

# DIGI.COM BERHAD

**Second Quarter of FY 2022 (2Q 2022)**

## Earnings Presentation

**15 July 2022**





## GROWTH

- **Strong execution driving Q-Q Service Revenue growth** supported by subscriber base growth across all segments
- **Resilient** EBITDA margin of **48.2%**



## MODERNISATION

- **Full delivery of JENDELA ambitions** to deliver wider coverage and improve speeds, leveraging high data traffic
- **Continued modernisation** of internal processes and **digitalisation** of customer journeys



## RESPONSIBLE BUSINESS

- Leading **industry dialogues** in Responsible Business
- **Building impactful initiatives** through Yellow Heart, with new **scam and phishing awareness campaigns** with customers and communities



### **Proposed Merger with Celcom Axiata**

Received **MCMC's Notice of No Objection**

Ambition to **close transactions in 2H2022**  
maintained

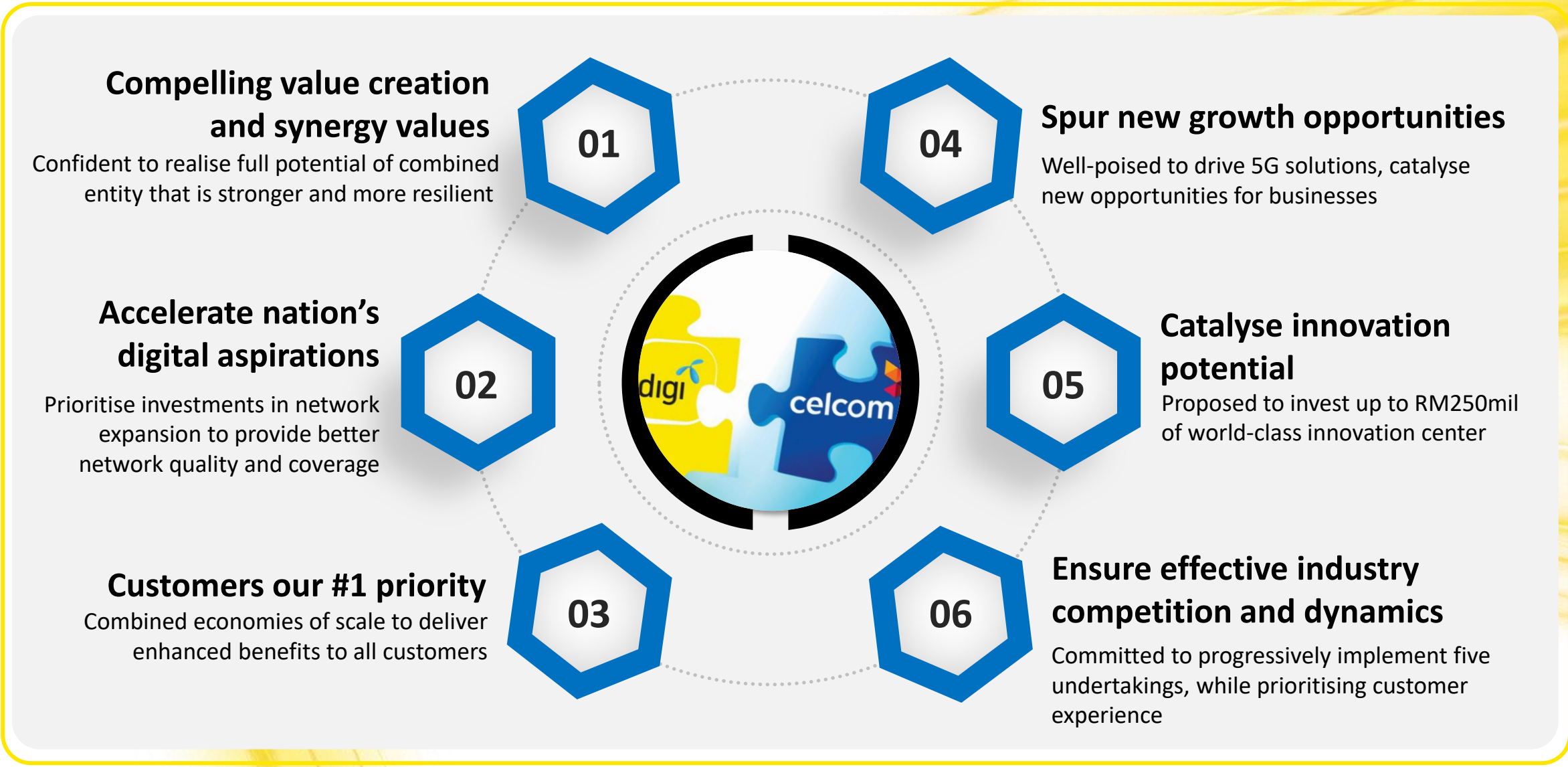


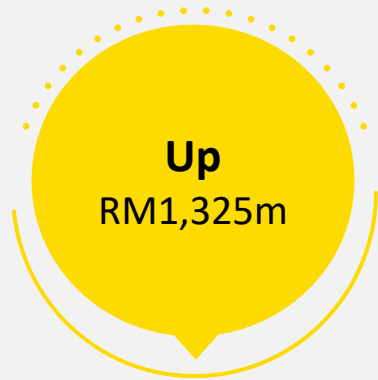
### **Discussion on 5G single wholesale network model**

