



# Fourth Quarter of FY 2021 (4Q 2021) Earnings Presentation

**DIGI.COM BERHAD**

199701009694 (425190-X)

28 January 2022

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2022 Priorities and Guidance

*Digi Business*

# Introducing **UltraPOS All-in-1** From Digi Business

Elevate your business productivity  
with the **FASTEST** payment terminal  
and **SUPER LOW MDR** today.



Malaysia's No.1 | Fastest Mobile Network

# Well-fought FY2021 with strategic investments in growth areas and economy

## DRIVING SOCIETAL RECOVERY

- Kept customers connected with affordable and flexible products
- Sustained leading position on network consistency and quality
- Supported Malaysian businesses with digitalisation bundles and beyond connectivity business solutions
- Delivered resilient results for shareholders and investors

## MACRO DEVELOPMENTS

- Proposed merger with Celcom Axiata Berhad is proceeding as planned
- Active discussions with all parties surrounding 5G implementation
- Borders reopening and possible easing of Covid-19 SOP restrictions
- Signs of recovery

# Steady FY2021 financial achievements, in line with guidance

## Service Revenue

**RM5,341mil**

**-1.6%** Y-Y in FY21  
(guided low single digit decline)

- Healthy growth in **Postpaid, B2B and fibre** subs
- Prepaid decline flattening out
- **Growing active Malaysian base** reducing reliance on low-quality subs
- **Upward ARPU** trend, postpaid net ads of **253k Y-Y**

## EBITDA

**RM3,009mil (47.5%)**

**-2.3%** Y-Y in FY21  
(guided low-to-mid single digit decline)

- **Underlying Opex discipline** absorbing most of network expansion and data growth related costs
- **Increased digitisation** both on front and back-end systems
- Effective credit collection process, **low PFDD of 2.2%**

## Capex-to-Total Revenue Ratio

**12.8%**

**Higher than** FY20 of 12.6%  
(guided around 13%)

- **Prioritised investments** to sustain network leadership and drive **digital capabilities**

# Positive underlying trends in a challenging 4Q2021

**Flat Q-Q**

Total revenue  
(+1.5% Y-Y)

**-1.6% Q-Q**

Service revenue  
(-2.1% Y-Y)

**+3.9% Q-Q**

OPEX  
(+6.1% Y-Y)

**-6.1% Q-Q**

EBITDA  
(Normalised: -2.2% Y-Y)

**-2.9% Q-Q**

Profit after tax  
(Normalised: -11.2% Y-Y)

**RM42**

Blended ARPU  
(+0.5% Y-Y)

**10.3 mil**

Total subs  
( -47k Q-Q)  
(-123k Y-Y)

**3.3 mil**

Postpaid subs  
(+50k Q-Q)  
(+253k Y-Y)

**+9.8% Y-Y**

B2B subs

**20.7 GB**

GB/user  
(+8.9% Y-Y)

*Note: Normalised basis exclude non-recurring effects*

# Network: Maintained leading position on quality and consistency



## Growing coverage and network capacity

- 4G LTE and LTE-A coverage now covers up to **93.1% and 75.9%**
- Wider fibre network of over **10.1k KM**
- Sustained **#1 position throughout 2021** on consistency, download speed, video experience and group video calling
- Recorded **higher** data consumption:
  - 4Q21: 12.4% Y-Y
  - FY2021: 22.0% Y-Y
- **Surpassed internal targets** for new and upgraded 4G sites

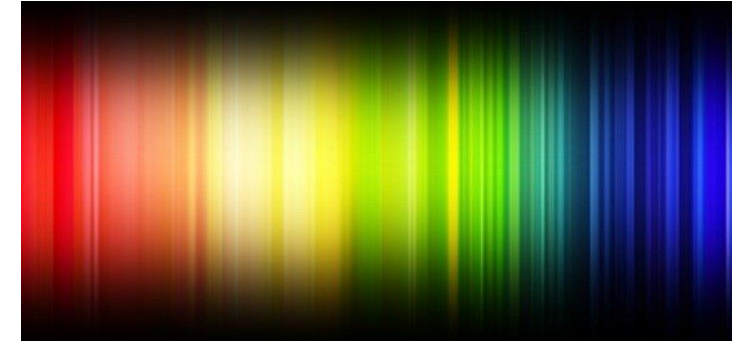


## Supporting JENDELA for greater digital society

- Full commitment towards JENDELA

Year	New Sites	Upgrades
2020	<b>269</b> (99% met)	<b>2,979</b> (100% met)
2021	<b>119</b> (98% met)	<b>2,191</b> (100% met)

- New USP Clawback programme
  - Upgrade: **1,179** sites
  - New fibre: **1,039** km



## Increasing spectrum efficiency

- **Completion of 3G shutdown** which led to increased VoLTE adoption and better customer experience
- **3G spectrum re-farming** and **robust network expansion** for enhanced speeds and quality

# IT: Platform modernisation in 4Q2021

## OBJECTIVE

**In line with Modernisation journey**

- Modernise Digi's billing platform
- Enhance capabilities for future business functions

## ACTIVITY

**Migration of quota management capabilities into billing system**

- Notified customers on planned migration activity in end-Oct'21

## CHALLENGES

**Executed the migration**

Challenges faced:

- Intermittent data and voice experiences
- Order management interruptions

## ACTIONS TAKEN

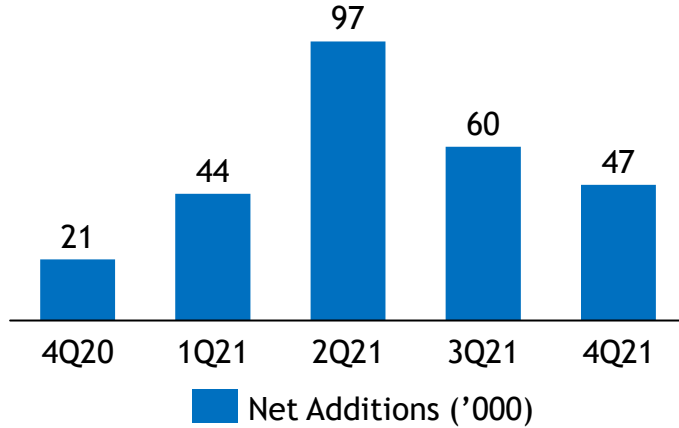
**Quick restoration of data and voice services**

- Activated service hotline 24/7
- Status updates on all Digi channels and social media platforms

