

DIGI.COM BERHAD

Third Quarter of FY 2022 (3Q 2022)

Earnings Presentation

20 October 2022





GROWTH

- **2nd consecutive quarter of subscriber growth** across all segments
- **Cost optimisation** sustaining resilient margins



MODERNISATION

- **#1 network position with higher** download speeds and consistency
- **Continued modernisation and digitalisation** agendas



RESPONSIBLE BUSINESS

- **Building impactful initiatives** with focus on Human Rights, Privacy & Internet Safety
- **Setting clear roadmap and plan** for Climate Change and Management



Proposed Merger with Celcom Axiata Berhad

- Received approval from Securities Commission on the proposed merger
- Target for transaction completion in 2H2022 intact



5G single wholesale network model

- Signed conditional share subscription agreement for 12.5% equity stake in DNB
- Good progress on access agreements and regulatory frameworks

-0.5% Q-Q*
-1.8% Y-Y

SERVICE REVENUE
RM1,319m

Sustained growth in
Postpaid, Fibre &
B2B and rebound
of migrant segment

**-0.2% Q-Q excl. Digital*

-4.4% Q-Q
+2.1% Y-Y

OPEX
RM394m

Disciplined
spending and lower
spectrum fees

+0.9% Q-Q
-4.9% Y-Y

EBITDA
RM749m
48.9%

Continuous
modernisation
initiatives while
preparing for
merger

+20.5% Q-Q
-15.3% Y-Y

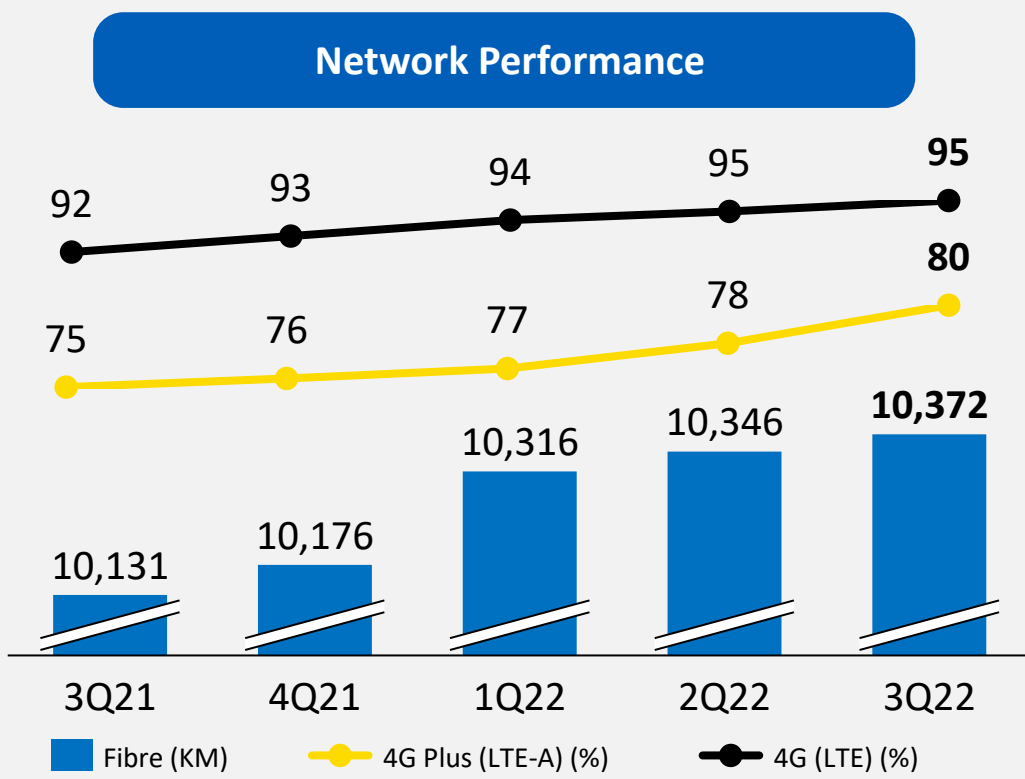
PAT
RM265m
17.3%

Improved operating
result alongside
lower financing and
tax costs

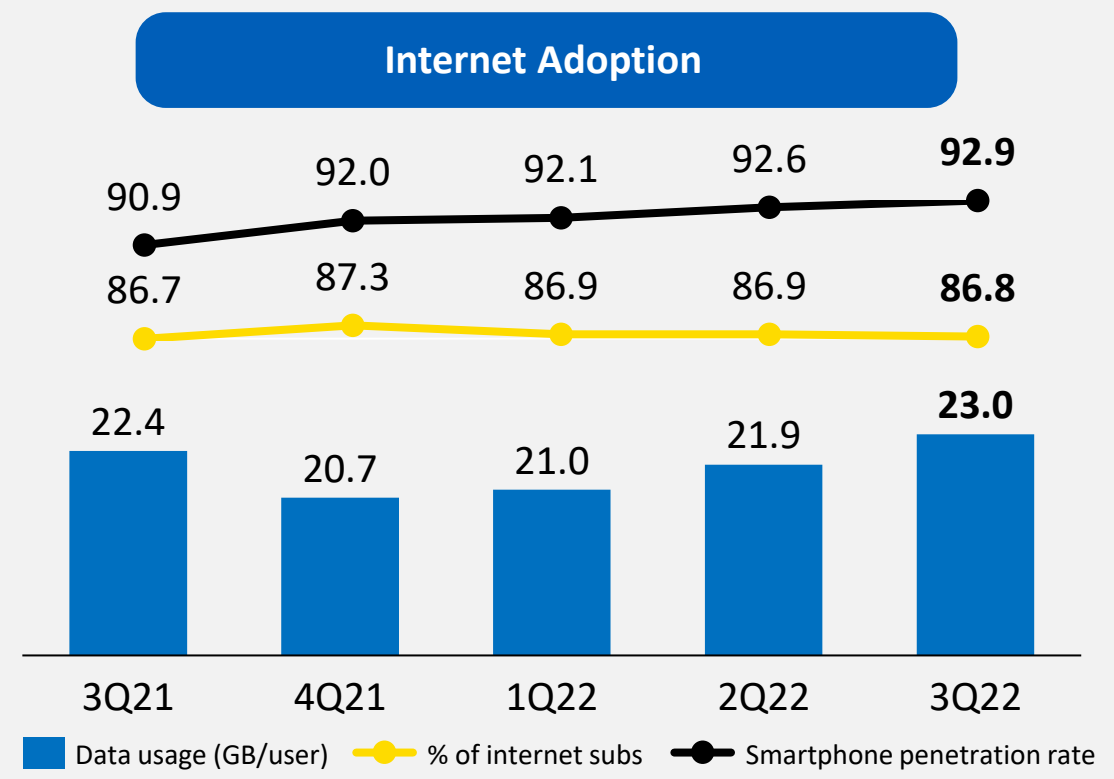
-1.1% Q-Q
+1.8% Y-Y

CAPEX
RM173m
11.3%

Continued
investments in
reliable and high-
speed connectivity



- **Spectrum efficiency** for better and faster 4G network
- Higher **download speeds of 45.6Mbps (2Q22: 44.1 Mbps)**
- **Consistent data traffic growth**, up 7.6% Q-Q and 6.2% Y-Y



