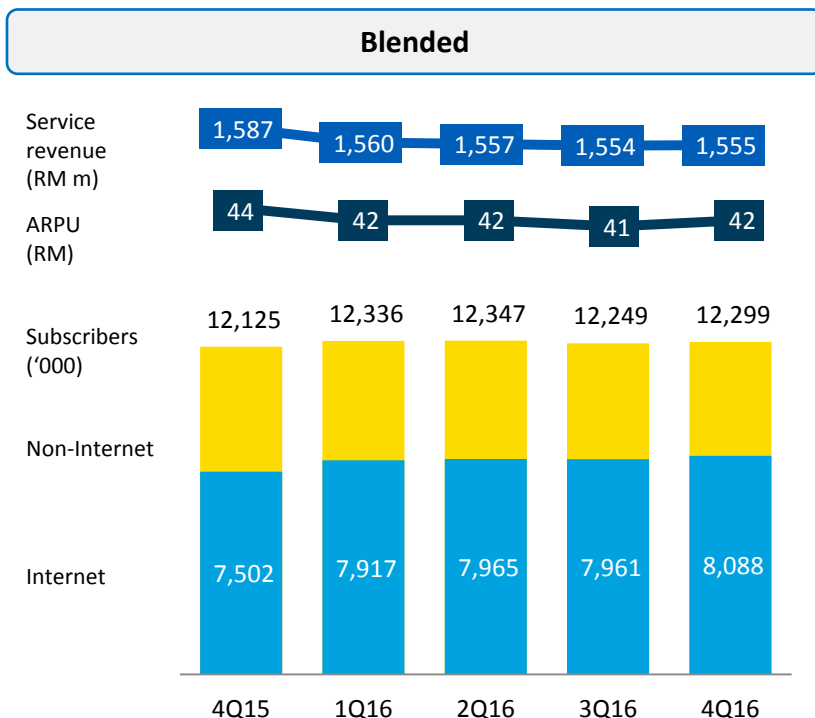


Sustained sequential revenue amid persistent prepaid challenges



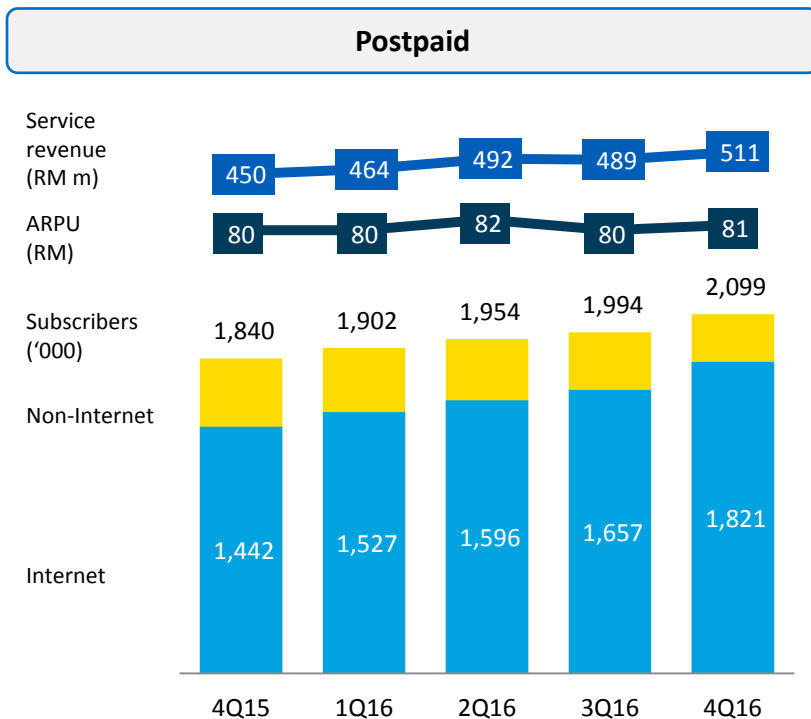
Industry refers to mobile service revenue from the 3 leading mobile operators in Malaysia