**Participating** in both equity and access  
processes

**Internal readiness** to launch 5G

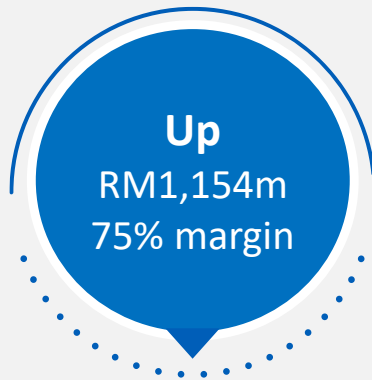




**SERVICE REVENUE**

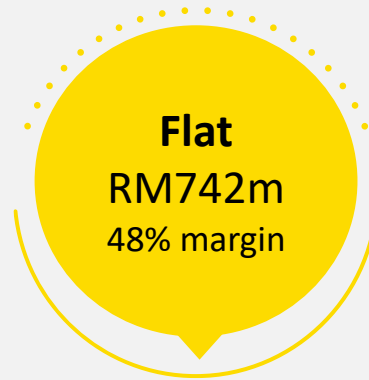
**+1.3% Q-Q**  
**-1.1% Y-Y**

Positive trend,  
continued growth in  
all segments

**GROSS PROFIT**

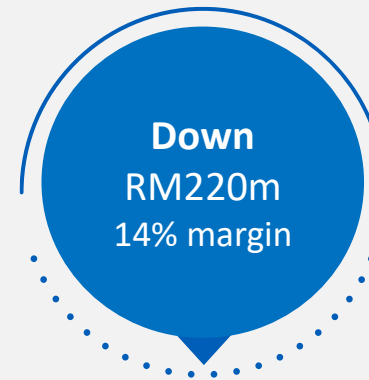
**+1.1% Q-Q**  
**+1.8% Y-Y**

Focused on higher  
value segments &  
careful handset  
spending

**EBITDA**

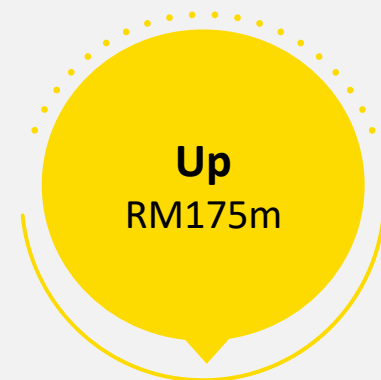
**+0.1% Q-Q**  
**-0.1% Y-Y**

Margin growth  
from strategic  
focus and  
modernisation

**PAT**

**-6.8% Q-Q**  
**-21.4% Y-Y**

Sustained EBITDA  
offset by effect  
from new  
temporary tax  
rate hike

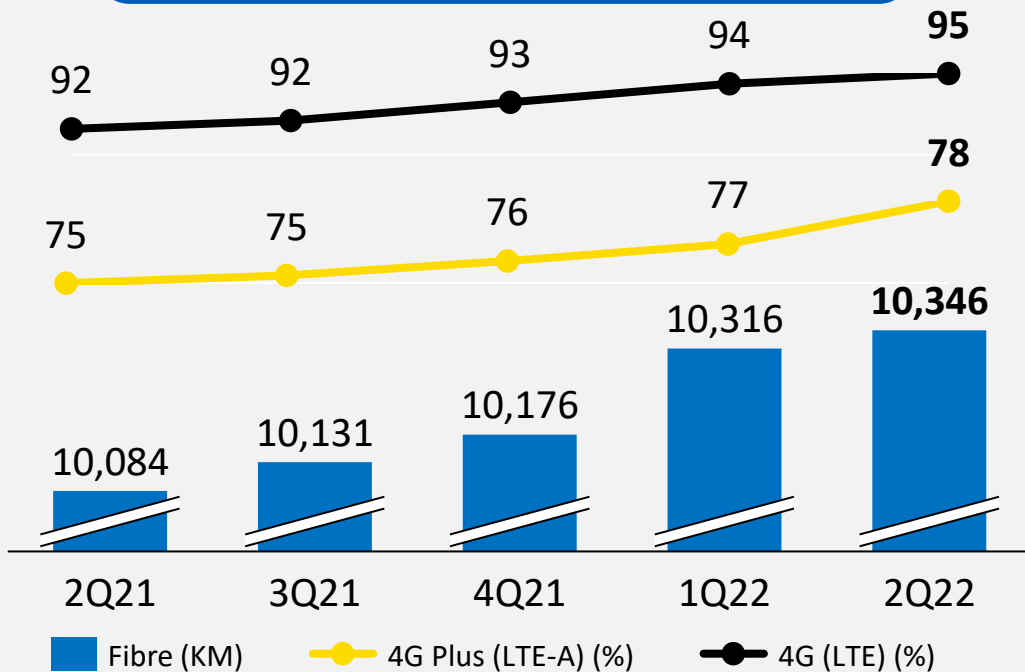
**CAPEX**

**+103.5% Q-Q**  
**-10.7% Y-Y**

High investments  
to support network  
modernisation and  
digitalise IT  
processes

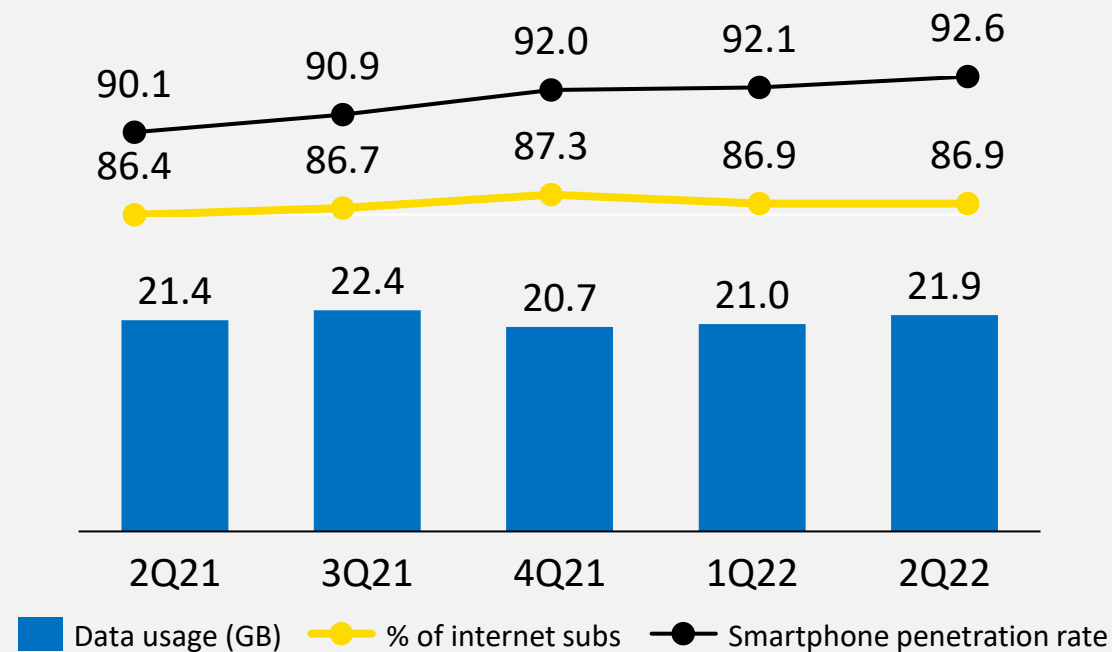
# #1 NETWORK POSITION TO SUPPORT DEMAND FOR HIGH-SPEED DATA

## INCREASING NETWORK COVERAGE



- Continued our commitment to provide consistent and fastest 4G LTE and LTE-A network
- Average download speeds of 44.1 Mbps in 2Q2022
- Data traffic up 4.9% Q-Q on high internet adoption

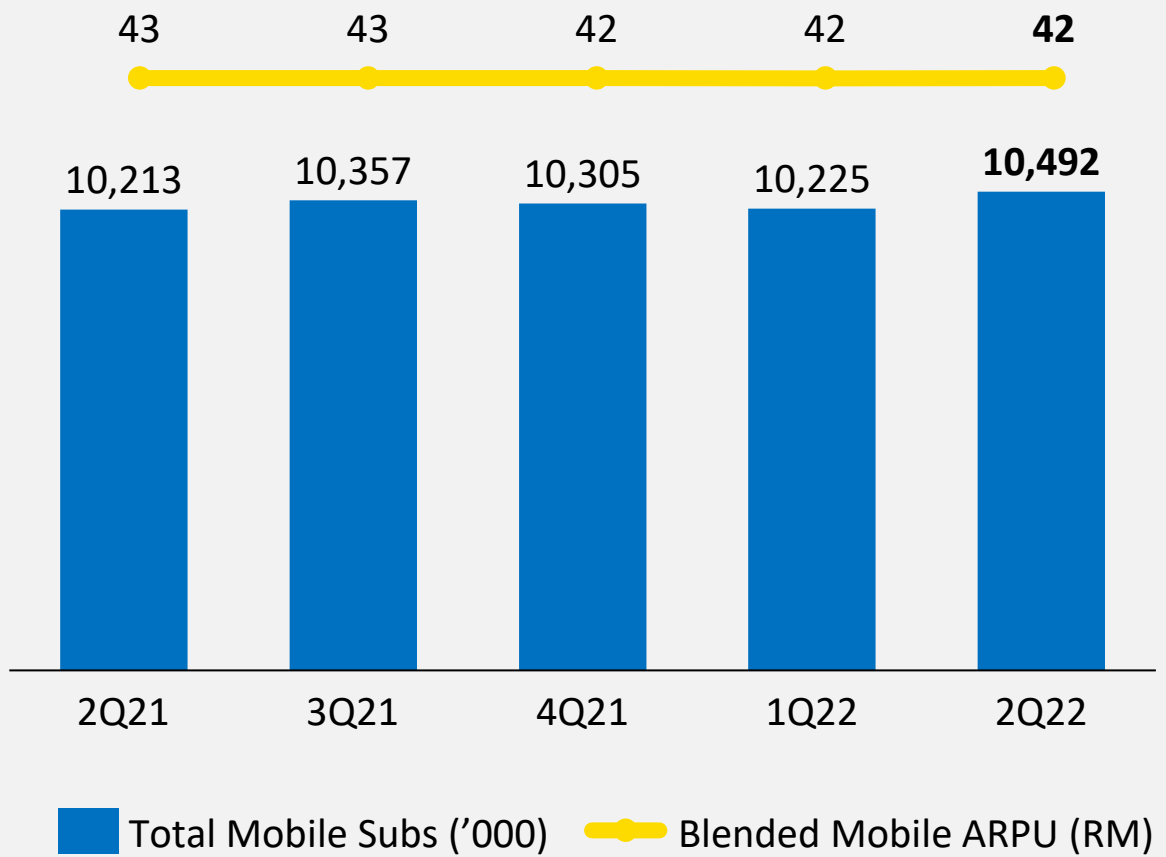
## SMARTPHONE PENETRATION & AVERAGE GB/USER