# Consumer: Consistent growth in core segments



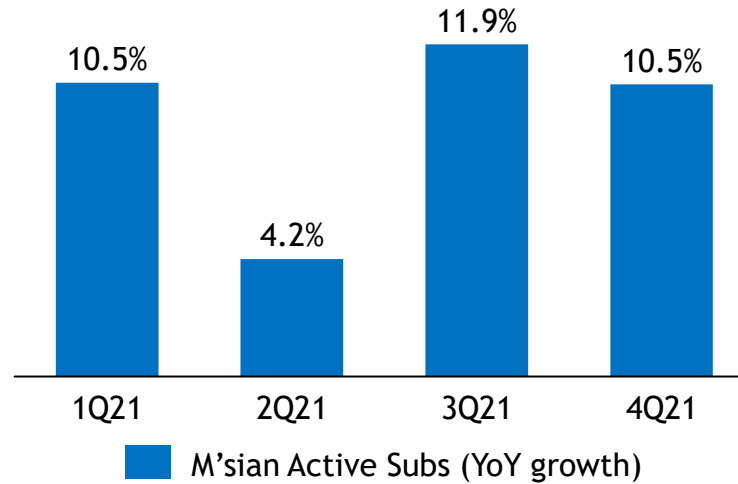
## MOBILE POSTPAID



- Targeted acquisition and contracting efforts
- Total base up 8.3% in 2021



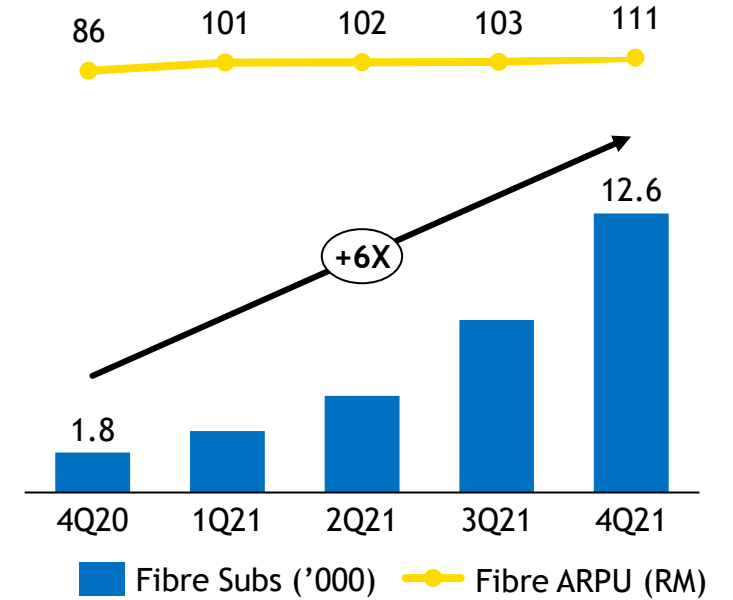
## MOBILE PREPAID



- Improvement in quality base through targeted offerings
- Partly offsets churn from migrant segment
- Growing monthly data subscribers



## FIBRE BROADBAND



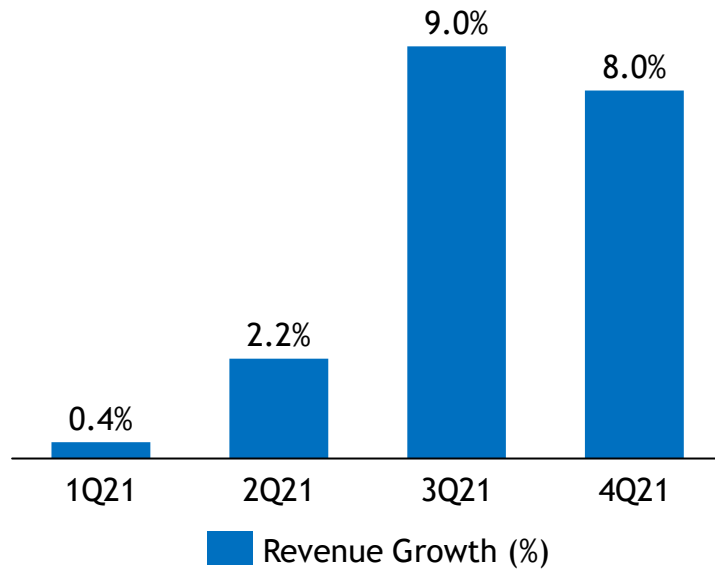
- Still in early stage, anchored by our focus on existing base
- Reflecting our marketing efforts on upselling



# B2B: Steady growth from meeting digitalisation needs of SME and LEs



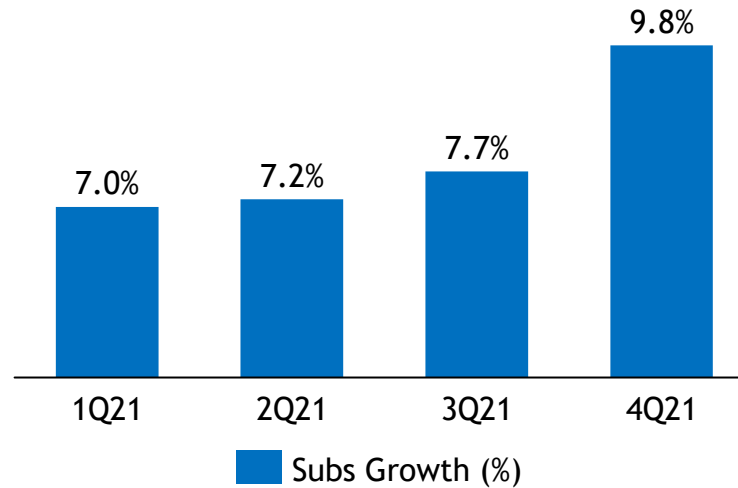
## REVENUE Y-Y GROWTH



- **FY2021 B2B revenue up 4.8%** reflecting growing B2B revenue pool
- Positive momentum throughout the year, from both SME and LE segments



## SUBS Y-Y GROWTH



- FY2021 subs growth **up 9.8%**, consistent Q-Q momentum in 2021
- Stronger acquisition of **SME PENJANA** digitalisation bundles
- Higher take-ups for **fibre-to-the-office (FTTO)** packages

## Levers



Focus on core & digital products & accelerate traction in non-mobile connectivity solutions

- **89% growth in solutions**



Gain market share in large B2B segments

- **Strengthen Business' position** as an advanced connectivity solution provider
- **Build confidence and trust** among Corporate Malaysia

# Yellow Heart: Supporting recovery from Covid-19 and floods, maintaining Responsible Business leadership

## High Standard ESG reporting

- Certificate of excellence for **Best Materiality and ESG Reporting in SEA 2021**
- Completed **sustainability data integrity exercise**, 2021/22 materiality and stakeholder assessments



## Critical Network Connectivity

- Continued collaboration with **MCMC, industry** through JENDELA efforts, and USP to serve underserved areas
- Network **repair and restoration works** in flood affected areas

## Future Skills & Digital Safety

- Yellow Heart **3<sup>rd</sup> survey** for 'Life Under Covid-19 for Children Online: Values & Challenges' on **youths digital wellbeing**