Resilient service revenue with stronger subscribers and ARPU



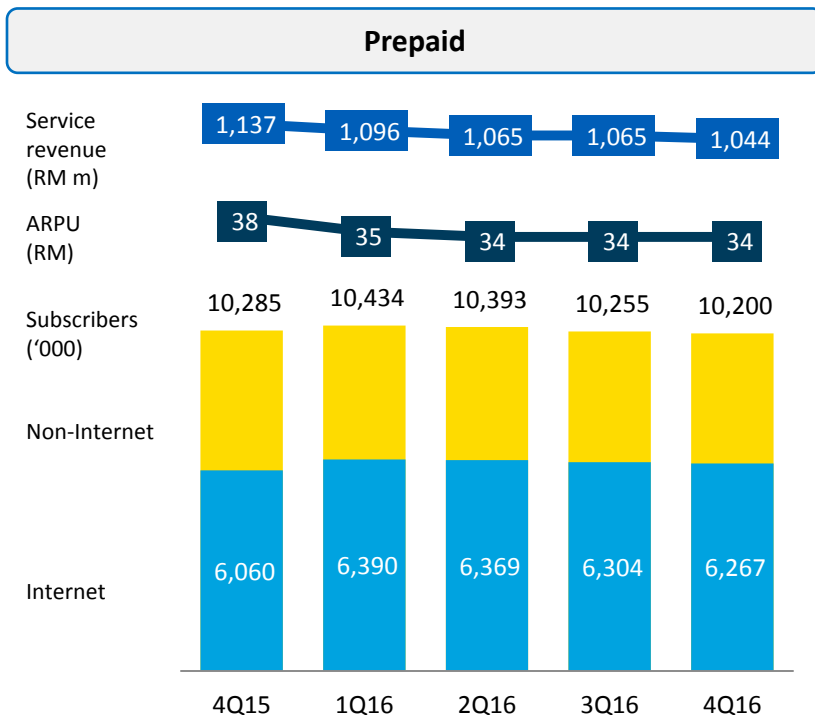
- Service revenue remained steady q-q while y-y decline managed within 2.0%
 - Solid postpaid revenue growth and stabilised prepaid development
- Continued solid data and digital services demand from internet-loving Malaysians
 - Internet revenue surged 3.2% q-q and 15.1% y-y to RM616m or 39.6% of service revenue
- FY2016 internet revenue climbed 11.4% to RM2.31b while internet subscribers rose 7.8% to 65.8% of subscribers and smartphone penetration increased to 64.7%
- Service revenue for the year stood relatively resilient at RM6.23b, a decline of 1.9% amid challenging market conditions
 - #2 in terms of service revenue market share
 - Stronger subscriber base with resilient ARPU

Highest postpaid growth in the last 8 quarters with solid net adds



- Best postpaid revenue growth of 4.5% q-q and 13.6% y-y
 - Solid acquisition momentum with record high net adds at 105K to 2.1m postpaid subscribers
 - Heightened demand for Digi's new postpaid plans and bundled device
- Strong postpaid internet revenue growth of 8.0% q-q and 36.5% y-y to RM269m
 - Postpaid internet subscribers climbed steadily to 1.8m or 86.8%
 - Postpaid smartphone penetration reached 85.3%
- Postpaid ARPU strengthened to RM81 over a larger subscriber base
- Industry-leading postpaid revenue growth for the year with 10.2% higher revenue or RM1.96b
 - Consistent solid growth and acquisition momentum supported by Digi's robust 4G+ network nationwide

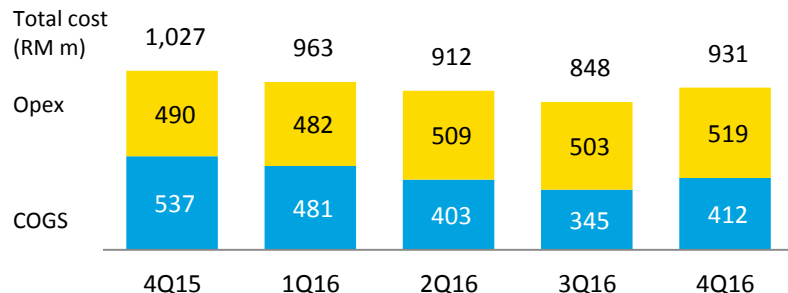
Stabilised prepaid with solid support from Digi Prepaid LiVE



