

**Stronger Q-Q service revenue while enabling Digi customers with better and faster 4G network experience**

*Our disciplined focus on investing in what matters most enabled Digi to prioritise and significantly stepped up to deliver stronger 4G network experience<sup>1</sup> for our customers; bridging more Malaysians with quality digital connectivity nationwide. Sequential service revenue<sup>2</sup> growth strengthened to 0.9% underpinned by solid postpaid revenue growth, improved prepaid internet trajectory and profitable operations although intense competition in the postpaid entry level and prepaid segments continued.*

**EXECUTIVE SUMMARY**

RM million	3Q18	2Q19	3Q19	Q-Q	Y-Y	9M18	9M19	9M-9M
Service revenue	1,438	1,402	1,413	0.8%	-1.7%	4,353	4,208	-3.3%
Service revenue <sup>2</sup>	1,475	1,451	1,464	0.9%	-0.7%	4,442	4,356	-1.9%
Total revenue	1,600	1,549	1,562	0.8%	-2.4%	4,853	4,620	-4.8%
Gross profit	1,232	1,238	1,214	-1.9%	-1.5%	3,744	3,657	-2.3%
EBITDA (boi)	750	752	725	-3.6%	-3.3%	2,293	2,200	-4.1%
EBITDA margin	47%	49%	46%	(2.1)	(0.5)	47%	48%	0.4
Profit before tax	529	518	497	-4.1%	-6.0%	1,561	1,500	-3.9%
Profit after tax	393	414	362	-12.6%	-7.9%	1,163	1,142	-1.8%
Capex	127	261	119	-54.4%	-6.3%	455	548	20.4%
Ops cash flow	623	491	606	23.4%	-2.7%	1,838	1,652	-10.1%
Ops cash flow margin	39%	32%	39%	7.1	(0.1)	38%	36%	(2.1)

<sup>1</sup> QoS Network Report: <https://www.skmm.gov.my/resources/reports/qos-network-performance-reports>

<sup>2</sup> Revenue ex-contract asset amortisation

All analysis and comparisons are based on post MFRS 9 and MFRS 15.

Since the start of 2019, we have taken the challenge to modernise our 4G network with better capacity and efficiency while actively re-farmed our existing spectrum portfolio to deliver a stronger and better 4G network experience for our customers to connect to what matters most.

With “Customer Obsessed” in mind in our strategic execution, we continued to drive digitisation in our business operations with enhanced features and capabilities for our customers to interact, transact and secure Digi services through Digi retail, partners and dealers in a more seamless and convenient way.

In 3Q 2019, we continued to improve service revenue growth trajectory quarter-on-quarter while narrowing the decline year-on-year underpinned by 12.0% postpaid revenue growth year-on-year to RM717 million<sup>2</sup> and actively grew internet revenue to 64.0% of service revenue or RM905 million.

Overall internet subscriber base strengthened to 9.4 million or 82.6% of subscriber base, an increase of 357K from a year ago while data traffic volumes surged 49% year-on-year and monthly data usage amongst our subscribers increased to 12.9GB.

Opex remained flat year-on-year and quarter-on-quarter at RM489 million amid strategic investments into Digi’s 4G network capacity and coverage expansions to support increasing 4G subscriber base to 8.7 million or 92.3% of our smartphone users.

On comparable basis, earnings per share for the quarter strengthened to 4.7 sen per share and after adjusting for MFRS 16 impact re-traced to 4.6 sen per share. The Board declared 3rd interim dividend of 4.5 sen or RM350 million for the quarter.



**OPERATIONAL AND FINANCIAL UPDATES**

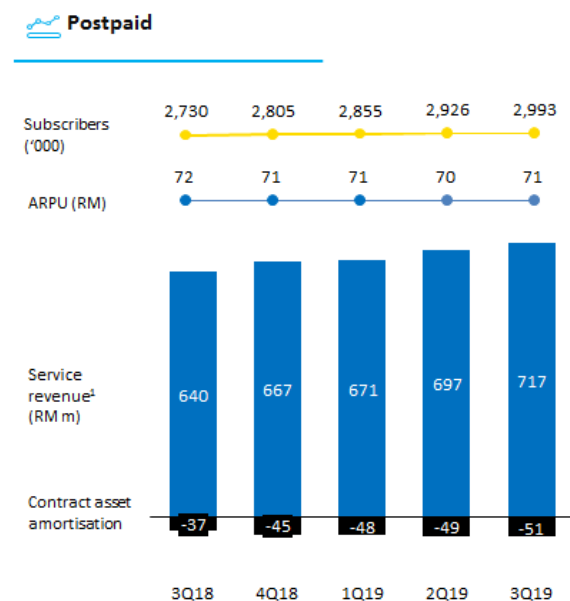
**POSTPAID: Continued growth momentum from postpaid subscribers expansion and upgrades**

During the quarter, we continued to leverage on customers' demand for Digi's Phone Freedom 365 (PF365), Digi Postpaid Family plans and entry level postpaid plans from prepaid conversions. Our postpaid base registered another 67K postpaid net adds to almost 3.0 million postpaid subscribers.