- Sustained internet subscribers amounted to **86.8% of total base**
- Higher average data per user by **5.0% Q-Q** and **2.7% Y-Y to 23.0GB**



STEPPED UP ACQUISITION EFFORTS WITH INTERNET CENTRIC CAMPAIGNS



POSTPAID

- Best value position with **PF365** and **contract offers**
- Stronger **contracted base** and **gross additions** in 3Q22

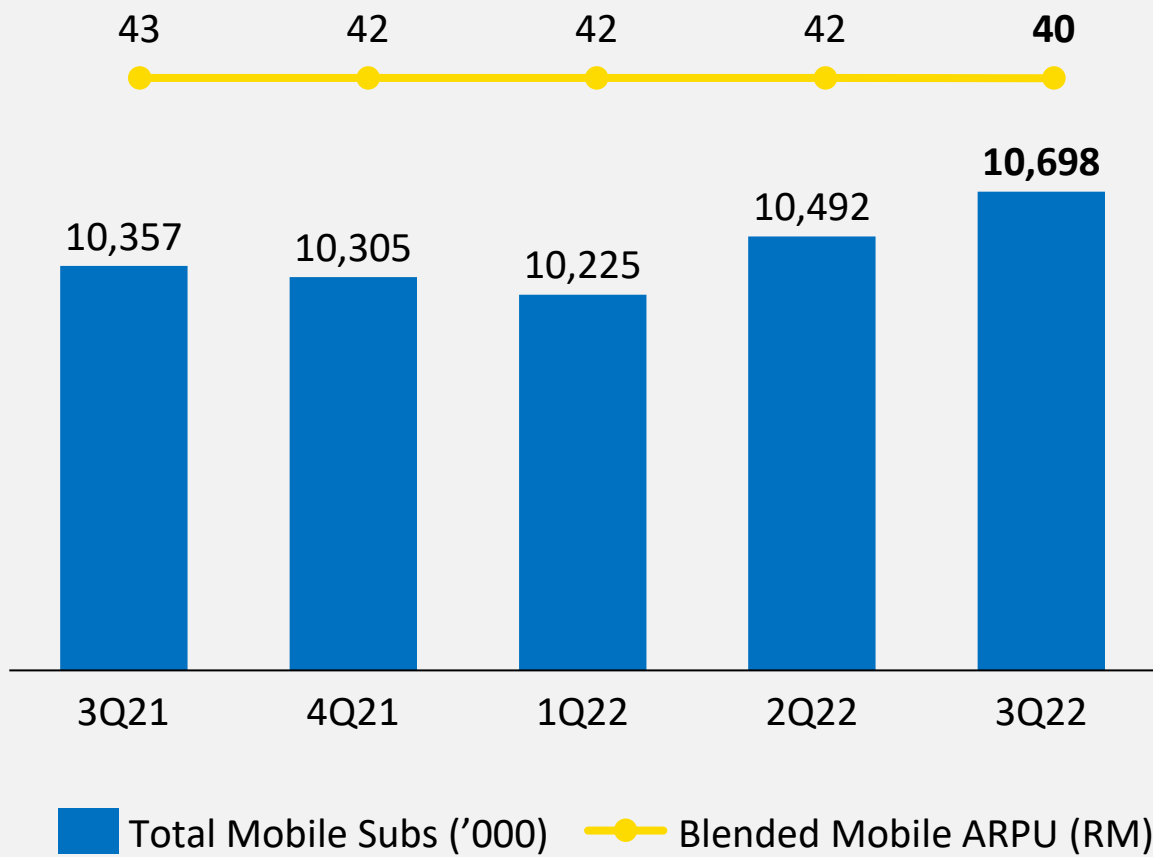


PREPAID

- Maintain the **leader** in **high-speed** internet passes
- Launched **Prepaid NEXT Unlimited RM40** to drive higher ARPU development

MOBILE SUBSCRIBER BASE GROWTH CONTINUED, PREPAID ARPU UNDER PRESSURE

Mobile Subscribers & Blended Mobile ARPU



Note: Subs and ARPU excluding fibre

Q-Q

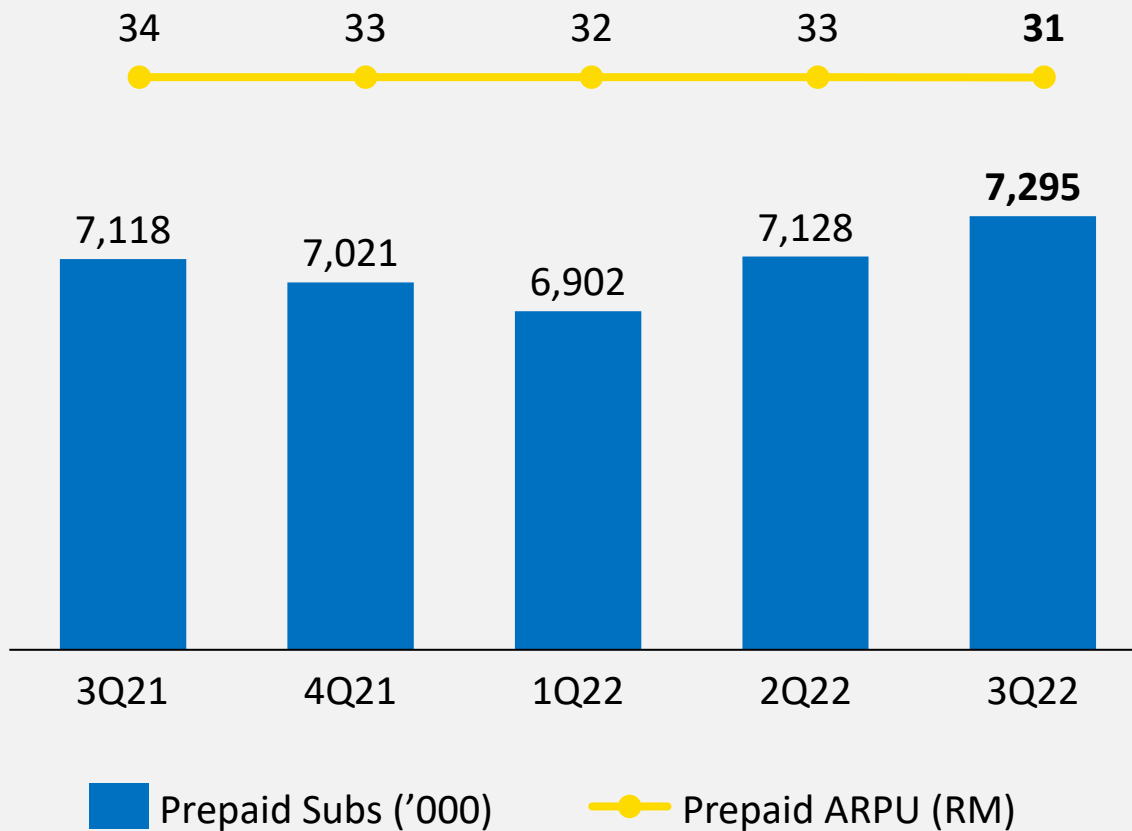
- **Net mobile additions of +206k** from healthy growth in all segments
- **Postpaid subscribers up for 8th quarter in a row**
- Blended mobile ARPU declined –RM1.4 or -3.3% caused by the ending of the **Jaringan Prihatin programme (JP)** impacting Prepaid ARPU