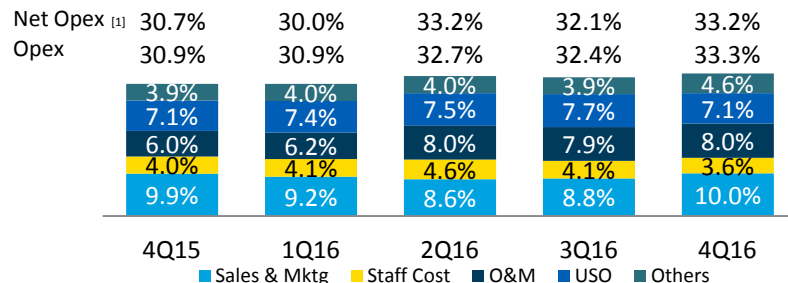
- Defensive performance with encouraging take-up from Digi Prepaid LiVE and internet passes during the quarter
 - Stronger internet adoption and usage
 - Intense competition and weaker prepaid consumer sentiment continued to impede prepaid growth
- Despite challenged by prepaid headwinds Digi took a cautious approach to drive sustainable prepaid revenue with targeted segment propositions
 - Prepaid revenue trimmed to RM1.04b but substantiated by stable ARPU and margins as well as resilient prepaid internet revenue at RM347m
 - Prepaid subscribers sustained at 10.2m
- Prepaid revenue for the year declined 6.6% to RM4.27b but mitigated partially with higher prepaid to postpaid conversions and improved prepaid margins

Solid operational efficiency to support increased acquisition activities and 4G+ network expansions

Total cost trend



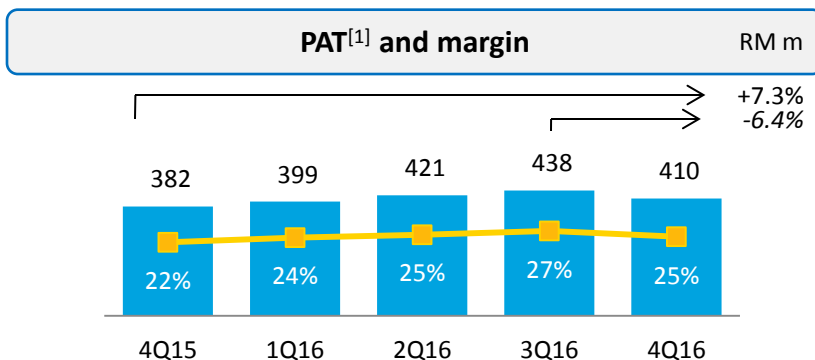
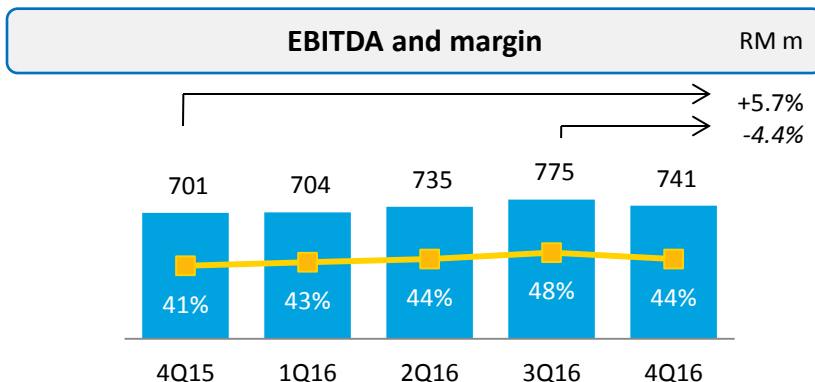
Opex (% of service revenue)



- Cost of goods sold (COGS) improved 23.3% y-y while q-q increased 19.4% due to relatively higher device sales and traffic cost
- Higher sequential traffic cost driven by increased traffic volumes and appreciation of USD against MYR from an average rate of 4.0534 in 3Q16 to 4.3265 in 4Q16
- Solid COGS improvement in FY2016 contributed to 1.5% stronger gross profit for the year although service revenue moderated
- Sales and marketing cost surged 13.9% q-q to RM156m in tandem with higher acquisitions while y-y cost remained stable
- Opex to service revenue ratio for the year steadied at 32.3% substantiated by extensive 4G+ network expansion and after accounting for shared site rental cost during the year