- Healthy internet subscribers amounted to **86.9% of total base**
- Higher average data per user by 4.3% Q-Q and 2.3% Y-Y to **21.9GB**

# GROWTH IN MOBILE SUBSCRIBER BASE AND RESILIENT BLENDED MOBILE ARPU

## MOBILE SUBSCRIBERS & BLENDED MOBILE ARPU



Note: Subs and ARPU excluding fibre

### Q-Q

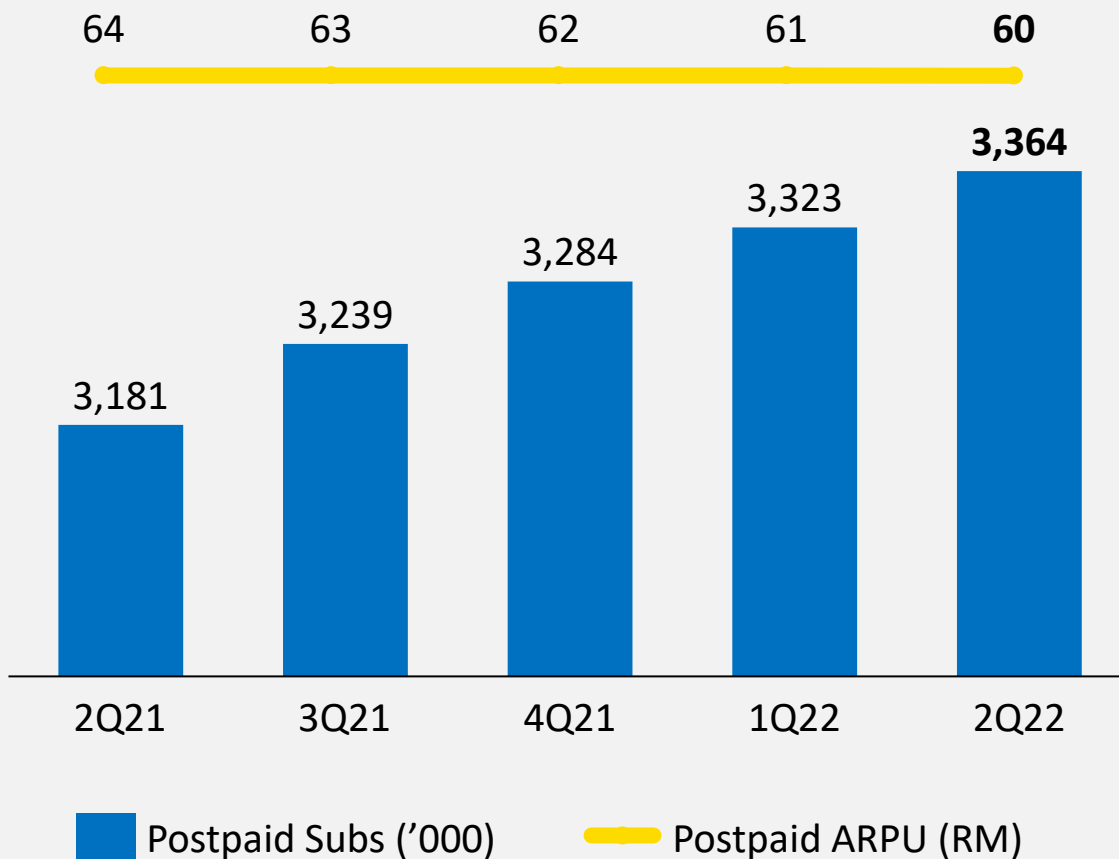
- **Net additions of +267k** (+127k excluding 140k technical adjustment of prepaid base)
- **Postpaid subscribers up for 7th quarter in a row**
- **Prepaid subs returned to growth**
- Blended mobile ARPU sustained

### Y-Y

- **+279K net additions**, of which +183k in Postpaid and +96k in Prepaid (-44k decline incl adjustment)
- Blended mobile ARPU –RM1 partly attributed to **shift in subscriber mix**

# CONTINUED POSTPAID POSITIVE NET ADDITIONS WITH STEADY ARPU

## POSTPAID MOBILE SUBSCRIBERS AND ARPU



Note: Subs and ARPU excluding fibre

### Q-Q

- Net mobile base additions of +41K, **7th quarter in a row** with subscriber growth
- Deepened efforts to **secure customer loyalty and reduced churn**
- ARPU down marginally –RM1 mainly due to **higher entry-level plan take-ups**

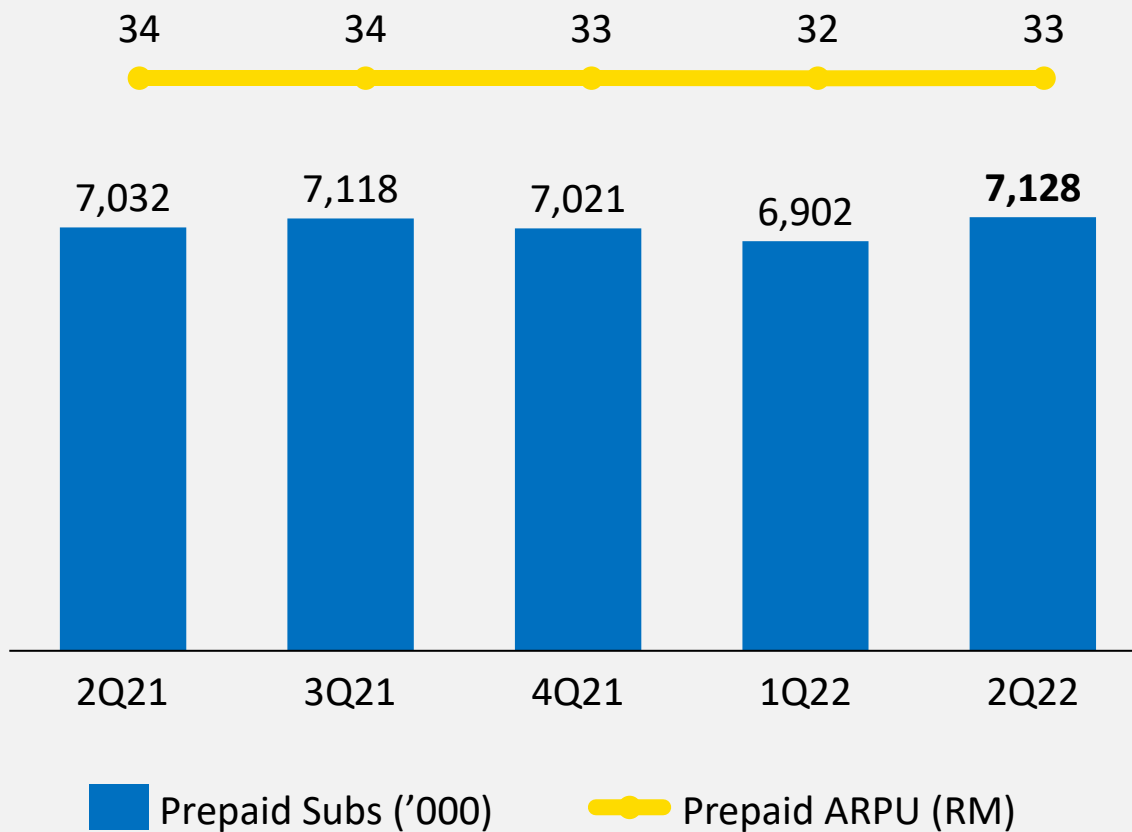
### Y-Y

- Net additions of +183K, or 5.8% mainly from **higher demand for high speed subscriptions** and attractive **bundling offers**
- ARPU down –RM4 mainly on **higher entry-level subs, larger data packages and bundle effects**