Y-Y

- **+341K net additions**, of which +164k in Postpaid and +177k in Prepaid
- Blended mobile ARPU –RM2.5 or -5.8% due to **market pressure**

ROBUST PREPAID CUSTOMER GROWTH, ARPU IMPACTED BY END OF JP

Prepaid Subscribers And ARPU



Q-Q

- **2nd quarter in a row with net additions of +167K**
- **Solid recovery** of the **Migrant** segment
- **Malaysian** segment & ARPU declined –RM2 impacted by end of JP which ended in September 2022

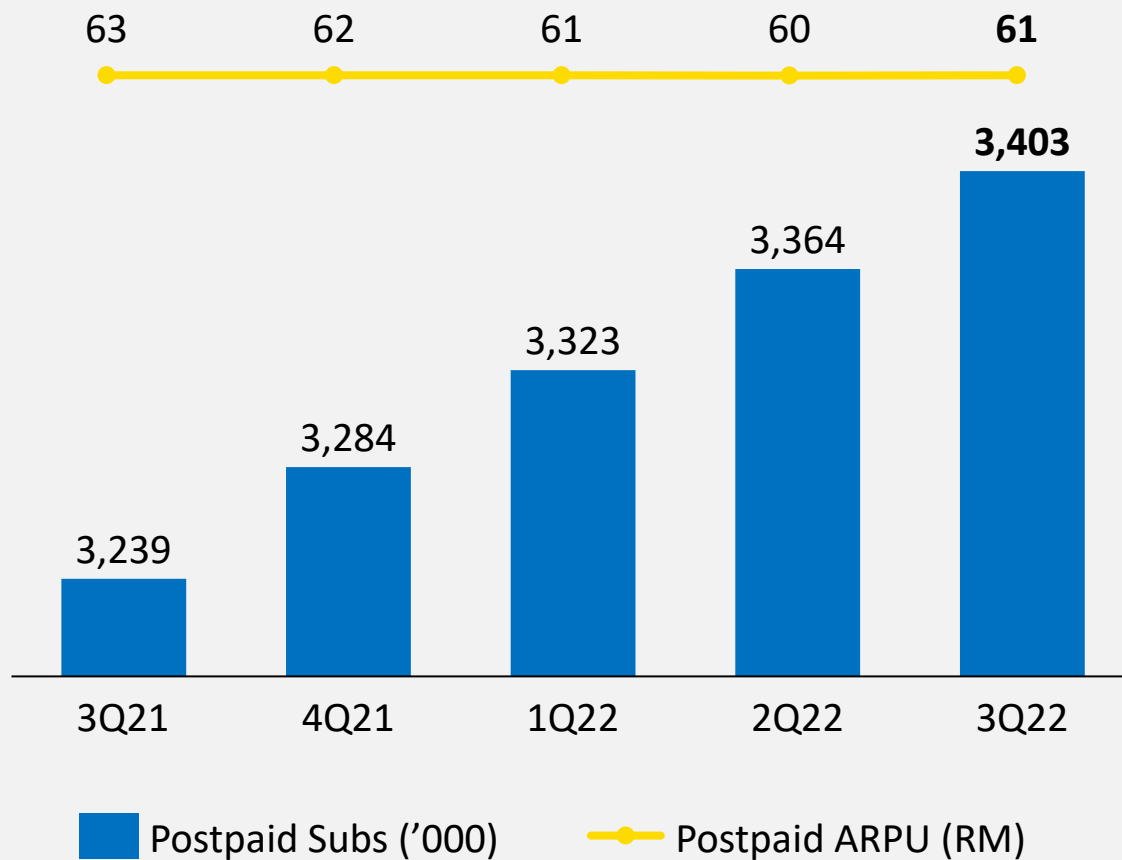
Y-Y

- Net additions of +177K, **strongest growth** since 2020
- Focus growing quality mobile internet subscribers of **both Malaysian and Migrant** pools on solid churn management



POSTPAID REMAINED STRONG, SEQUENTIAL ARPU BACK TO GROWTH

Postpaid Mobile Subscribers And ARPU



Note: Subs and ARPU excluding fibre

Q-Q

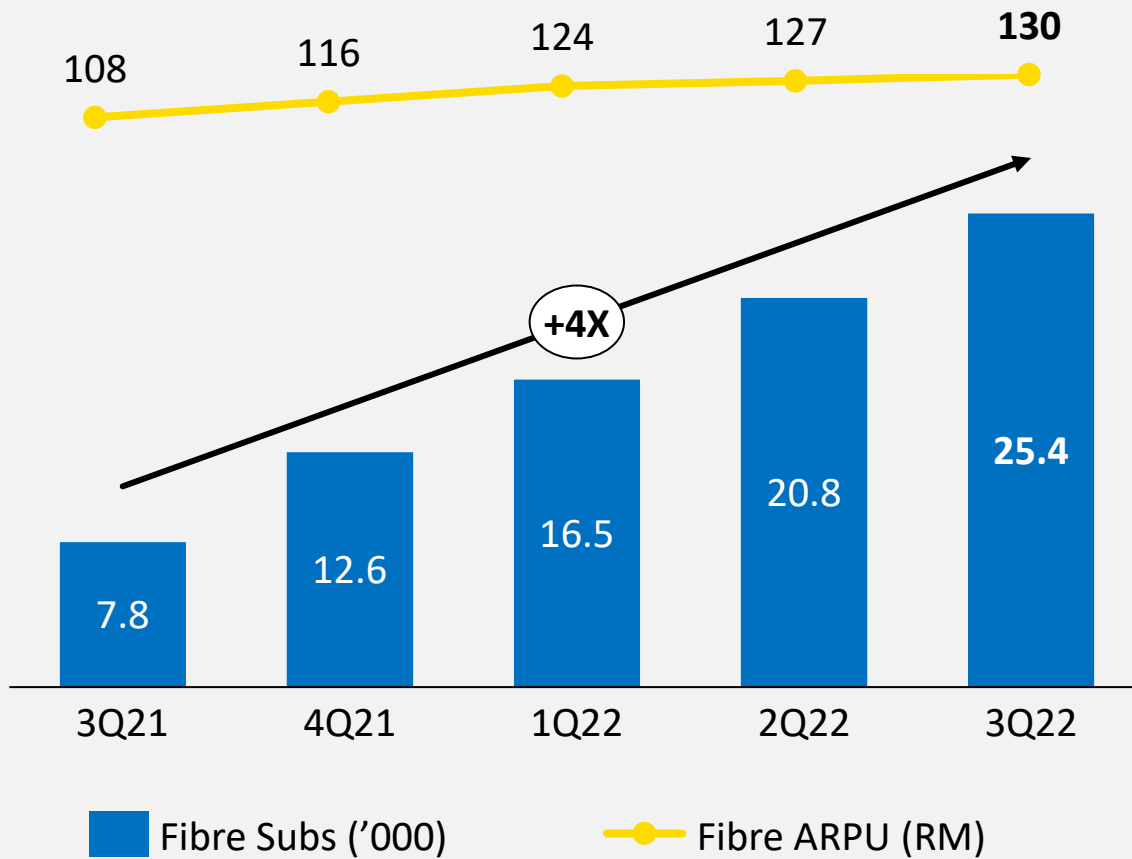
- Net additions of +39K from **consistent base management activities** and strong demand from High-Speed product
- ARPU up RM1 mainly due to **higher smartphone bundles and value Postpaid plans take-ups**