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

5.7% EBITDA growth to RM741 million at 44% margin

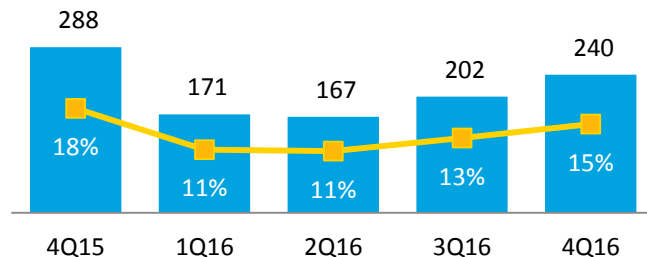


- Solid EBITDA growth of 5.7% y-y to RM741m or 44% margin with the continued support from improved gross margins, stronger internet revenue contribution alongside with well-managed cost structure
- EBITDA moderated 4.4% q-q from higher device sales and progressive 4G+ network expansion during the quarter
- EBITDA margin for the year improved 1.7pp to 45% margin while absolute EBITDA remained resilient at RM2.96b
- PAT^[1] strengthened 7.3% y-y to RM410m as a flow through from stronger EBITDA during the quarter, although trended lower sequentially from higher device sales
- PAT^[1] for the year remained healthy at RM1.67b after accounting for progressively higher depreciation from continued capex investments

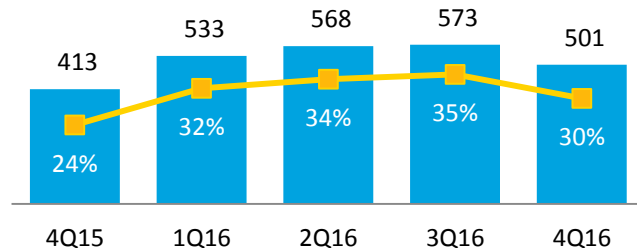
^[1] Exclude one-off prior year tax provision of RM35m

Efficient capex investments with healthy ops cash flow

Capex and Capex to service revenue ratio RM m

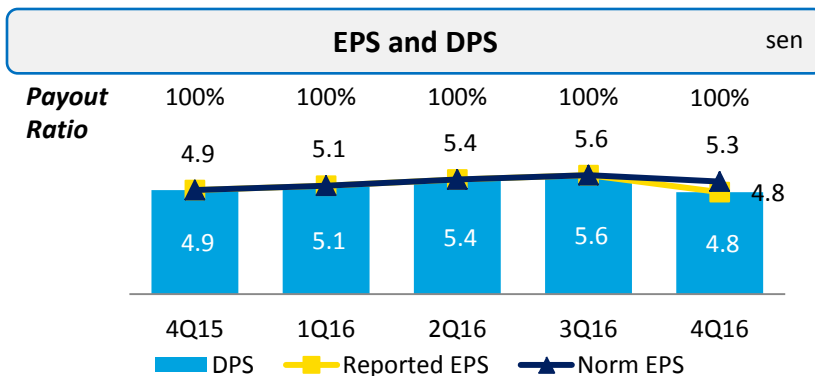


Ops cashflow and margin RM m



- Digi invested RM240m within its planned capex to accelerate 4G+ network expansion and preparations for spectrum refarming.
- Capex investment for the year reflected an efficient spending of RM780m or 12.5% of service revenue with robust network coverage and infrastructure capabilities delivered as planned alongside with savings identified in 2Q16 from the comprehensive fixed asset register review
 - Significant step up in 4G LTE and 4G+ population coverage
 - Solid milestones achieved in digitisation of core business
- Consequential from stronger y-y EBITDA and efficient capex, ops cashflow for the quarter strengthened 21.3% y-y to RM501m or 30% margin
 - Ops cashflow moderated q-q from seasonally higher capex
- FY16 ops cashflow rose 4.6% to RM2.18b

Healthy shareholders' return with new capabilities to tap on growth opportunities



Balance sheet RM m					
	4Q15	1Q16	2Q16	3Q16	4Q16
Total Assets	4,662	4,922	4,708	4,739	5,498
Total Equity	519	537	562	580	519
Interest-bearing debts	1,294	1,631	1,424	1,461	2,282
Cash & cash equivalents	234	503	366	331	377