# PREPAID SUBS BACK TO GROWTH WITH INDUSTRY-LEADING ARPU

## PREPAID SUBSCRIBERS AND ARPU



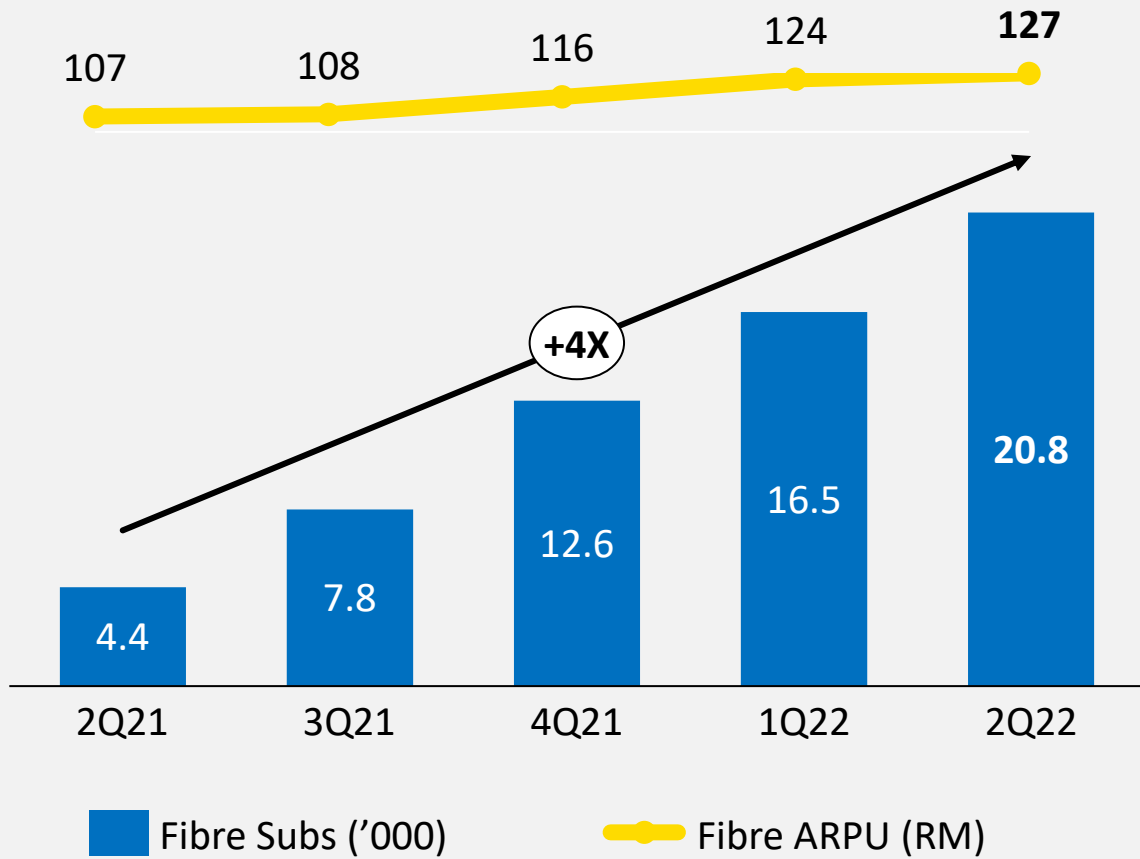
### Q-Q

- **Solid recovery with positive net additions** of +226K (+86K if excluding technical adjustments)
- Positive trend in Malaysian base, **stabilising migrant segment**
- ARPU +RM1 to RM33, at **industry-leading position**

### Y-Y

- Net additions of +96K (-44k if excluding +140k technical adjustments)
- **Higher proportion of Malaysian** subs and **stronger quality of migrant base**
- ARPU down –RM1 on softer voice usages

## FIBRE SUBSCRIBERS AND ARPU

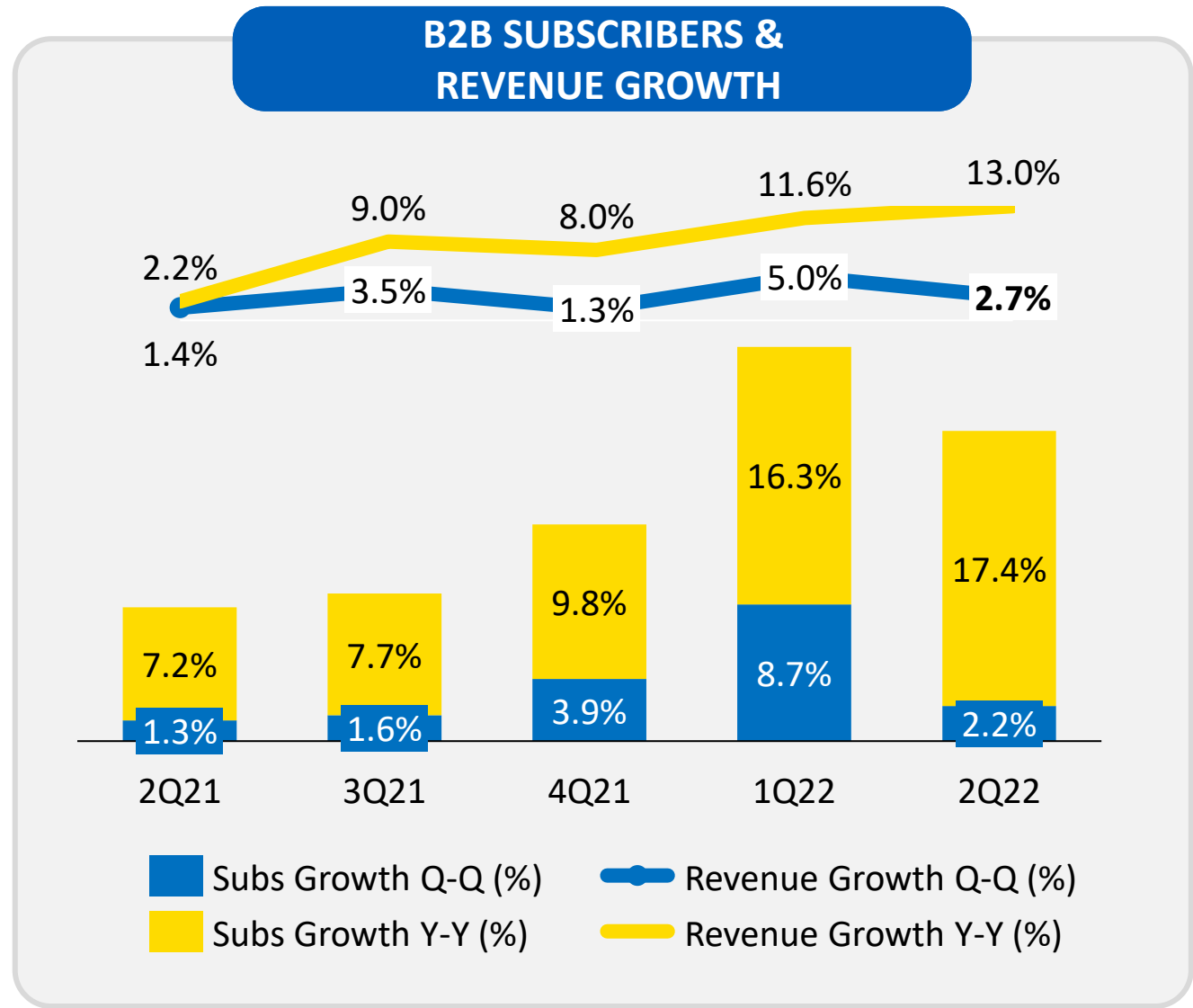


### Q-Q

- **Solid trajectory** with subscriber additions of +4.3K through targeted offers to own mobile subscriber base
- **ARPU uplifted** +RM3 to RM127

### Y-Y

- **Continued growth** in customer demand to yield net additions of +16.4K
- ARPU up +RM20 underlining **healthy contracting activities and take-ups from existing mobile base**