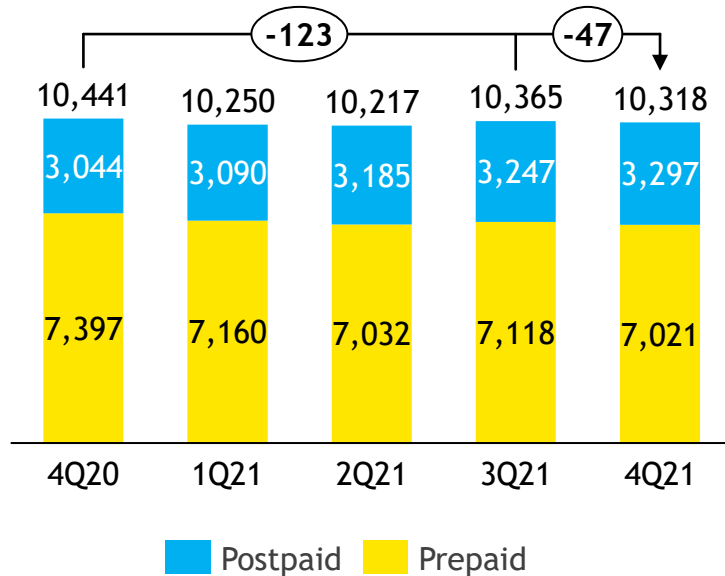


## Supporting C-19, flood recovery

- Yellow Heart **contribution** to Mercy Malaysia for **Covid-19 and flood**
- Activated **volunteerism** for flood relief efforts
- **Free 1GB** productivity data daily and **free WIFI access** at 130 People's Housing Projects to improve internet accessibility

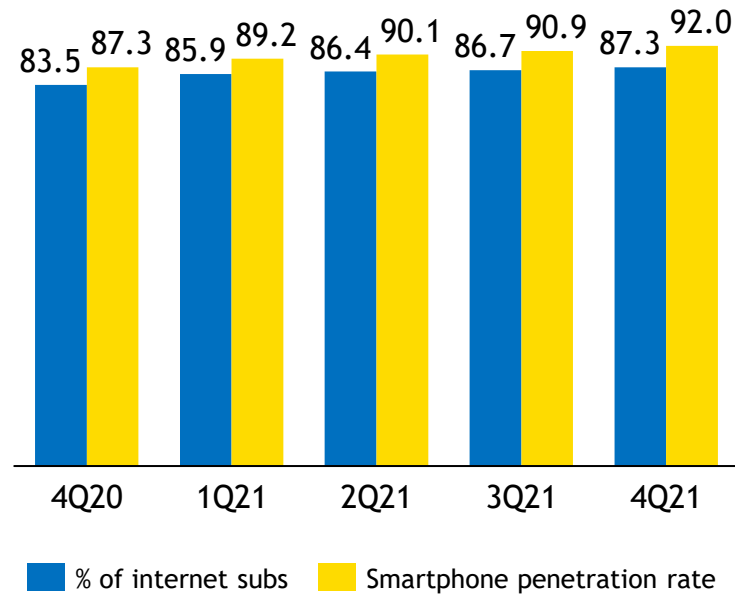
# Growing quality of subscriber base

Subscribers Development ('000)



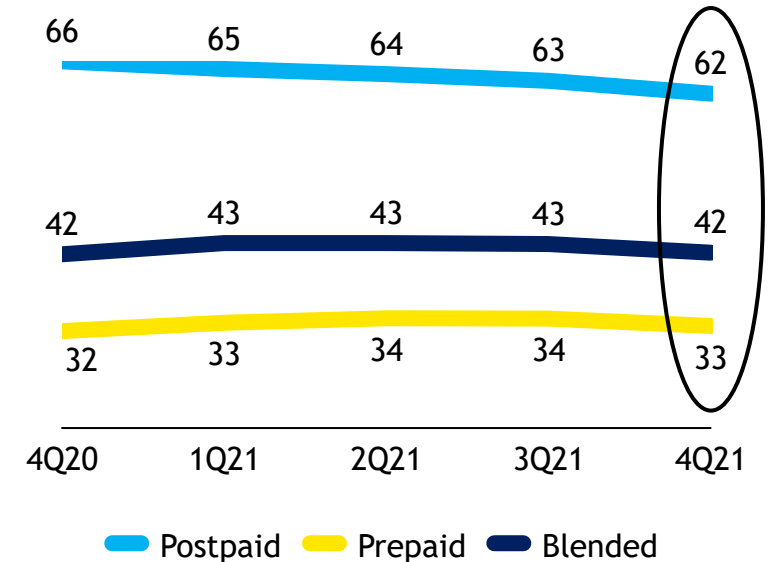
- **Positive postpaid subs growth** of +253k Y-Y and +50k Q-Q
- Strong **fibre** subs growth via upselling
- **Steady prepaid Malaysian growth** despite churning of low-quality segments