Y-Y

- Net additions of **+164K**, or **5.1%** mainly from higher demand for **high-speed subscriptions** and attractive **bundling offers**
- ARPU down –RM2 mainly on **product mix, contracted subscriber base and roaming usages**

FIRM HOME FIBRE TRAJECTORY, BOTH SUBS AND ARPU STRENGTHENED

Fibre Subscribers And ARPU



Q-Q

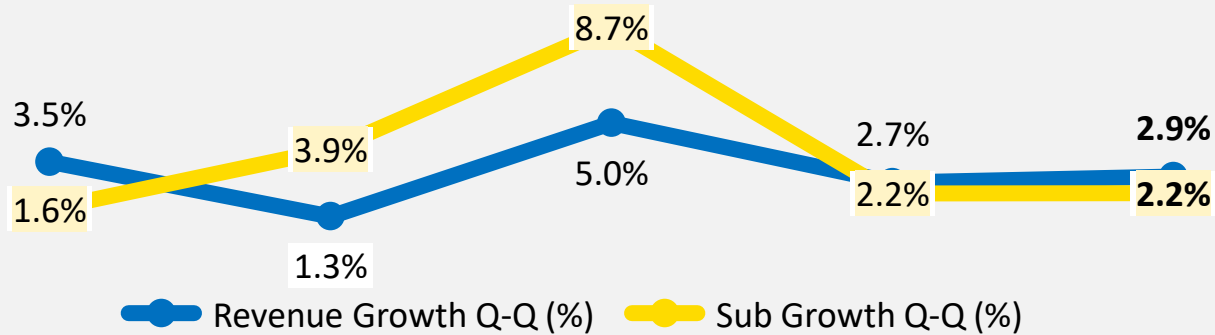
- **Solid trajectory** with subscriber additions of +4.6K through targeted offers to own mobile base
- **ARPU uplifted** +RM3 to RM130

Y-Y

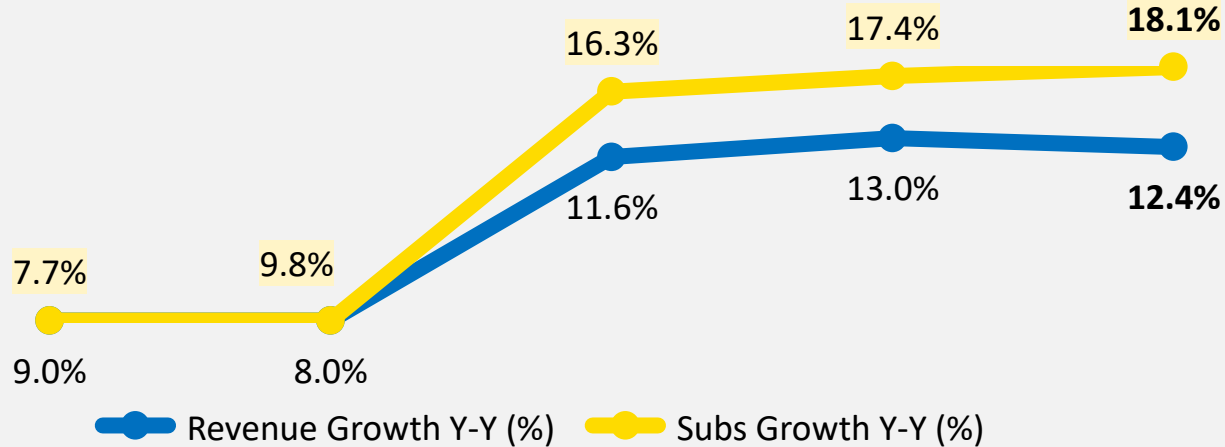
- Subscriber base up 4x to 25.4k, high degree of bundling created **positive impact on mobile churn**
- ARPU up +RM21 underlined **healthy contracting activities and take-ups from existing mobile base**

B2B Subscribers & Revenue Growth

Q-Q trend



Y-Y trend



Q-Q

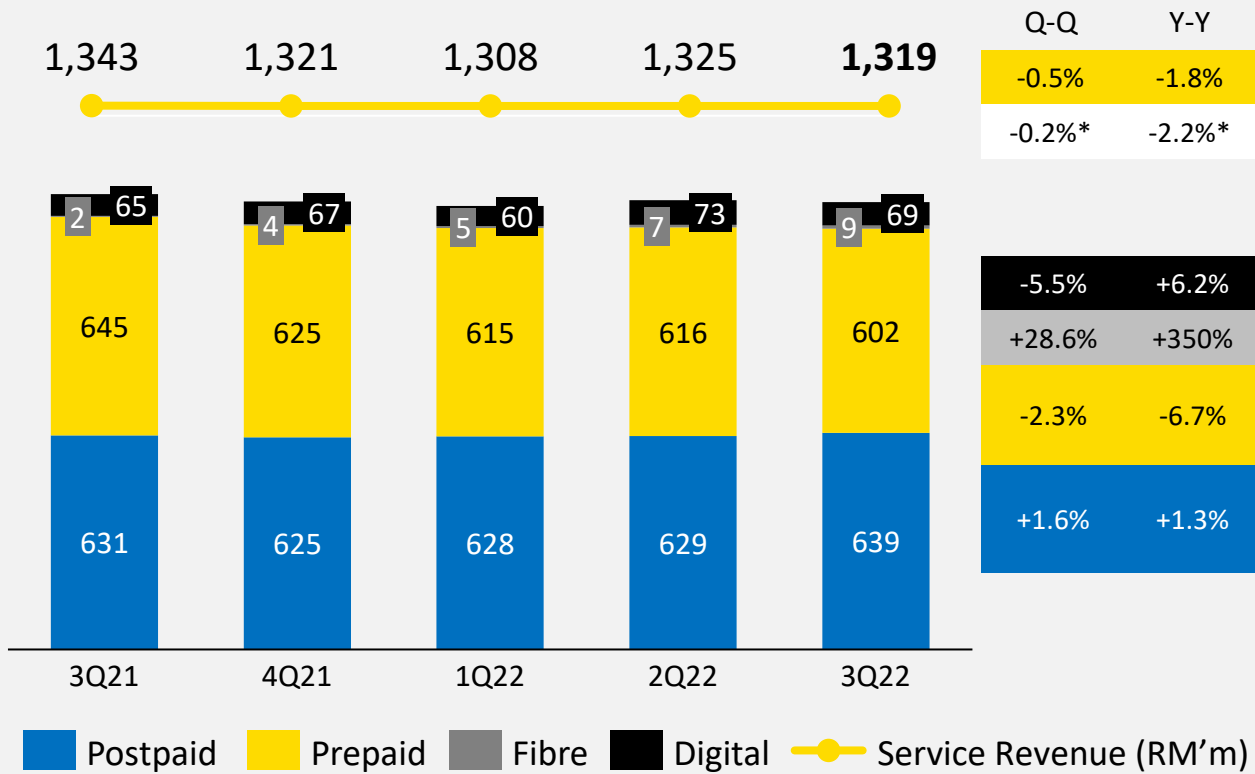
- Growth from both Connectivity and Services
- **Dedicated on-ground execution to secure large contracts** for advanced solutions for enterprises