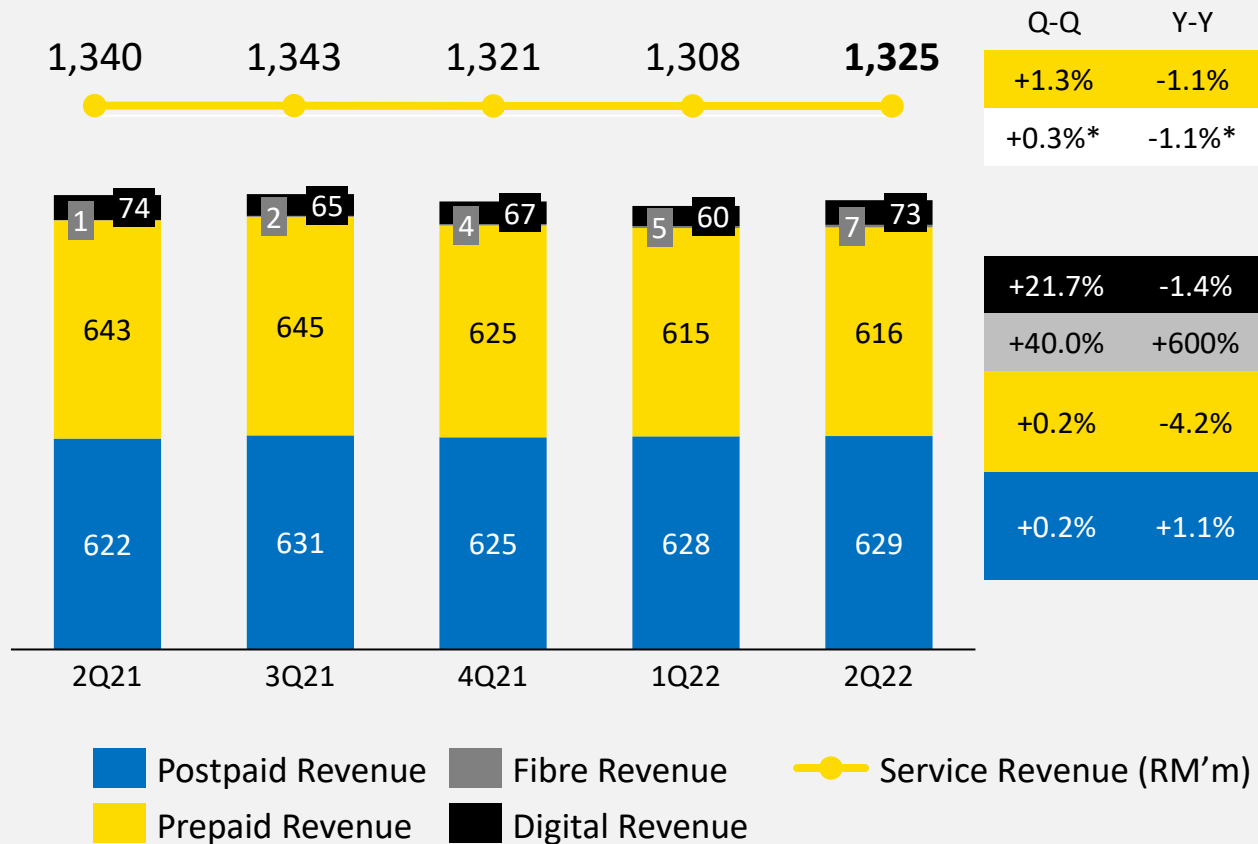


- Q-Q**
- Positive momentum sustained for subscribers on higher **mobile customer and connectivity demands**, capitalising on strong Digi brand
  - **Dedicated on-ground execution to secure large contracts** for advanced solutions for enterprises

- Y-Y**
- **Stronger subscriber growth momentum** supported by **higher digitalisation bundle** take-ups for PENJANA segment
  - Increased revenue from **both core and beyond core services from large enterprises**, with notable contract wins from oil & gas, banking and conglomerate sectors

# CONTINUED POSITIVE POSTPAID MOMENTUM, STABILISING PREPAID

## SERVICE REVENUE (RM'mn)



Q-Q	Y-Y
+1.3%	-1.1%
+0.3%*	-1.1%*
+21.7%	-1.4%
+40.0%	+600%
+0.2%	-4.2%
+0.2%	+1.1%

### Q-Q

- Postpaid revenue grew on healthy demands for **smart bundles and high speed broadband usages**
- Prepaid revenue **back to growth** on **strong Malaysian** and **stabilised migrant** segments, higher data demands
- Fibre and digital revenue fuelled by **high demand** for **faster connectivity** and **enhanced gaming proposition**

### Y-Y

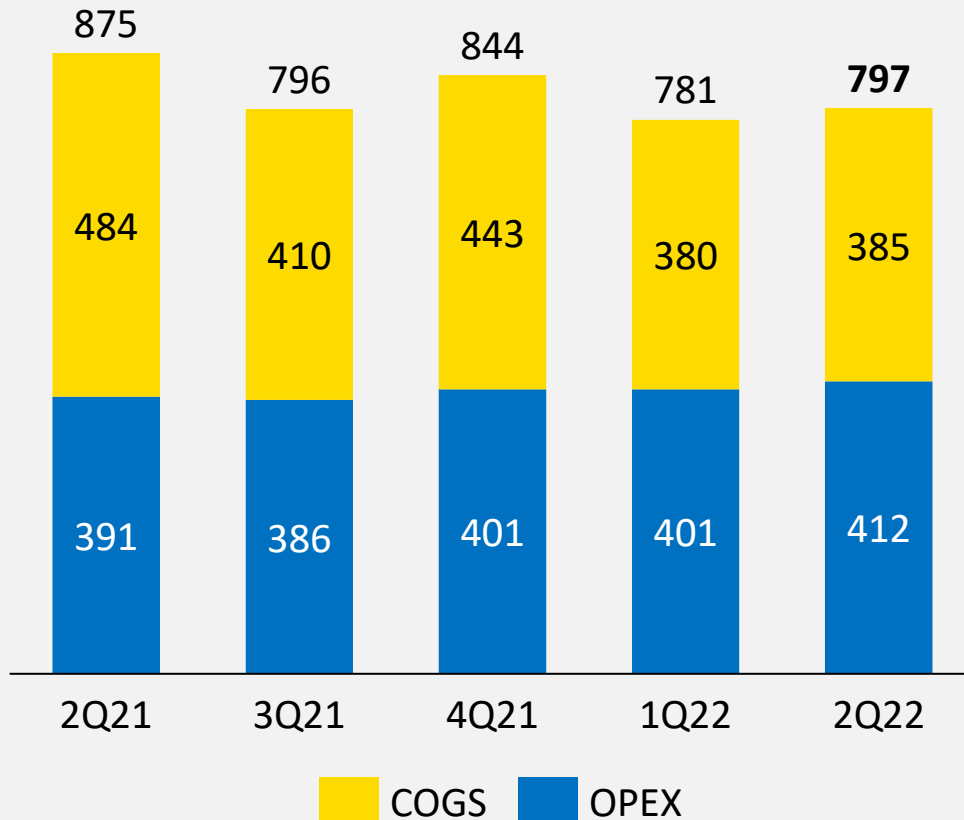
- Steady postpaid, B2B and fibre growth momentum** unable to offset prepaid softness in migrant segment
- Postpaid revenue supported by **larger subscriber base** of 183K and **higher broadband demands**
- Prepaid revenue improvements in Malaysian segment while the effect from **conscious exit of rotational migrant** segment bottomed out