- Normalised EPS^[1] strengthened 8.2% y-y to 5.3 sen
 - EPS moderated to 4.8 sen after accounting for one-off prior year tax provision
- 4th interim dividend at 4.8 sen per share (net) equivalent to RM373m payable to shareholders on 31 March 2017
 - Cumulative dividend for FY2016 amounted to 20.9 sen per share equivalent to RM1,625m
- Total assets strengthened to RM5,498m from progressive capex investments as well as upfront payment made for 900Mhz and 1800Mhz spectrum amounting to RM598.5m
 - Solid foundation and capabilities to springboard towards digital service provider (DSP) ambition
- Consequentially, net debt/EBITDA level increased from 0.4x to 0.6x but maintained solid financial capability and flexibility to fund its investments, operational commitments and any spectrum obligations arising

^[1] Norm EPS exclude one-off prior year tax provision of RM35m


Recognition as one of the best workplaces in Malaysia



"...mix of talent, gender, culture, experience, thoughts and values are what make Digi better, stronger and more unique"

- Recognised for Best Malaysian Organisation by TalentCorp for the drive, commitment and tenacity in implementing various diversity and inclusion programmes particularly for women in the workplace
 - Adoption of Board Diversity Policy and increased female participation at the board level to 43%
 - Established Women Network Mentoring programme to support development, growth and retention of more women leaders within the organisation
- Strong commitment towards innovation, social responsibility and efforts taken to build a sustainable business acknowledged by ACCA MaSRA 2016 with the Commendation Award for Enterprise of the Future

Solid foundations to spur growth and new digital opportunities into 2017

Defend the CORE	Enhance Profitability	Digitise the CORE	New Digital Services
<ul style="list-style-type: none"> • #2 in terms of service revenue market share • 10.2% postpaid revenue growth • Stronger internet users and paid internet with robust 4G+ adoption and usage • Strengthen product portfolio 	<ul style="list-style-type: none"> • EBITDA margin at 45% • Around RM300 million OE savings • New operating model for regional network collaboration 	<ul style="list-style-type: none"> • 1.5 million monthly active users on MyDigi • > 80% dealers on mobile sales app (MSA) • Launched IP Contact Centre (IPCC) to serve customers better, faster, and more effectively 	<ul style="list-style-type: none"> • Valyou eWallet • 57 Square, Hyperlocal Media • Uber and MaGIC partnership 

Ready to roar in 2017 although challenging market condition persists

	2017 Guidance	2016 Actual
Service revenue (RM)	Around 2016 level	6,226m
EBITDA margin		45%
Capex to service revenue ratio	11% - 13%	12.5%



- 2017 holds new opportunities and similar challenges as 2016
- Solid commitment to drive performance resilience and defend core revenues
 - Sharpen focus to grow postpaid and Malaysian prepaid
 - Stronger 4G+ adoption and usage with better monetisation
 - New digital revenue opportunities beyond the immediate future
 - Digitisation of core business
 - Operational efficiencies innovations
- Aims to deliver 2017 service revenue and EBITDA margin at around 2016 level and capex at 11% - 13% of service revenue

Q&A



Gong Xi Fa Cai



Exclusive Prepaid deals. Exclusively on MyDigi.

More Internet, more new year entertainment,
get yours today!



THANK YOU

See you next quarter!

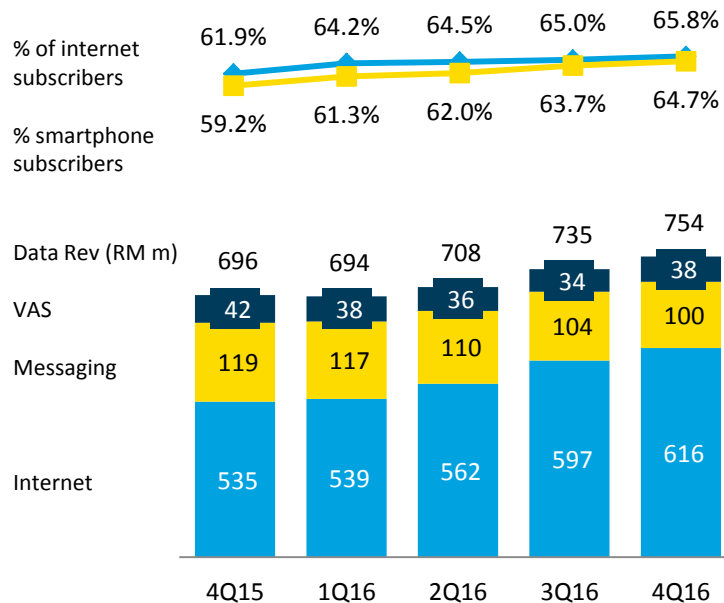
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Appendix