% 4G and Smartphone Subs



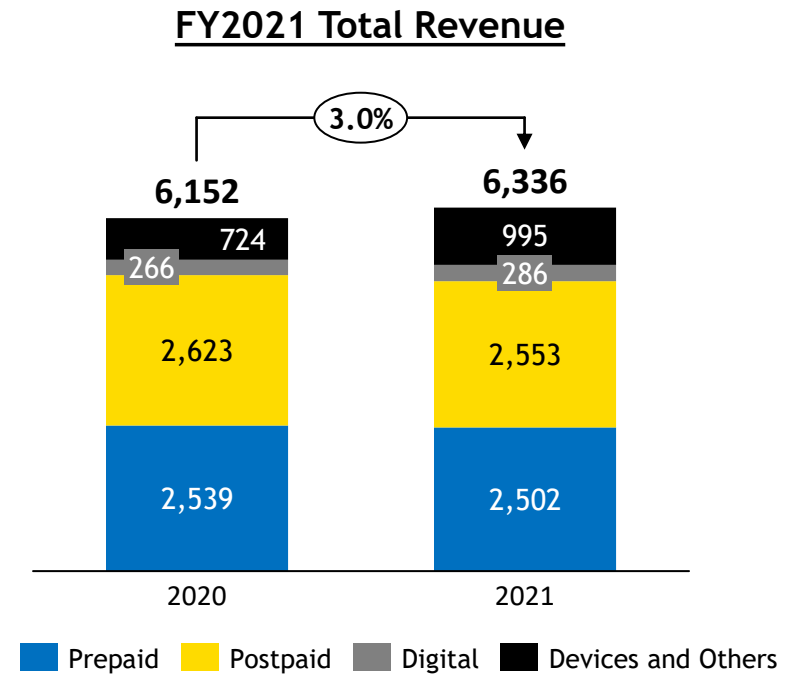
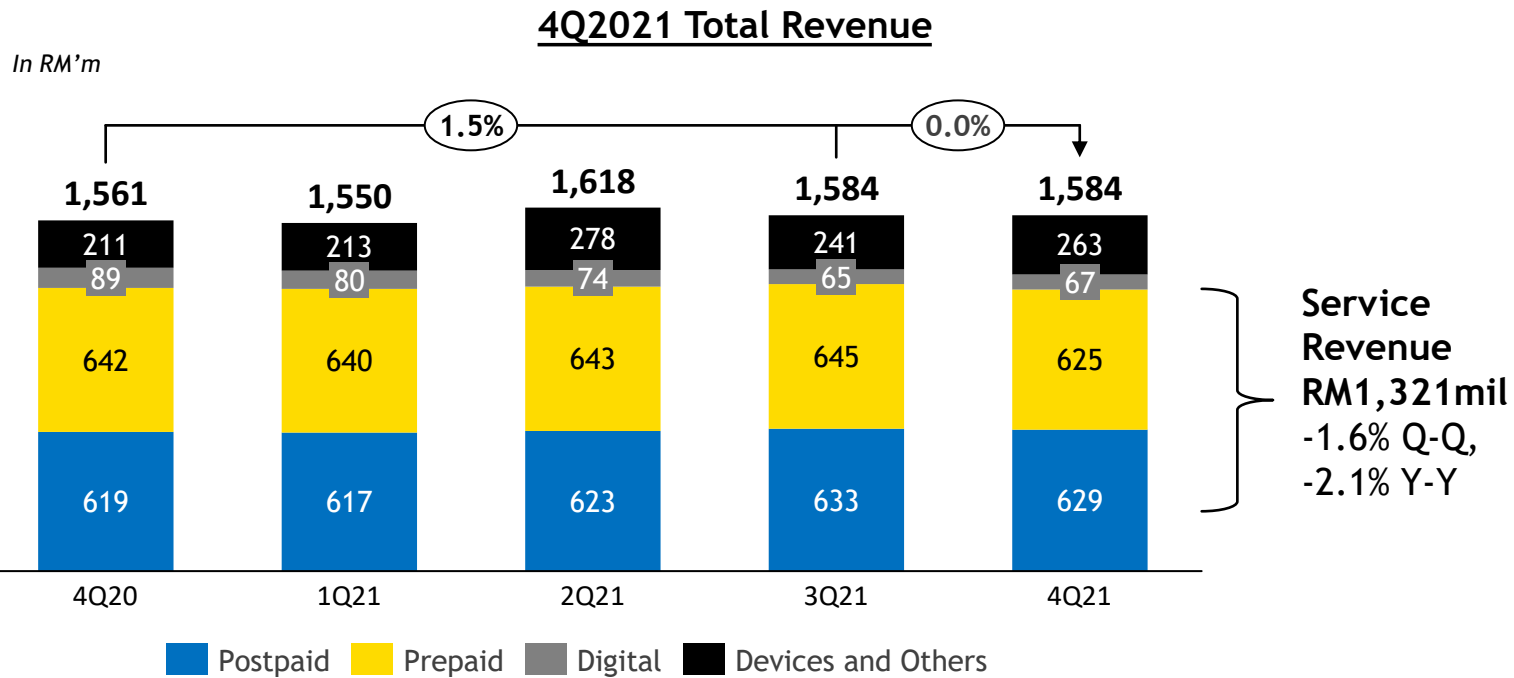
- **Growing internet subs** to support higher internet growth
- Smartphone penetration **reached 92.0%** from 87.3% a year ago

ARPU (RM)



- **Resilient core** blended ARPU at RM42
- **Prepaid ARPU -RM1** to RM 33 post government stimulus plans
- **Postpaid ARPU -RM1** to RM 62 on higher entry-level mix

# Steady topline backed by core segments and device growth



## Y-Y

- **Prepaid** revenue -2.6%, flat excluding one-off and supported by Increased Malaysian base
- **Postpaid** revenue up 1.6% on **higher subs**
- **New reload limits** reduced gaming demands

## Q-Q

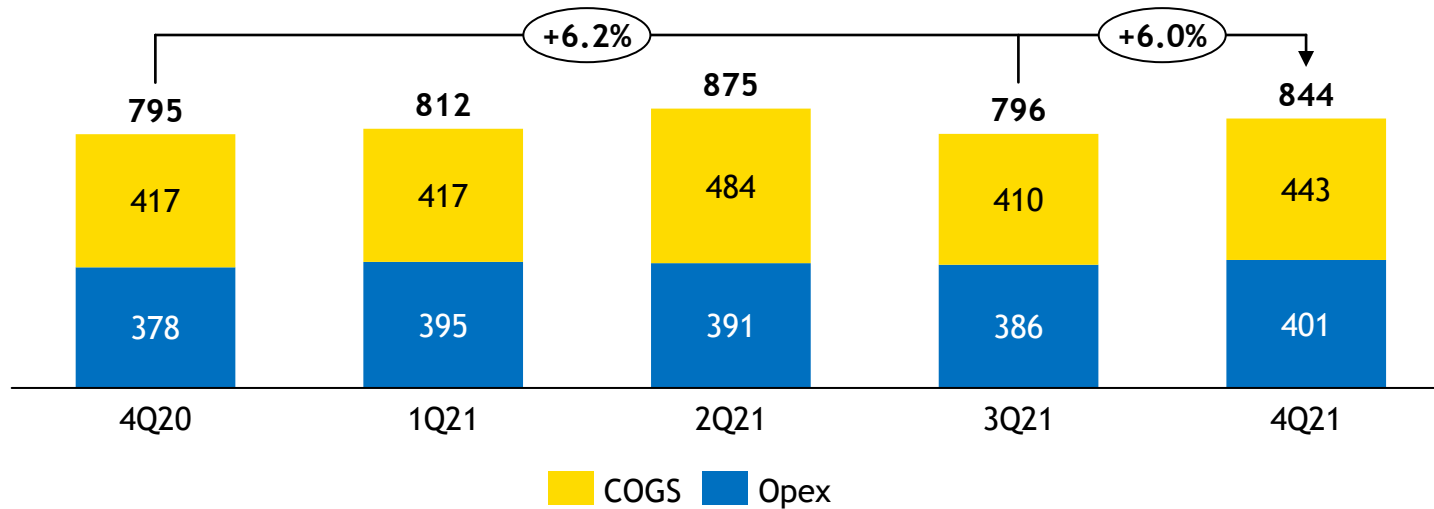
- **Prepaid** revenue -3.1%, flat excluding one-off, supported by resilient ARPU
- **Postpaid** revenue almost flat at -0.6%
- **Favourable device revenue growth** of 11.7% on high demands for PF365 programmes

- Negative **Prepaid** trend reversed, supported by quality of subscriber base
- **Postpaid** resilient, some ARPU pressure
- Growing **B2B** and fibre contributions

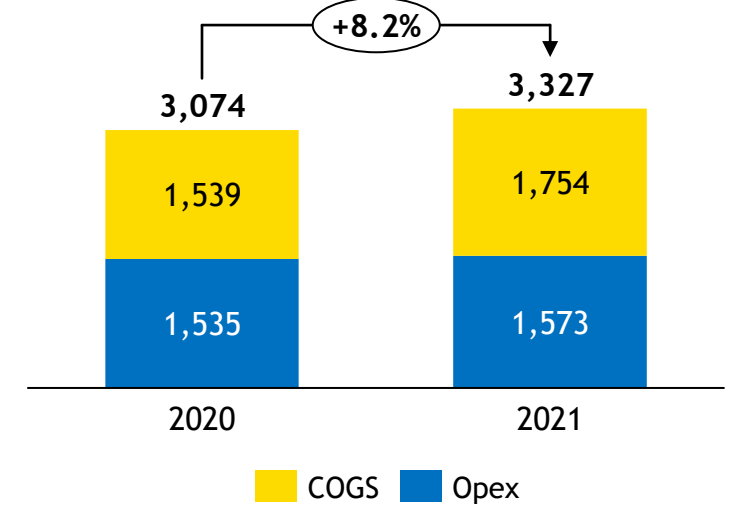
# Disciplined cost management supporting growth and modernisation