\* Service revenue excluding digital



# PRUDENT AND TARGETED COST MANAGEMENT

## COGS & OPEX (RM'mn)



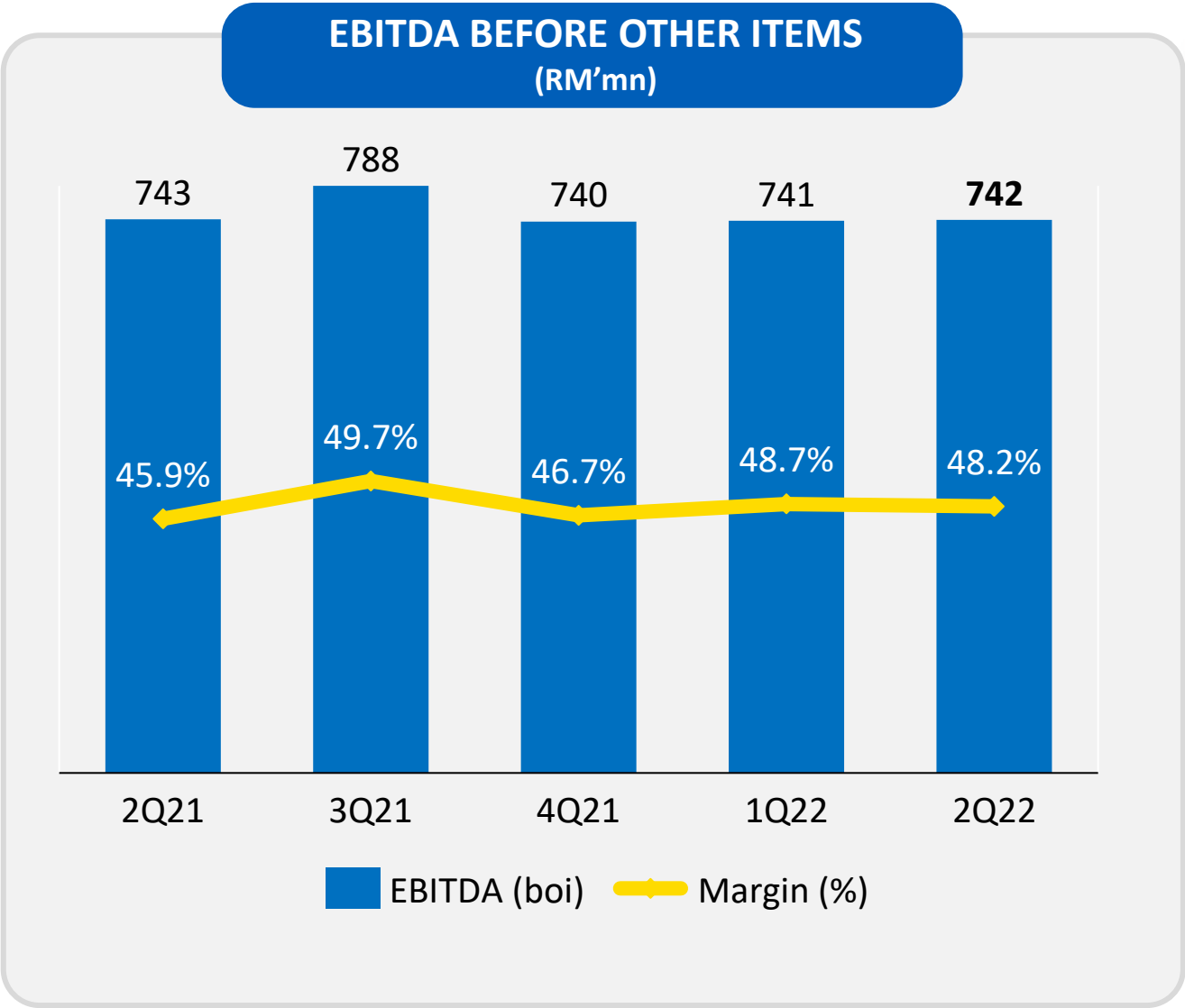
Q-Q	Y-Y
+1.3%	-20.5%
+2.7%	+5.4%

### Q-Q

- COGS up slightly to support **Q-Q demand for high-speed connectivity** and broad range of digital services
- Underlying OPEX increase from **expanded network, IT modernisation initiatives** and **inflation pressure**
- Healthy OPEX to service revenue of **31.1%** from 30.7% in 1Q2022

### Y-Y

- Reduction in COGS from **lower traffic and material costs**
- Shift in revenue mix including device peak in 2Q2021 and improved operating model for digital business led to **Gross Profit Margin uplift from 70.1% to 75.0%**
- OPEX up 5.4% on underlying **inflation effects, investments** in expanding our leading network and IT modernisation



Q-Q

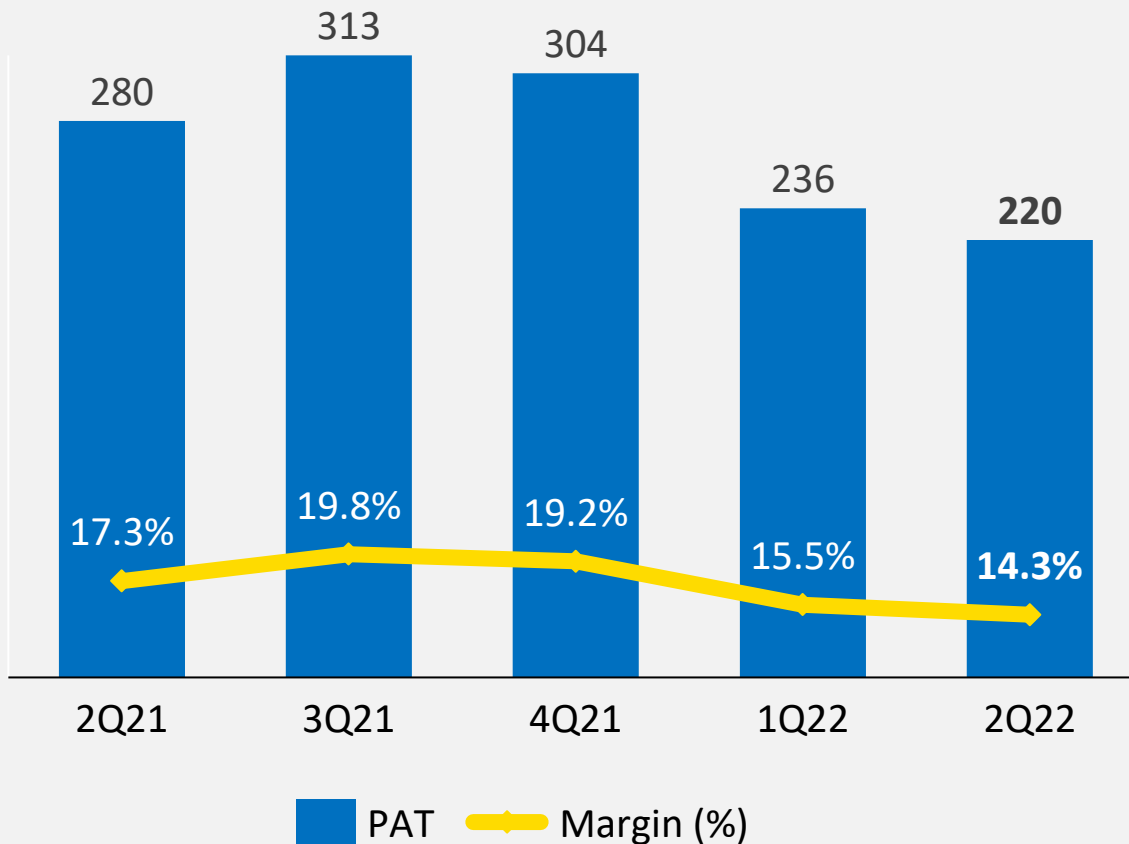
- EBITDA up marginally 0.1% on **topline growth and efficient cost containment**

Y-Y

- Marginal reduction of -RM1 million as flow through from **softer topline and increased investments** partly offset by **cost discipline and OE**
- Margin strengthened by 2.3% percentage points** underscored by **our disciplined OE approach**