Y-Y

- **The highest subscriber growth since 4Q20**, higher take-ups in both SME and Large Enterprises
- Record-high revenue from **core and near-core services from large enterprises** anchored on solid execution and partnerships

RETURN TO GROWTH EXCLUDING TEMPORARY PREPAID JP IMPACT

Service Revenue (RM'm)



Q-Q	Y-Y
-0.5%	-1.8%
-0.2%*	-2.2%*

-5.5%	+6.2%
+28.6%	+350%
-2.3%	-6.7%
+1.6%	+1.3%

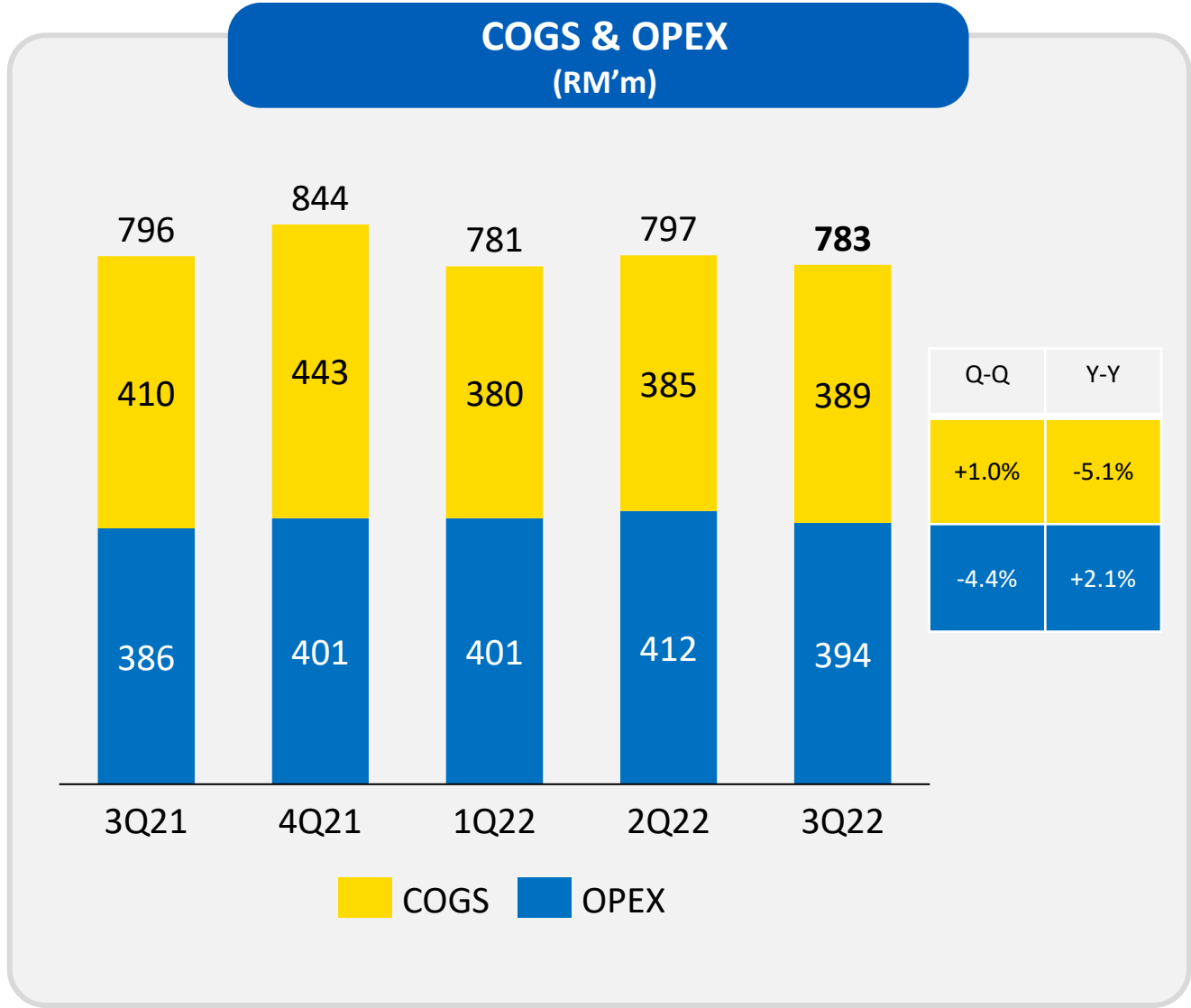
Q-Q

- **Marginal sequential decline** on adverse macro trend and the end of JP
- **Solid Postpaid & Fibre** growth on healthy demand for smartphone plans, smart bundles and B2B services
- Steady recovery in **Prepaid Migrant** segment
- **Healthy device revenue** to further support Postpaid growth

Y-Y

- **Robust Postpaid, B2B & Fibre** growth and total subscriber base growth offset by Prepaid JP peaking in 3Q21 and ending 3Q22
- Postpaid revenue supported by **growing contracted base** and **B2B on strong value proposition**
- Positive reception of **Juara Internet Malaysiaku** campaign and **Prepaid Unlimited** products