In RM'm

4Q2021 Total Costs



FY2021 Total Costs



## Y-Y

- COGS +6.2% from higher devices sales, offset by softer digital cost
- Opex +6.1% mainly from higher O&M
- Excluding one-offs, Y-Y up by +2.1%

## Q-Q

- COGS +8.0% from higher volume of 4G devices
- Opex +3.9% on timing of campaigns and higher Operations & Maintenance spend
- Underlying Opex -1.2% excluding one offs

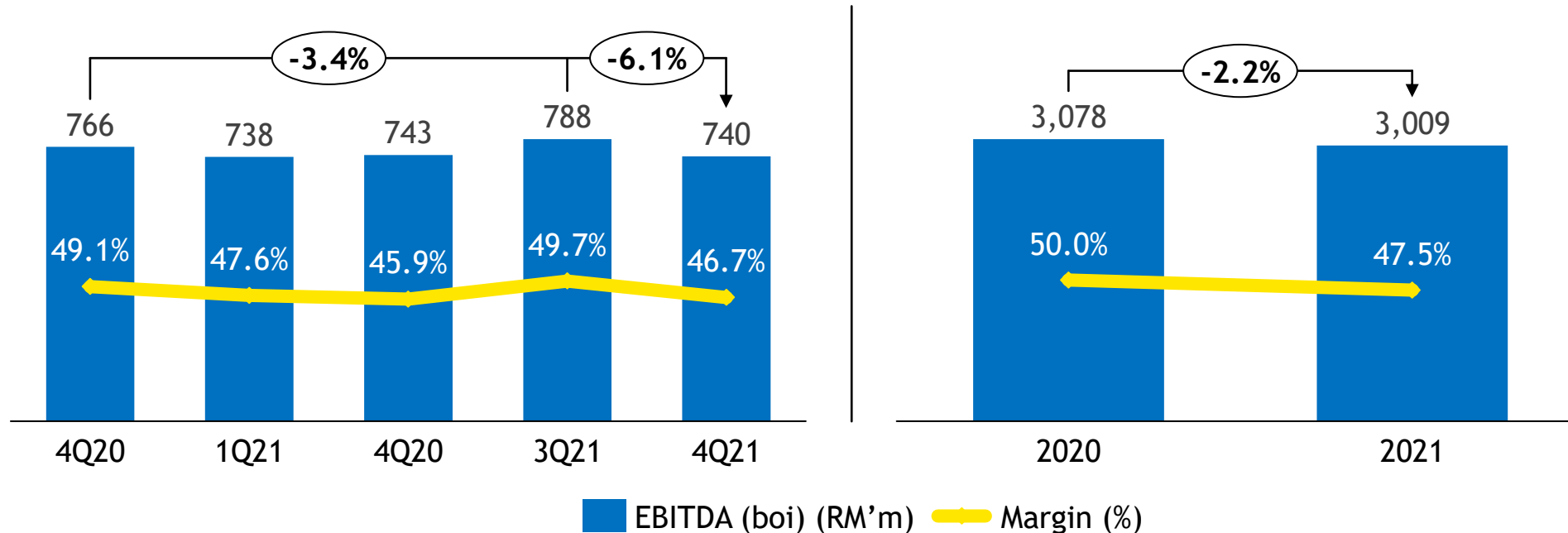
- Higher COGS in line with digital and device growth
- Modest Opex growth of 2.5% driven by Network expansion, partly offset by more targeted S&M and stricter credit control
- Healthy Opex-to-service revenue at 29.5%

# EBITDA margins sustained despite some pressure

In RM'm

4Q2021 EBITDA

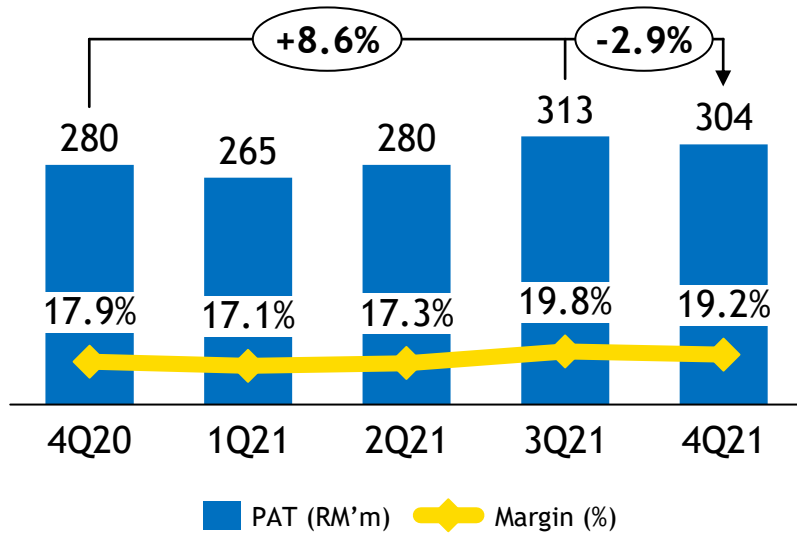
FY2021 EBITDA



- Improved customer mix, modernisation and cost control, cushioning revenue decline in low value segments and costs from network expansion
- Normalised EBITDA of RM3 billion for FY2021 up 0.2% vs 2020, Margin at 48.0%
- Maintained resilient margins in a competitive market