# DRIVING PROFITABLE OPERATIONS AMIDST TEMPORARY TAX HIKE

## PROFIT AFTER TAX (RM'mn)



### Q-Q

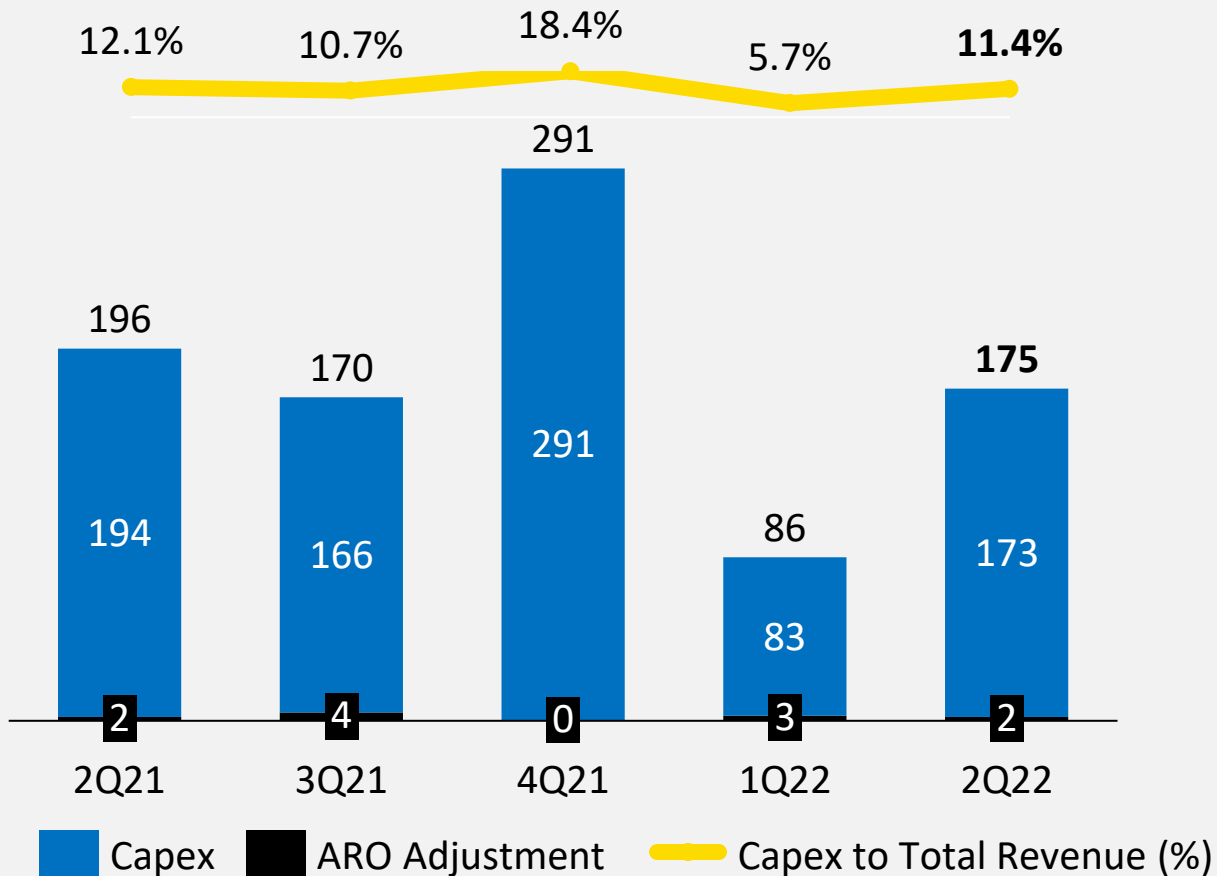
- PAT down -6.8% on **higher net finance costs from non-cash hedge accounting and deferred tax**

### Y-Y

- PAT down -21.4% mainly due to **temporary prosperity tax** for FY2022 and increased net finance costs due to **non-cash hedge accounting**
- PAT margin still at a **healthy 14.3%**

# HIGH INVESTMENTS FOR MODERNISATION AND DIGITALISATION INITIATIVES

## CAPEX (RM'mn)



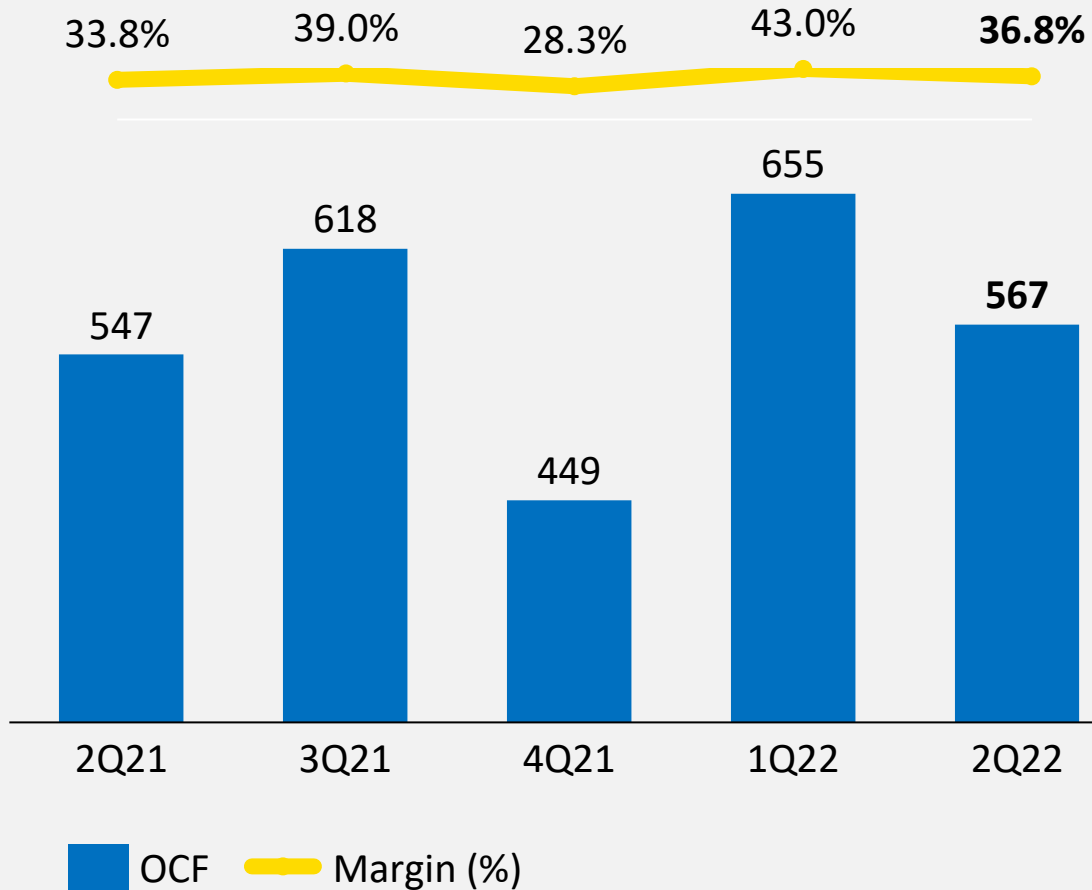
### Q-Q

- +103.5% or RM89 million in quarter
- Capex amounts **Q-Q vary according to stages** and completion of main projects

### Y-Y

- Progress on Capex initiatives on track to reach 2022 plan of **~RM800 million, or 12% of total revenue**
- **Network upgrade & expansion** and **IT modernization** main focus areas