Postpaid ARPU rose to RM71 alongside expansion of subscriber base and ARPU uplifts from our existing postpaid customers, despite adversely challenged by intense competition in the entry level postpaid segment.

Consequently, postpaid revenue<sup>1</sup> grew 12.0% year-on-year and 2.9% quarter-on-quarter to RM717 million while postpaid internet revenue rose 19.1% year-on-year and 4.8% quarter-on-quarter to RM498 million.

As a flow through from prior year's accelerated postpaid contract acquisition, contract asset amortisation for the quarter climbed up RM14 million year-on-year to RM51 million.



<sup>1</sup> Revenue ex-contract asset amortisation

**PREPAID: Stronger internet revenue and steady ARPU with higher internet mix supported by solid channel execution**

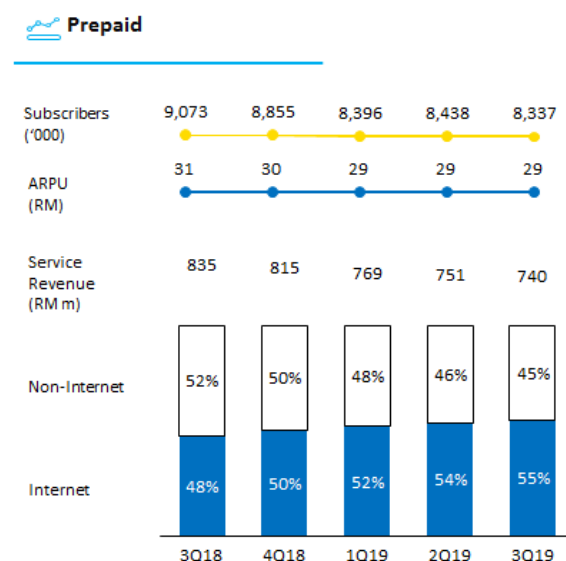
In 3Q 2019, with the support from stronger channel execution, we expanded our reach in offering our prepaid internet plans and subscriptions to 6.7 million prepaid internet subscriber, 78K higher from a year ago.

Internet subscribers now represented 79.9% of 8.3 million prepaid subscribers and have been instrumental in driving solid internet ARPU uplifts to cushion the revenue dilution from non-internet subscriber base contraction and steadied prepaid ARPU at RM29 during the quarter.

Prepaid internet revenue strengthened 2.0% year-on-year and 0.7% quarter-on-quarter to RM407 million or to 55% of prepaid revenue.

While the prepaid market remained challenging with continued intense competition and aggressive entry level postpaid offerings, prepaid revenue resilience improved with decline trimmed to -1.5% quarter-on-quarter (1Q 2019: -5.6%; 2Q 2019: -2.3%).

Structural shift in the prepaid revenue mix to internet and mobile termination rate reduction continued to adversely impact year-on-year prepaid revenue although decline narrowed to -11.4% (1Q 2019: -13.7%; 2Q 2019: -13.2%).



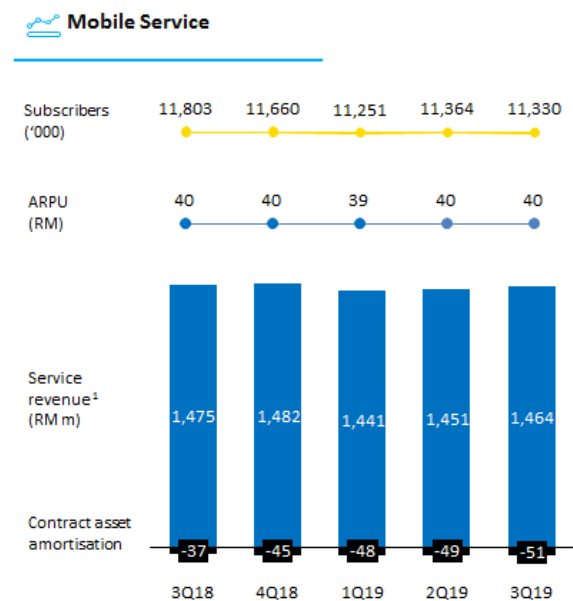
**MOBILE SERVICE: Stronger sequential growth trajectory supported by improved prepaid resilience**

Mobile service revenue<sup>1</sup> strengthened 0.9% sequentially to RM1.46 billion or RM1.41 billion net of contract assets amortisation, supported by narrowed prepaid decline and solid growth from postpaid.

Strong demand for Digi postpaid plans and encouraging prepaid internet uptake substantially cushioned year-on-year service revenue<sup>1</sup> decline to -0.7% (1Q 2019: -2.8%; 2Q 2019: -2.2%).