# 8.6% PAT growth Y-Y and high dividends maintained in 4Q2021

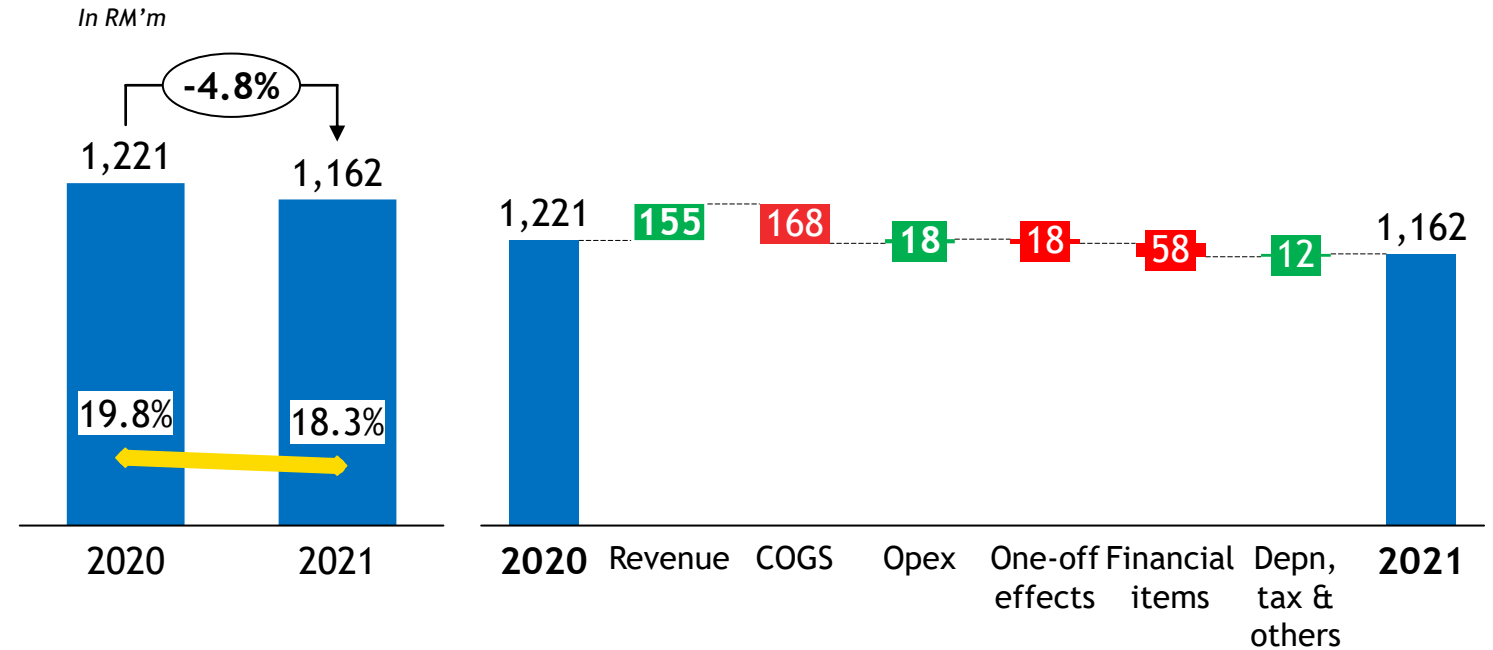
4Q2021 Profit After Tax (PAT)



**4Q21:**

- Solid PAT maintained as positive outcome of long outstanding tax claim, offsetting operating margin decline
- Sustaining PAT margin trend, +1.3% point Y-Y

FY2021 PAT



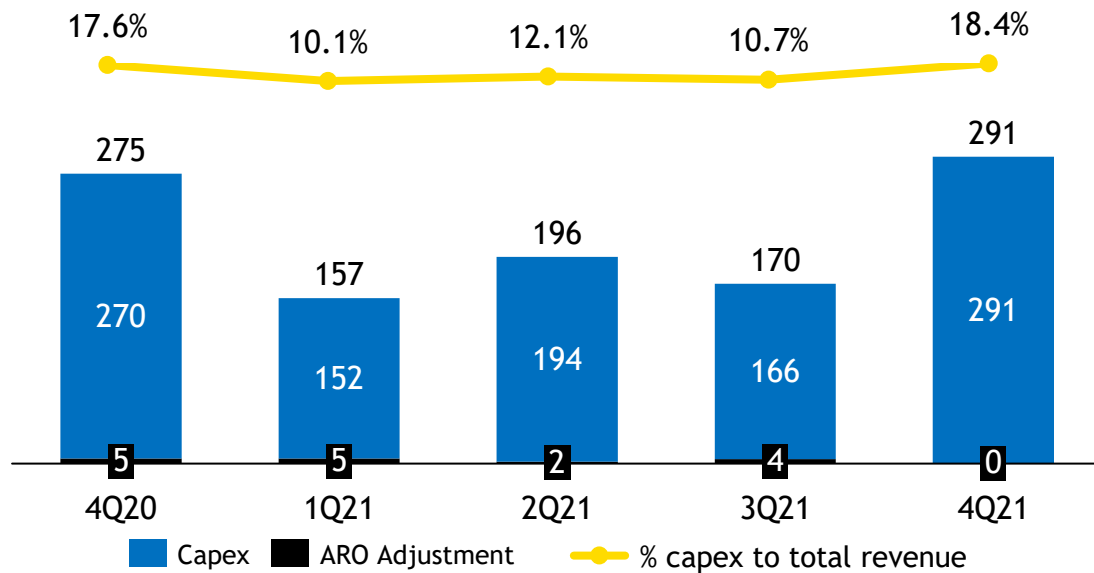
**FY2021:**

- Lower operating margins and higher finance costs partly offset by positive tax adjustment effect
- Normalised PAT margin at 18.0%

# Prioritising investments for what matters most

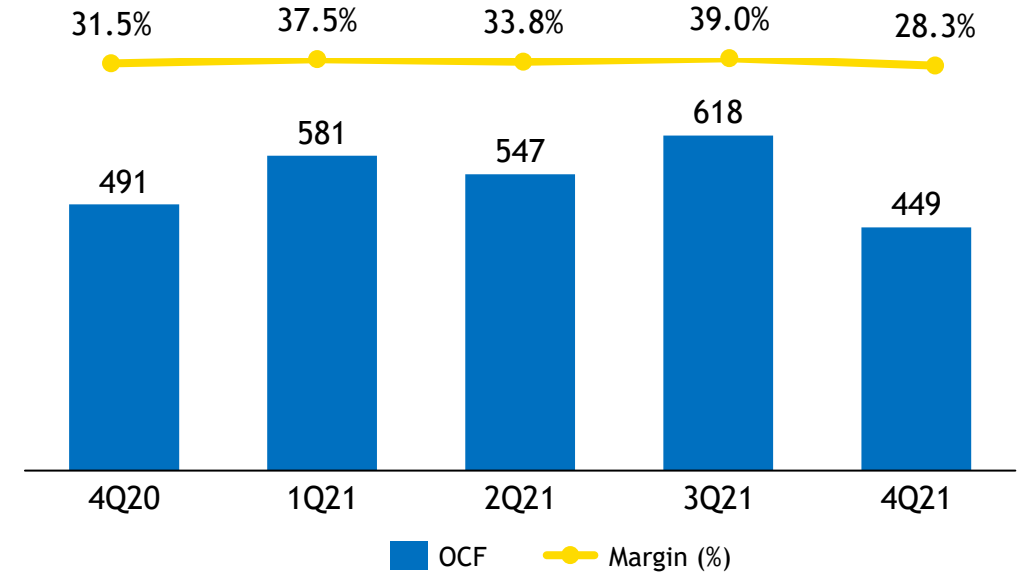
In RM'm

## CAPEX



- Disciplined capex allocation catered for **expanding network coverage and digital enhancement**
- FY2021 capex of RM814 million or 12.8% of total revenue, as guided