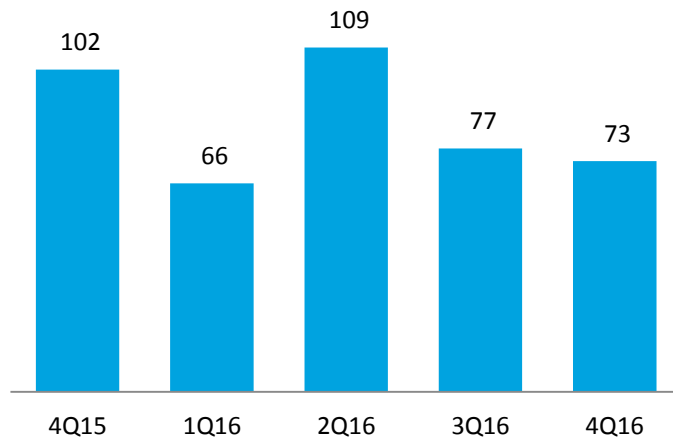
Solid internet revenue growth of 15.1% y-y

Penetration and data revenue



No. of smartphones & devices sold

'000



Reported key operating performance KPIs

(RM m)	4Q16	3Q16	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14	Q-o-Q	Y-o-Y
Subscribers ('000)	12,299	12,249	12,347	12,336	12,125	11,675	11,815	11,691	11,421	0.4%	1.4%
Internet subscribers ('000)	8,088	7,961	7,965	7,917	7,502	7,024	6,843	6,624	6,452	1.6%	7.8%
MOU	179	182	203	217	221	226	240	235	248	-1.6%	-19.0%
Revenue	1,670	1,619	1,655	1,653	1,725	1,675	1,723	1,791	1,799	3.2%	-3.2%
Service revenue	1,555	1,554	1,557	1,560	1,587	1,584	1,589	1,588	1,627	0.1%	-2.0%
EBITDA	741	775	735	704	701	719	788	775	801	-4.4%	5.7%
EBITDA margin	44%	48%	44%	43%	41%	43%	46%	43%	45%	-3.5pp	3.7pp
Depreciation & Amortisation	(178)	(174)	(143)	(156)	(169)	(170)	(150)	(140)	(132)	2.3%	5.3%
EBIT	563	601	592	548	532	549	638	635	669	-6.3%	5.8%
Net finance (costs)/income	(19)	(16)	(16)	(14)	(13)	(12)	(12)	(9)	(9)	18.8%	46.2%
Profit Before Tax	544	585	576	534	519	537	626	626	660	-7.0%	4.8%
Taxation	169	147	155	135	137	140	162	147	100	15.0%	23.4%
Profit After Tax	375	438	421	399	382	397	464	479	560	-14.4%	-1.8%
EPS (sen)	4.8	5.6	5.4	5.1	4.9	5.1	6.0	6.2	7.2	-14.3%	-2.0%
Prepaid ARPU (RM)	34	34	34	35	38	38	38	39	41	0.0%	-10.5%
Postpaid ARPU (RM)	81	80	82	80	80	81	82	81	83	1.3%	1.3%
Blended ARPU (RM)	42	41	42	42	44	45	45	46	47	2.4%	-4.5%