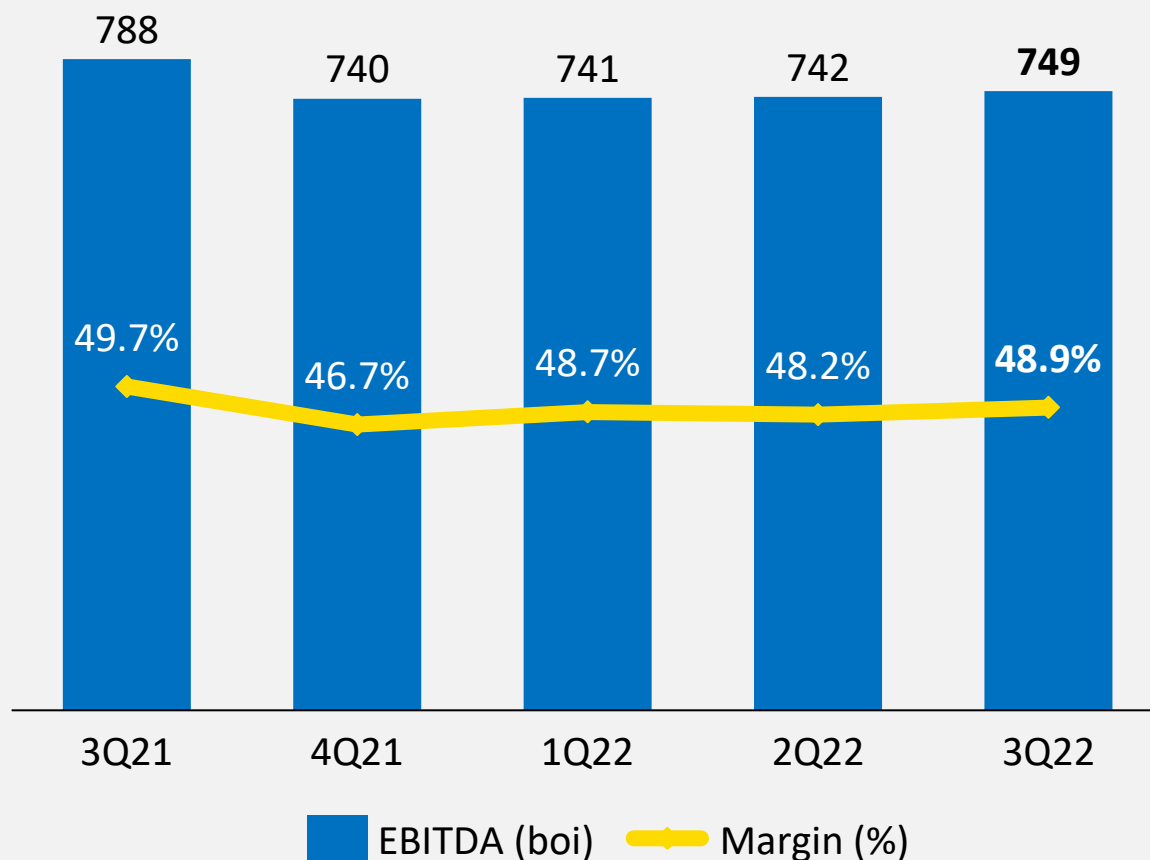
* Service revenue excluding digital



- Q-Q
- Higher material costs on higher demand for devices, high-speed fibre connectivity and digital services
 - Reduction in OPEX from continuous modernisation programme, disciplined spending and lower spectrum license fees
 - Strengthened OPEX to service revenue of 29.9%
- Y-Y
- COGS declined mainly on lower traffic and material costs
 - Shift in revenue mix and improved operating model for digital business led to **Gross Profit Margin uplift from 74.1% to 74.6%**
 - OPEX up 2.1% on underlying **investments** in expanding our leading network, IT modernisation and merger related costs as well as positive one-off in 3Q21

RESILIENT EBITDA PERFORMANCE

EBITDA Before Other Items (RM'm)

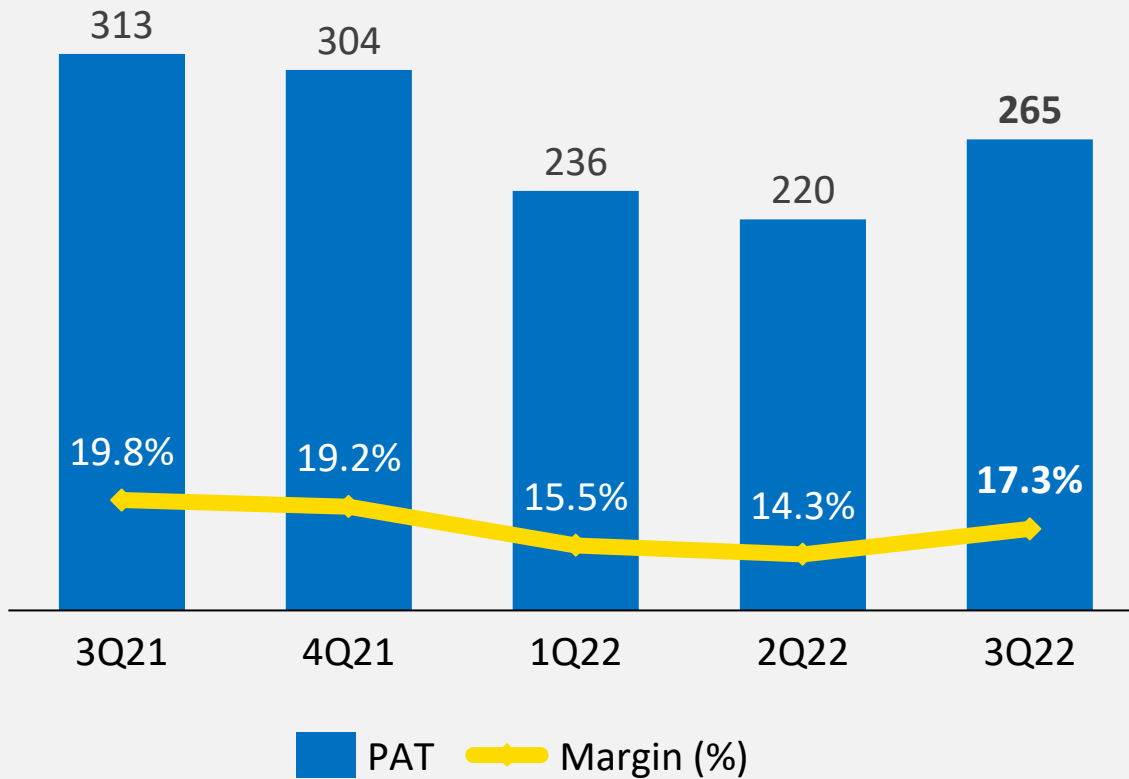


Q-Q

- EBITDA up marginally 0.9% on resilient **topline**, **disciplined spending**, **improved credit management** and **continuous modernisation** while preparing for the merger
- **Highest EBITDA margin** for the year at 48.9%

Y-Y

- Reduction of –4.9% mainly from **softer topline development**, positive **non-recurring effects** in 3Q21, **network expansion** and **merger costs**
- Partly cushioned by **cost optimisation**, **OE initiatives** and **better credit management**