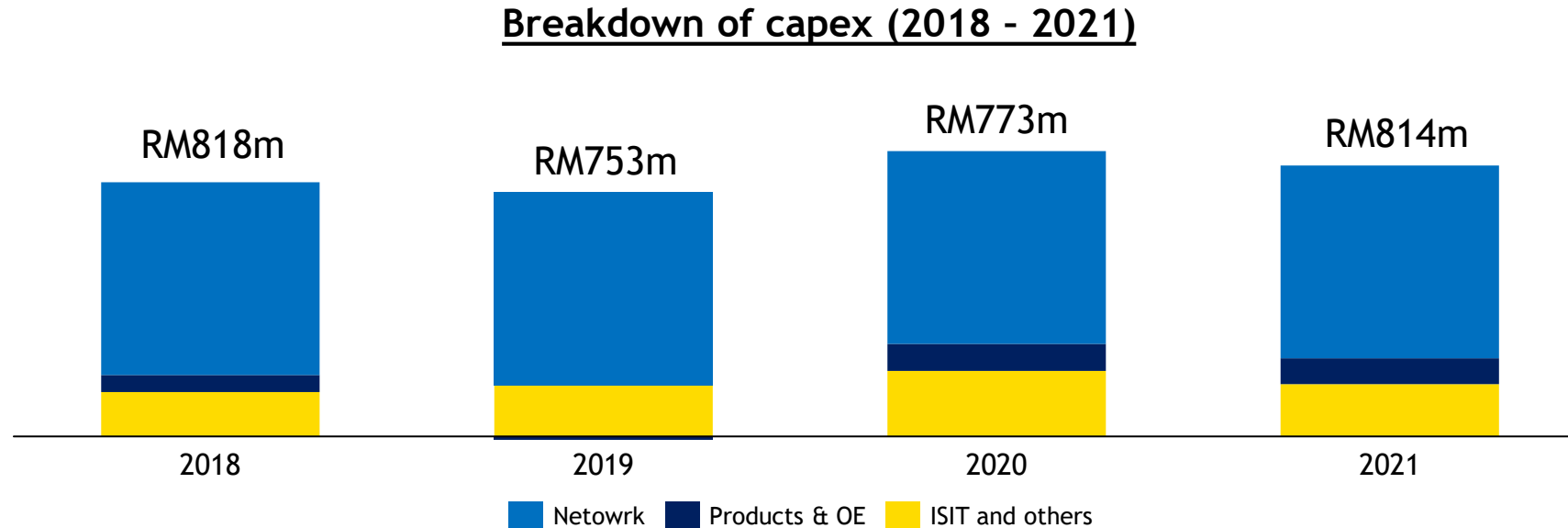
## Operating Cash Flow - OCF



- OCF reduced to RM449 million in 4Q21 on **higher capex allocation**
- Total OCF of RM2.20 billion in FY2021, or margin of 34.6%



# Disciplined capital allocation to drive modernisation and efficiencies

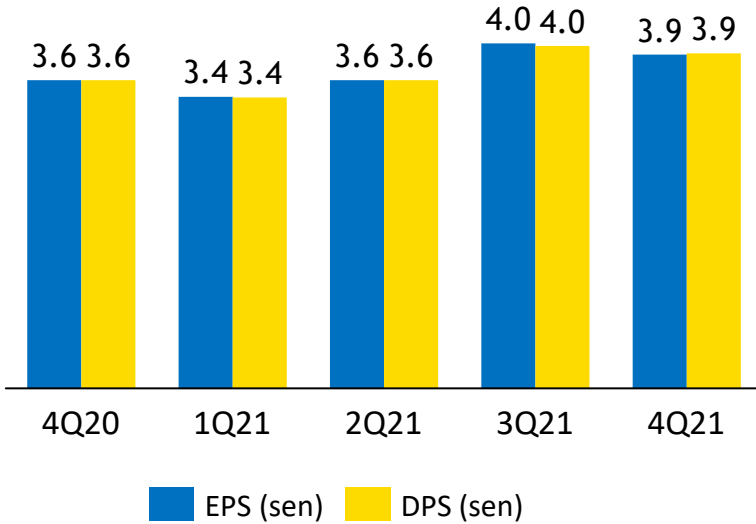


## Part of our Modernisation journey:

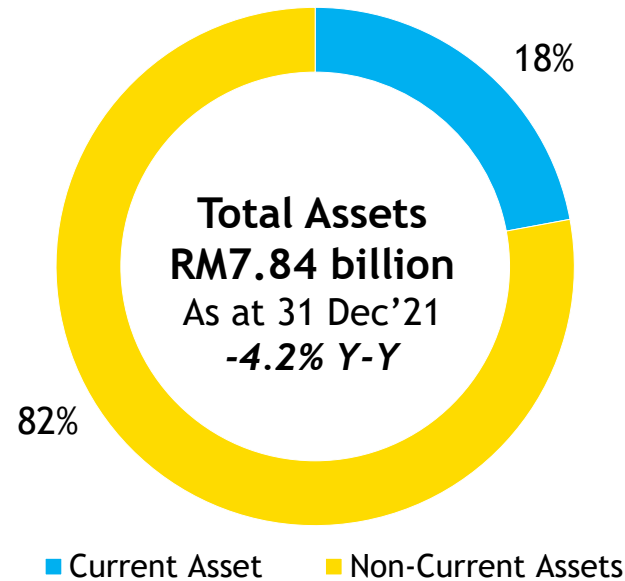
- Network: Efficient rollouts of 4G, completion of new network operating model
- IT: Process automation, billing platform upgrades, completion of new IT operating model
- Ongoing modernisation of digital platforms and back-end systems: MyDigi, Digi Store Online and all digital channels
- Leveraging on regional sourcing and procurement initiatives

# Resilient shareholder return backed by robust balance sheet

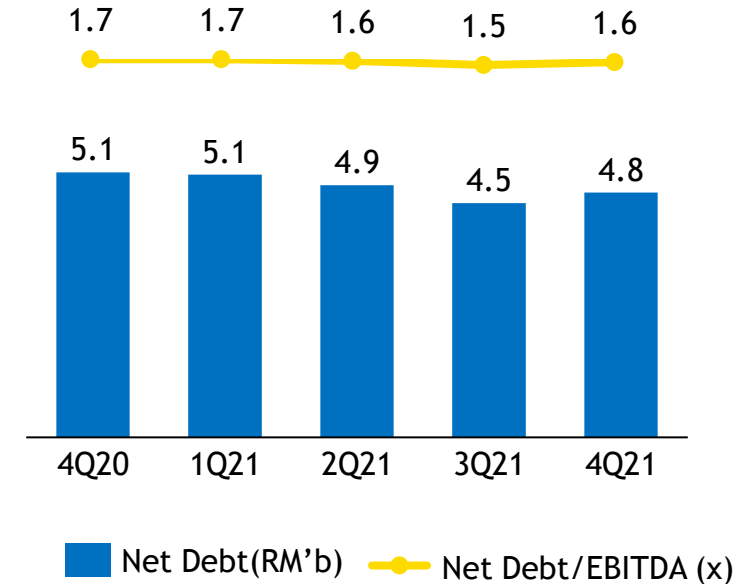
Shareholder Return (sen)