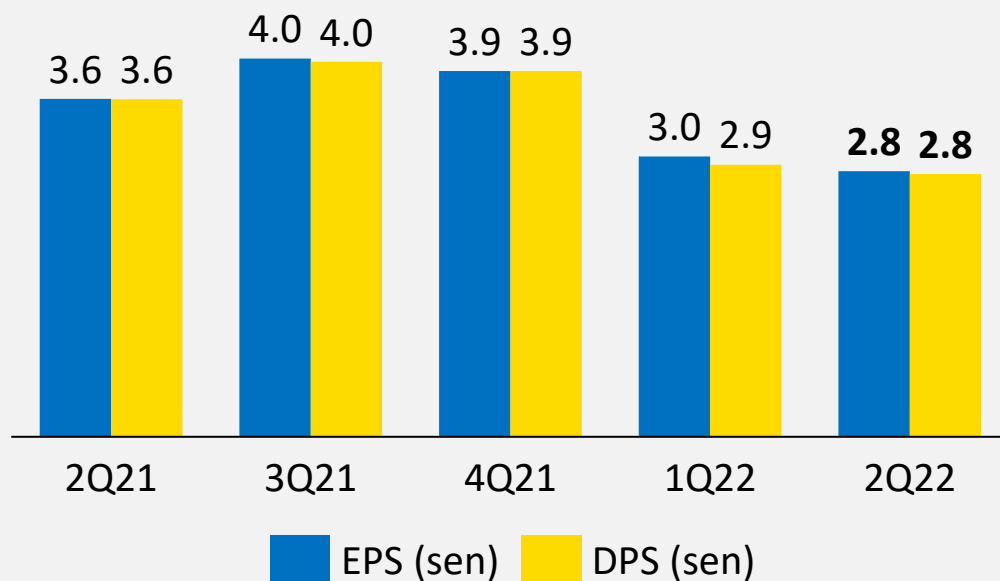
**OPERATING CASH FLOW (OCF)**  
(RM'mn)**Q-Q**

- **OCF down -13.4%** mainly due to variations in quarterly capex allocation

**Y-Y**

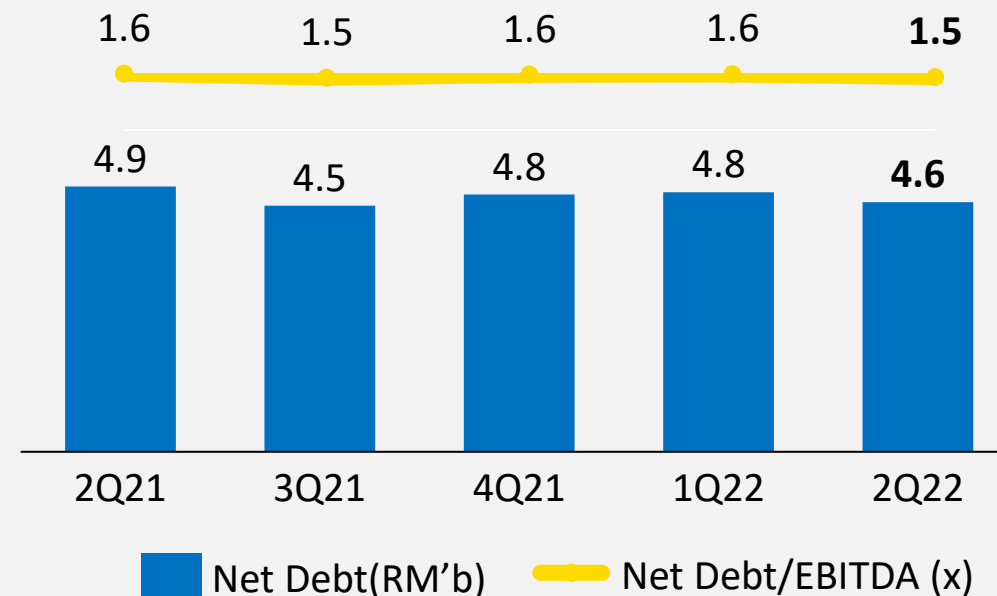
- **OCF up +3.7%** mainly due to variation in quarterly capex allocation
- **Sustainable OCF margin of 36.8%**

## SHAREHOLDER RETURN



- Earnings per share (EPS) down -2sen Q-Q or -8sen Y-Y
- **Dividend payout of RM218 million or 98.9% payout**

## NET DEBT &amp; NET DEBT / EBITDA



- **Net debt to EBITDA ratio reduced to 1.5x**
- Dividend supported by **strong balance sheet**

## 2022 GUIDANCE



**Service  
Revenue**

**Return to growth**



**Normalised  
EBITDA**

**Low single digit decline**



**Capex-total  
revenue**

**Around FY2021 level (12.8%)**



**Solid 2Q2022 financial achievements**



**Continued growth momentum in core segments**



**High investment on modernisation to sustain #1 network leadership**



**Leading responsible business standards**



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# THANK YOU

**DIGI.COM BERHAD**

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15 JULY 2022

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**Upcoming Events**

**3Q2022 Results ▶ 20 Oct'22**



We aspire to be a brand that customers trust, and therefore will prefer.  
We believe customers will choose brands that operate with the highest standards,  
one that conforms to the same values that they can relate to.



**Empowering societies.  
Connecting you to what matters most.**

**Include**

**Advance**

**Safeguard**

*Driving positive impact*

**Social**

**Digital Skills**

Building skill for an inclusive, safe and accelerated digital future.

**Environment**

**Climate & Environment**

Charting a pathway towards a sustainable and clean future.

*Responsible business conduct*

**Governance**

Anti-Corruption

Security

Supply Chain Sustainability

Data Privacy Compliance

**Social**

Diversity & Inclusion

Human Rights

Health, Safety & Wellbeing







## Climate and Environment



**Deliver on climate action** to combat transition risk & energy growth due to rising data demand and usage

01

### Digi's climate action plans for 2022:

- Climate engagement activities with employees
- Updated risk taxonomy on climate change risks
- 56 sites with hybrid solar deployment
- 46 generator to grid conversion projects
- 6,900 sites with CSON Artificial Intelligence tools
- 12 sites with extreme weather resilience upgrade
- Monitor energy growth against committed target

02

Organised for 2<sup>nd</sup> year a **Telco sector Climate Roundtable** partnering CEO Action Network & Climate Governance Malaysia



## Social Responsibility and Nation Building



**Build impactful** initiatives to support our Yellow Heart commitment & UN Sustainable Development Goals

01

Partner with local artists to create Safe Internet digital comics **to reach 100k children**

02

Pioneered a one-day interactive **virtual simulation workshop** with secondary schools on **Safe Internet & social media**

03

Creating a hearing-impaired **Skills for Digital Future** school module partnering UNICEF & MDEC

04

**Scam and Phishing awareness campaigns** with customers and communities



## APPENDIX: NET DEBT/EBITDA RECONCILIATION

RM'mil	1Q2021	2Q2021	3Q2021	4Q2021	1Q2022	2Q2022
<b>Borrowings*</b>	<b>2,735</b>	<b>2,686</b>	<b>2,549</b>	<b>2,501</b>	<b>2,514</b>	<b>2,290</b>
Term Loan (Islamic)	443	443	368	369	294	495
Islamic Medium-Term Note (IMTN)/ Sukuk	1,799	1,799	1,799	1,799	1,799	1499
Revolving Credit (Islamic)	-	-	-	-	25	-
Term Loan (Conventional)	493	444	382	333	271	221
Revolving Credit (Conventional)	-	-	-	-	125	75
<b>Lease Liabilities**</b>	<b>2,586</b>	<b>2,618</b>	<b>2,589</b>	<b>2,459</b>	<b>2,464</b>	<b>2,460</b>
<b>Total Debt</b>	<b>5,321</b>	<b>5,304</b>	<b>5,138</b>	<b>4,960</b>	<b>4,978</b>	<b>4,750</b>
Cash and Bank Balances	217	403	590	205	182	138
<b>Net Debt</b>	<b>5,104</b>	<b>4,901</b>	<b>4,548</b>	<b>4,755</b>	<b>4,796</b>	<b>4,612</b>
4Q Rolling EBITDA	3,062	3,035	3,035	3,009	3,012	3,011
<b>Net Debt/EBITDA</b>	<b>1.7</b>	<b>1.6</b>	<b>1.5</b>	<b>1.6</b>	<b>1.6</b>	<b>1.5</b>

\* Net of capitalised transaction costs

\*\* Lease Liabilities are recognized as interest bearing debt under MFRS 16 and included in the Net Debt calculations

- Net debt over EBITDA ratio reduced to 1.5 times on the back of sufficient financial borrowings to fund future growth opportunities
- Deterioration in 4-quarters rolling EBITDA on softer revenue trend and strategic investments for modernisation and digitalisation