**Profit After Tax
(RM'm)****Q-Q**

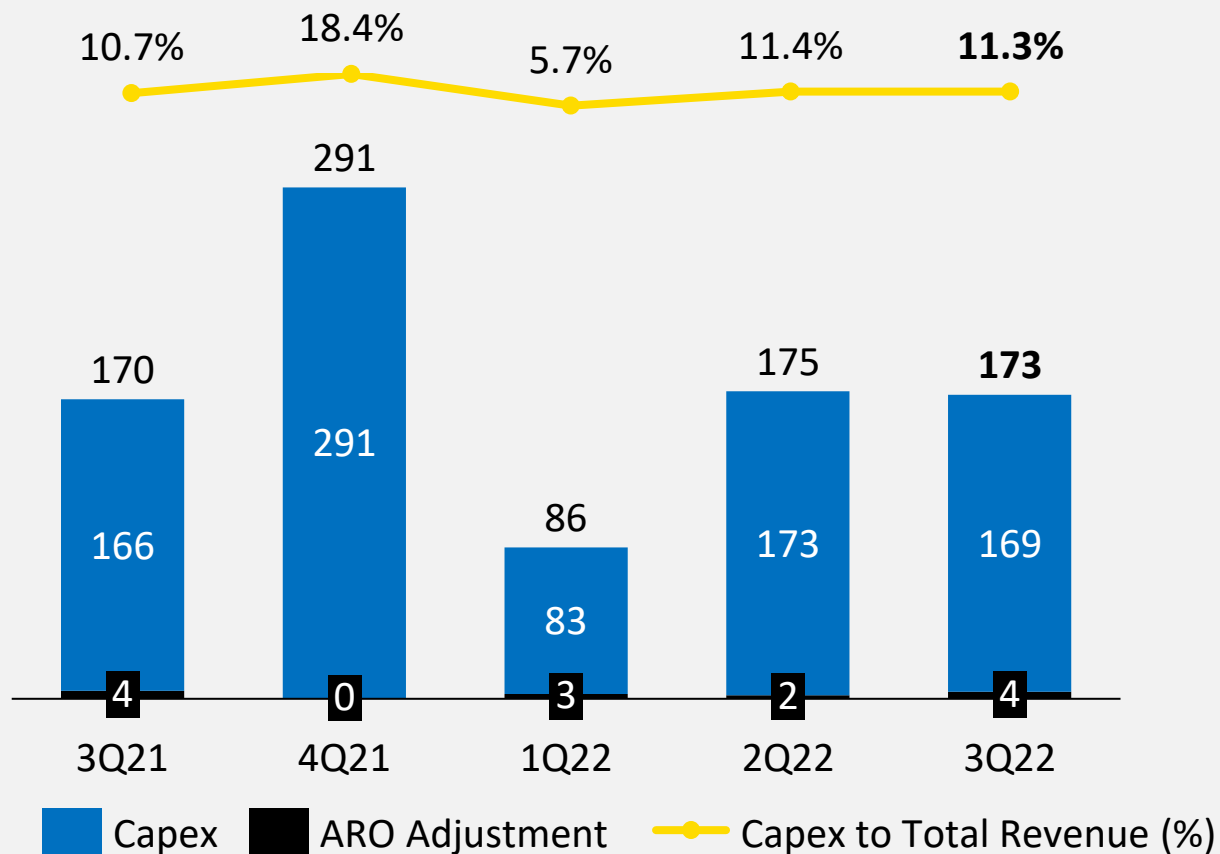
- PAT up 20.5%, the **highest level this year**
- Driven by **improved operating results**, **lower net finance cost** and **lower taxes** driven by **tax penalty refund** and **deferred tax impact**

Y-Y

- PAT down -15.3% mainly due to **Cukai Makmur Prosperity tax** and higher **net finance costs**
- Healthy PAT margin at **17.3%**

CONTINUED INVESTMENTS IN MODERNISATION AND DIGITALISATION

CAPEX (RM'm)

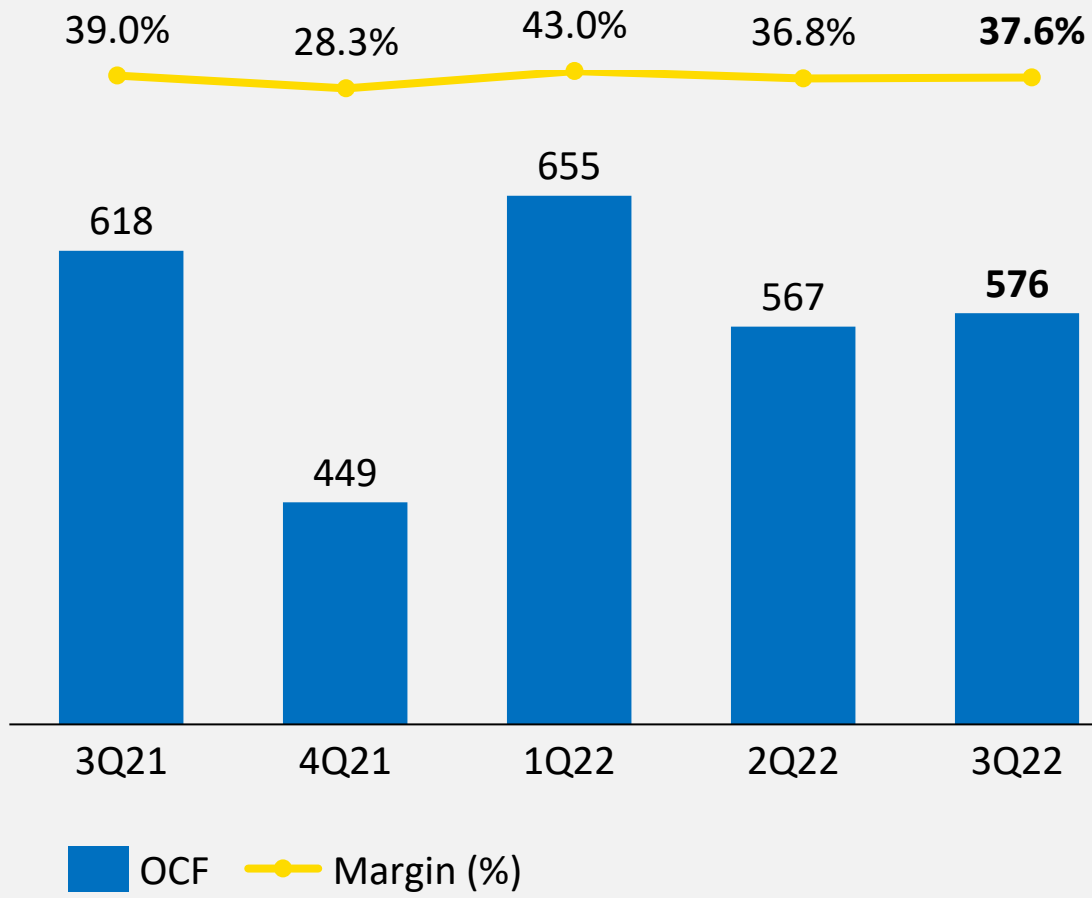


Q-Q

- Invested RM173 mil or 11.3% of revenue in **LTE-A network coverage expansion** and **IT modernisation initiatives** to support business agility and revenue growth

Y-Y

- Focused on modernisation** and further development of the leading network position in Malaysia
- YTD22 CAPEX of RM434m** within target of RM800m, or 12.0% of sales