Revenue composition

(RM m)	4Q16	3Q16	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14	Q-o-Q	Y-o-Y
REVENUE	1,670	1,619	1,655	1,653	1,725	1,675	1,723	1,791	1,799	3.2%	-3.2%
Service Revenue	1,555	1,554	1,557	1,560	1,587	1,584	1,589	1,588	1,627	0.1%	-2.0%
Voice revenue	801	819	849	866	891	893	916	916	973	-2.2%	-10.1%
Data revenue	754	735	708	694	696	691	673	672	654	2.6%	8.3%
Internet	616	597	562	539	535	530	507	505	480	3.2%	15.1%
Messaging	100	104	110	117	119	112	115	119	126	-3.8%	-16.0%
VAS	38	34	36	38	42	49	51	48	48	11.8%	-9.5%
Device and other revenue	115	65	98	93	138	91	134	203	172	76.9%	-16.7%
Prepaid Revenue	1,044	1,065	1,065	1,096	1,137	1,141	1,141	1,154	1,192	-2.0%	-8.2%
Voice revenue	613	631	655	680	708	713	728	731	777	-2.9%	-13.4%
Data revenue	431	434	410	416	429	428	413	423	415	-0.7%	0.5%
Postpaid Revenue	511	489	492	464	450	443	448	434	435	4.5%	13.6%
Voice revenue	188	188	194	186	183	180	188	185	196	0.0%	2.7%
Data revenue	323	301	298	278	267	263	260	249	239	7.3%	21.0%

COGS and OPEX

(RM m)	4Q16	3Q16	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14	Q-o-Q	Y-o-Y
COGS	412	345	403	481	537	464	481	551	525	19.4%	-23.3%
Cost of materials	113	72	91	103	156	98	157	228	197	56.9%	-27.6%
Traffic charges	299	273	312	378	381	366	324	323	328	9.5%	-21.5%
OPEX	519	503	509	482	490	470	462	463	473	3.2%	5.9%
Sales & marketing	156	137	134	144	157	142	135	145	140	13.9%	-0.6%
Staff costs	56	64	72	64	63	68	67	64	72	-12.5%	-11.1%
Operations & maintenance	125	122	124	96	96	98	85	86	85	2.5%	30.2%
Other expenses	182	180	179	178	174	162	175	168	176	1.1%	4.6%
<i>USP fund and license fees</i>	<i>111</i>	<i>120</i>	<i>116</i>	<i>116</i>	<i>112</i>	<i>102</i>	<i>115</i>	<i>113</i>	<i>112</i>	<i>-7.5%</i>	<i>-0.9%</i>
<i>Credit loss allowances</i>	<i>12</i>	<i>12</i>	<i>13</i>	<i>14</i>	<i>14</i>	<i>12</i>	<i>8</i>	<i>8</i>	<i>9</i>	<i>0.0%</i>	<i>-14.3%</i>
<i>Others</i>	<i>59</i>	<i>48</i>	<i>50</i>	<i>48</i>	<i>48</i>	<i>48</i>	<i>52</i>	<i>47</i>	<i>55</i>	<i>22.9%</i>	<i>22.9%</i>
TOTAL	931	848	912	963	1,027	934	943	1,014	998	9.8%	-9.3%

Cashflow statement

(RM m)	4Q16	3Q16	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14	Q-o-Q	Y-o-Y
Cash at start	331	366	503	234	306	303	357	526	259	-9.6%	8.2%
Cashflow from operations	524	738	728	546	535	523	744	551	524		
Changes in working capital	(634)	(190)	(103)	(77)	72	98	(327)	29	1		
Cashflow used in investing activities	(232)	(199)	(162)	(168)	(280)	(218)	(198)	(189)	(226)		
Cashflow used in financing activities	387	(384)	(599)	(31)	(396)	(409)	(277)	(561)	(37)		
Net change in cash	45	(35)	(136)	270	(69)	(6)	(58)	(170)	262		
Effect of exchange rate changes on cash and cash equivalents	1	0	(1)	(1)	(3)	9	4	1	5		
Cash at end	377	331	366	503	234	306	303	357	526	13.9%	61.1%
Capex	240	202	167	171	288	223	200	193	233	18.8%	-16.7%
Ops cashflow (EBITDA – Capex)	501	573	568	533	413	496	588	582	568	-12.6%	21.3%
<i>Ops cashflow margin</i>	<i>30%</i>	<i>35%</i>	<i>34%</i>	<i>32%</i>	<i>24%</i>	<i>30%</i>	<i>34%</i>	<i>32%</i>	<i>32%</i>	<i>-5.4pp</i>	<i>6.1pp</i>

EBITDA reconciliation

RM m	4Q15	3Q16	4Q16	2015	2016
EBITDA (Local definition)	701	775	741	2,983	2,955
Exclude:					
Forex (gain)/loss	(2)	-	3	25	7
EBITDA (Telenor definition)	699	775	744	3,008	2,962