Our efforts to grow postpaid and strengthened internet subscribers and usage resulted in 10.8% higher internet revenue year-on-year to RM905 million or 64.0% of service revenue, smartphone adoption to 84.2% alongside increasing data demand and usage.

Internet subscribers increased to 82.6% of our 11.3 million subscriber base while ARPU steady at RM40 with stronger postpaid and prepaid internet subscriber base.



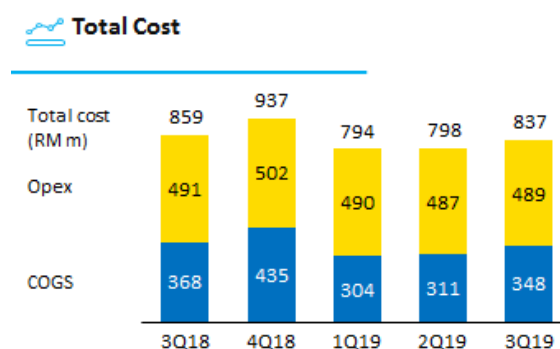
<sup>1</sup> Revenue ex-contract asset amortisation

Device and other revenue increased 1.4% quarter-on-quarter to RM149 million, underpinned by easy

device ownership program via PF365 and attractive phone bundles from new device launches.

**COST: Disciplined focus on efficient operations to deliver sustainable investments and capabilities to support growth opportunities**

Cost of goods sold (COGS) improved 5.4% year-on-year mainly due to lower traffic cost from reduction in regulated interconnect rate compared to a year ago. Underlying COGS remained flat quarter-on-quarter with sequential increase mainly due to absence of non-recurring traffic cost effect of RM34 million included in preceding quarter.



Opex remained flat year-on-year and quarter-on-quarter or 34.6% of service revenue, aided by non-recurring cost of RM17 million related to adjustments as well as efficiency benefits (1Q 2019: RM22 million; 2Q 2019: RM28 million). This is achieved while we continued investing on network coverage and capacity expansions to serve our 11.3 million subscriber base.

With the continued sourcing levers from Telenor procurement, benefits from digitization and strategic investment into what matters most, Digi continued to lead on efficient cost structure amongst the Malaysian mobile industry players.

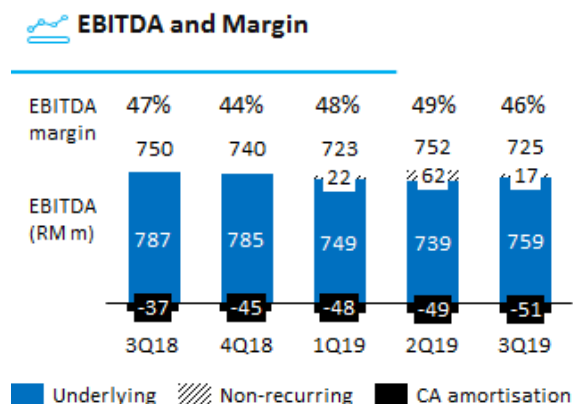
**EBITDA and PAT: Relatively resilient underlying Q-Q earnings if excluding fluctuations from non-recurring and prior year items**

Underlying EBITDA strengthened 2.7% quarter-on-quarter to RM759 million mainly a flow through from stronger sequential service revenue and efficient operations. Meanwhile, top line revenue challenge continued to impact underlying EBITDA

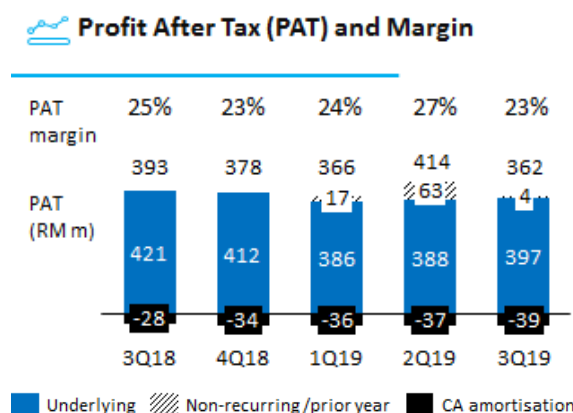


decline year-on-year although Digi continued to deliver solid EBITDA margin relative to industry average.

Reported EBITDA re-traced to RM725m or 46% EBITDA margin after accounting for fluctuations on non-recurring cost effects.



Reported profit before tax (PBT) trimmed -4.1% quarter-on-quarter and -6.0% year-on-year to RM497 million as a flow through from EBITDA and after accounting for RM202 million depreciation cost and RM26 million finance cost.