Operating Cash Flow (OCF)
(RM'm)**Q-Q**

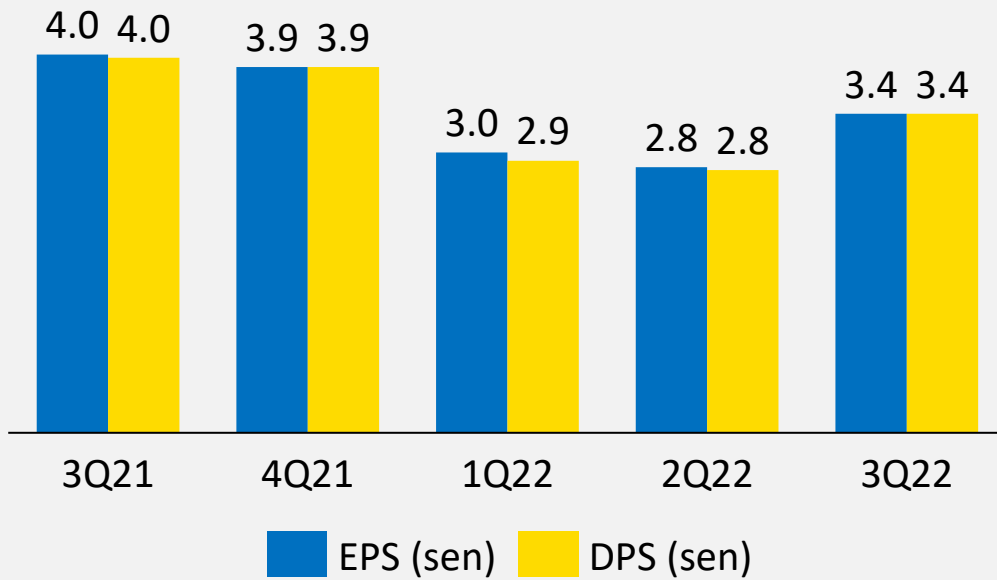
- **OCF up 1.6%** supported by stronger EBITDA and prudent CAPEX
- **Healthy OCF margin of 37.6%**

Y-Y

- **OCF down by -6.8%** to RM576m as flow through from prudent capital allocation
- **YTD22 OCF margin of 39.1%**

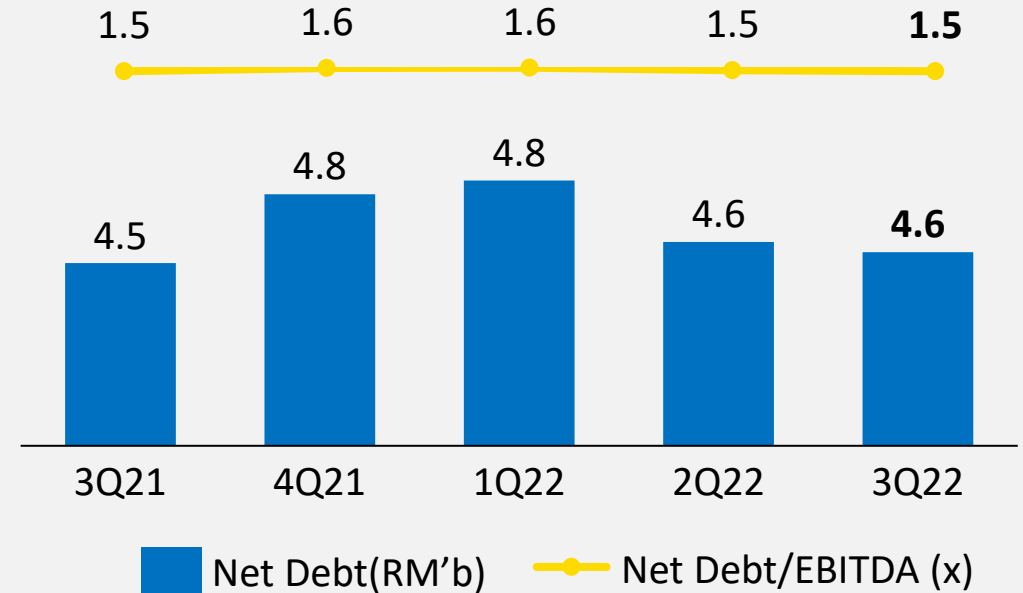
ATTRACTIVE DIVIDEND MAINTAINED, STRONG BALANCE SHEET

Shareholder Return



- Earnings per share (EPS) rose 6 sen Q-Q or -6 sen Y-Y
- **Dividend payout of RM264 million or 99.9% payout**

Net Debt & Net Debt / EBITDA



- **Sustained Net debt to EBITDA ratio at 1.5x**
- **Backed 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%)

9MFY2022

-1.7% Y-Y

-1.6% Y-Y

9.4%



Resilient sequential performance for 3Q2022



Healthy total net additions and firm ARPU development



Sustained #1 network leadership with higher download speeds



Building impactful ESG initiatives through Yellow Heart

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HAPPY
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THANK YOU

DIGI.COM BERHAD

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20 October 2022

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Upcoming Event in 4Q 2022

Extraordinary General Meeting

Digi's Employee Engagement Day

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



Mitigating climate risk through contingency planning

01

Network preparedness in anticipation of year-end monsoon period

- Standby portable/fixed genset & portable/mobile base station at potential flood-prone sites nationwide
- Ensure sufficient fuel at standby gensets while maintaining the performances of site backup batteries
- Plan access road options, and raise platforms (above anticipated flood water levels)

02

Published our first **TCFD report** to establish **Digi's short, mid and long-term climate roadmap**, risks & opportunities



Thought leadership on Responsible Business (RB) practices



Advocacy of our RB approach across all stakeholder platforms

01

Shared Digi's Human Rights Due Diligence and Child Rights & Business Principles practices at UN Responsible Business & Human Rights Forum 2022

02

Participated in Ministry of Education's events to position Digi's SAFE and Future Skills programmes as key levers for the national education transformation

03

Piloted future skills training for marginalised community groups in East Malaysia leveraging on offline learning kits

04

Conducted Biz Continuity Management (BCM) & IT Disaster Recovery (ITDR) simulation exercises for both Enterprise Business and support functions to mitigate physical/cybersecurity risks

APPENDIX: NET DEBT/EBITDA RECONCILIATION

RM'mil	1Q2021	2Q2021	3Q2021	4Q2021	1Q2022	2Q2022	3Q2022
Borrowings*	2,735	2,686	2,549	2,501	2,514	2,290	2,224
Term Loan (Islamic)	443	443	368	369	294	495	567
Islamic Medium-Term Note (IMTN)/ Sukuk	1,799	1,799	1,799	1,799	1,799	1499	1,499
Revolving Credit (Islamic)	-	-	-	-	25	-	-
Term Loan (Conventional)	493	444	382	333	271	221	158
Revolving Credit (Conventional)	-	-	-	-	125	75	-
Lease Liabilities**	2,586	2,618	2,589	2,459	2,464	2,460	2,542
Total Debt	5,321	5,304	5,138	4,960	4,978	4,750	4,766
Cash and Bank Balances	217	403	590	205	182	138	185
Net Debt	5,104	4,901	4,548	4,755	4,796	4,612	4,581
4Q Rolling EBITDA	3,062	3,035	3,035	3,009	3,012	3,011	2,972
Net Debt/EBITDA	1.7	1.6	1.5	1.6	1.6	1.5	1.5

* 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 maintained at 1.5 times on the back of sufficient financial borrowings to fund future growth opportunities
- Softer 4-quarters rolling EBITDA on subdued revenue developments and strategic investments for modernisation and digitalisation