Total Assets




Net Debt & Net Debt/EBITDA



2021 EPS  
**14.9 sen**

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2021 DPS  
**14.9 sen**



2021 dividend payout  
**RM1.16 Billion**

Dividend payout  
**~100%**

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Dividend yield  
**3.4%**

- Healthy return on total assets of **14.8%**
- Maintaining **solid headroom** on the balance sheet to fund future growth opportunities

- Manage our **gearing and capital allocation** prudently
- **Rating of AAA/Stable/P1** for RM5 billion Sukuk Programmes reaffirmed

- Sustainable return per our track record

# Commendable performance in challenging FY2021

## STRONG RECOVERY IN LINE WITH GUIDANCE

	2020	2021	<u>Levers</u>
<b>Service Revenue</b>	RM5,428mil, -3.8%	RM5,341mil, -1.6% <i>Guided low single digit decline</i>	➤ Postpaid, B2B, Fibre and Malaysians
<b>EBITDA</b>	RM3,078mil, -7.0%	RM3,009mil, -2.3% <i>Guided low-to-mid single digit decline</i>	➤ Network, PFDD, Modernisation
<b>Capex / Sales Ratio</b>	12.6%	12.8% <i>Guided around 13%</i>	➤ #1 Network, Jendela, 3G sunset, Digital

# Building on 2021 momentum

## 2022 GUIDANCE



**Service Revenue**

**Return to growth** underpinned by momentum in postpaid, B2B and fibre



**EBITDA**

**Around FY2021 level** driven by ongoing operational efficiency (OE) discipline



**Capex-total revenue**

**Around FY2021 level** with prioritised focus on enhancing network and digital capabilities

# Primed to deliver a robust 2022 underpinned by strategic priorities



- Personalised and best-value offerings, with Postpaid, B2B and fibre segments as main growth drivers



- Digital-first and modernisation journey continue
- Maintain network leadership



- Continue raising responsible business standards and trusted brand leadership
- Include, advance and safeguard communities to empower societies

# Summary



Steady FY2021 financial achievements



Positive momentum in Postpaid, B2B and fibre segments



Network leadership acknowledged by external agencies



Leading Responsible Business standards





# THANK YOU & HAPPY CHINESE NEW YEAR

*28 Jan 2022*

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4Q2021 Earnings Pack:

<https://digi.listedcompany.com/financials.html>

Corporate website: [www.digicom.my](http://www.digi.com.my)

# Appendix: Yellow Heart, a strategic Responsible Business framework to consolidate ESG priorities under one roof



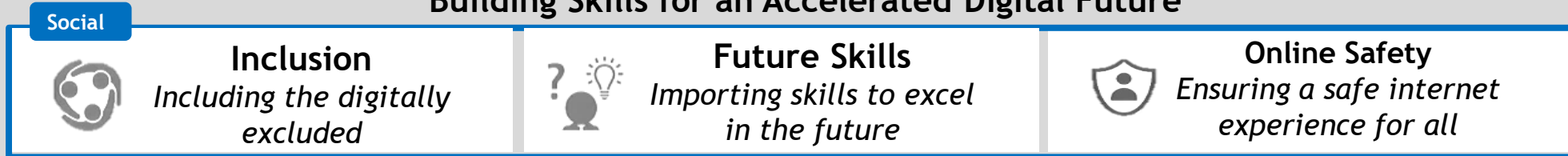
**Empowering Societies**  
**Connecting you to what matters most**

Purpose



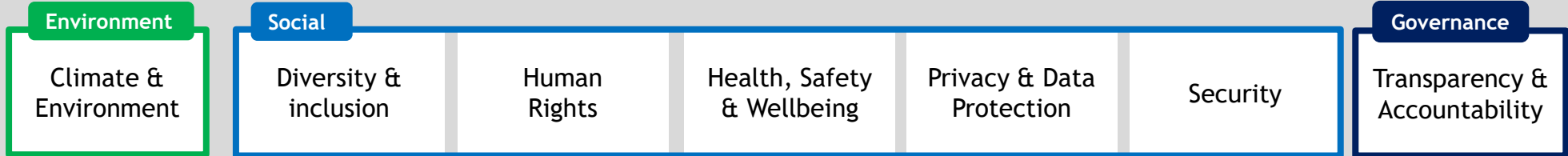
**Building Skills for an Accelerated Digital Future**

Approach



**Raising Standards in Operations and Supply Chain**

Strategic foundation





# Appendix: ESG Ratings and Highlights as at 31 December 2021



FTSE4Good

Bursa Malaysia Index (2021/22)

Member of  
ESG indices with score  
of 3.8



a Morningstar company

ESG Risk Rating

18<sup>th</sup> percentile, one  
of the highest for  
the region



Voluntary environmental disclosure

Carbon reporting  
since 2009 via  
Telenor Group



MSCI ESG Ratings (2021/22)

Improved rating  
from A to AA



Bloomberg Gender Equality  
Index (GEI) 2021/22

Recognition in **gender  
reporting** and advancing  
**women's equality**



Investor Relations Magazine  
SEA Awards 2021

Certificate of Excellence  
for **Best ESG Materiality  
Assessment** in Integrated  
Annual Report 2020



Corporate membership to drive  
leadership in gender diversity

Member of **UN Women  
Empowerment Policies**  
and **Malaysia's 30% Club**



UN Women Malaysia WEP  
Award 2021

2<sup>nd</sup> Runner Up in the  
**Gender-inclusive  
Workplace Category**

Find out more at : <https://www.digi.com.my/sustainability-yellow-heart>

## Appendix: Net Debt/EBITDA Reconciliation

RM'mil	4Q2020	1Q2021	2Q2021	3Q2021	4Q2021
<b>Borrowings*</b>	<b>2,871</b>	<b>2,735</b>	<b>2,686</b>	<b>2,549</b>	<b>2,500</b>
Term Loan (Islamic)	518	443	443	369	369
Term Loan (Conventional)	555	493	444	382	333
Islamic Medium-Term Note (IMTN)/ Sukuk	1,799	1,799	1,799	1,799	1,799
Revolving Credit	-	-	-	-	-
<b>Lease Liabilities</b>	<b>2,581</b>	<b>2,586</b>	<b>2,618</b>	<b>2,589</b>	<b>2,459</b>
<b>Total Debt</b>	<b>5,452</b>	<b>5,321</b>	<b>5,304</b>	<b>5,138</b>	<b>4,959</b>
Cash and Bank Balances	303	217	403	590	205
<b>Net Debt</b>	<b>5,149</b>	<b>5,104</b>	<b>4,901</b>	<b>4,548</b>	<b>4,755</b>
4Q Rolling EBITDA	3,078	3,060	3,033	3,035	3,009
<b>Net Debt/EBITDA</b>	<b>1.7</b>	<b>1.7</b>	<b>1.6</b>	<b>1.5</b>	<b>1.6</b>

\* Net of capitalised transaction costs

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

- Higher Q-Q net debt EBITDA in line with increase net debt position from lower cash balance due to high cash payments made in 4Q21
- Deterioration in 4Q rolling EBITDA from softer service revenue trend

# Disclaimer

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