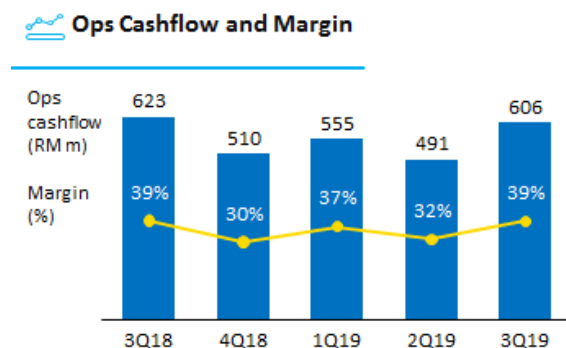
Underlying Profit after tax (PAT) rose +2.2% quarter-on-quarter while year-on-year decline narrowed to -5.8%. Reported PAT stood at RM362 million or 23% margin after accounting for fluctuations from non-recurring and prior year tax expenses.

**CAPEX AND OPS CASH FLOW: Investing in what matters most for customers to enjoy best 4G network experience and digital connectivity**

In 3Q 2019, we invested another RM119 million to strengthen Digi's infrastructure and capabilities with 9M 2019 cumulative Capex of RM548 million. Investments were prioritised to optimise Digi's 4G network quality with enhanced capacity through fibre network expansion to 9,200KM and re-farming of spectrum portfolio to deliver best 4G network experience for our 11.3 million customers.

In the recent Quality of Service Network Performance reports, Digi's 4G network performance significantly improved with our customers enjoying an average data download speed of 30Mbps across 4G LTE and LTE-A network coverage.

Ops cashflow strengthened 23.4% quarter-on-quarter to RM606 million or 39% margin after recording a relatively lower Capex, as planned, with significant proportion of the annual capex frontloaded in 1H 2019 to optimise on the capex benefit.



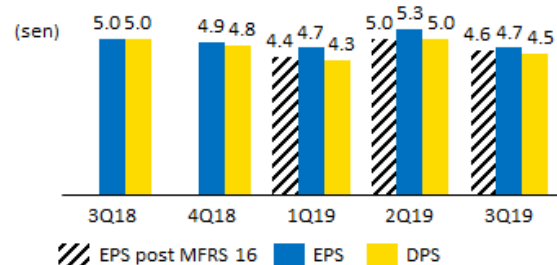
**SHAREHOLDERS RETURN: 4.5 sen dividend per share with YTD cumulative dividend of 13.8 sen for FY2019**

Earnings for the quarter stood at 4.7 sen per share and trimmed 0.1 sen per share to 4.6 sen after accounting for impact from MFRS 16 adoption.

The Board of Directors declared 3rd interim dividend of 4.5 sen per share equivalent to RM350 million, payable to shareholders on 19 December 2019.



**Earnings Per Share and Dividend Per Share**



Total assets strengthened to RM8.48 billion; up 36.8% year-on-year and 3.5% quarter-on-quarter underpinned by recognition of MFRS 16 Rights of Use assets.

**Balance Sheet**

	3Q18	4Q18	1Q19	2Q19	3Q19
Total Assets	6,202	6,212	8,012	8,197	8,483
Total Equity	684	673	641	700	667
Conventional borrowings	1,287	1,289	1,289	1,290	830
Islamic borrowings	1,398	1,397	1,497	1,497	2,322
Finance lease	10	8	2,024	2,124	2,154
Cash & cash equivalents	565	433	244	369	749

On 20 September 2019, we raised RM900 million funding from our 2<sup>nd</sup> series Islamic Medium Term Notes (IMTN) issuance in 2 tranches of RM450 million each for 7 years and 10 years tenor as part of the RM5.0 billion Sukuk Programmes. The IMTN funding is secured at favourable yield to maturity and profit rate of 3.5% and 3.6% respectively and will be used for financing the capital expenditure, working capital requirements and other general funding requirements, which shall be Shariah-compliant.

Digi's net debt to EBITDA ratio remained at 0.8 times<sup>1</sup> while conventional debt over total assets trimmed to 13%<sup>1</sup>, well-within the Shariah threshold.  
<sup>1</sup>Ratio based on pre-MFRS 16. Post MFRS 16 Net debt/EBITDA stood 1.5 times and Conventional debt over total assets at 10%.

**OTHER UPDATES**

**MFRS 16: Leases impact**

With effect from 1 January 2019, Digi adopted MFRS 16: Leases using a modified retrospective approach.

A summary of the accounting impact from MFRS 16 on 3Q 2019 income statement is as follows:

**MFRS 16: Leases**

RM million	3Q 2019 (Without MFRS 16)	3Q 2019 (With MFRS 16)	Delta	%
Total revenue	1,562	1,562	-	0.0%
COGS	348	346	(2)	-0.6%
Opex	489	380	(109)	-22.3%
EBITDA	725	836	111	15.3%
EBITDA margin	46.4%	53.5%	7.1	
Deprn & A	202	293	91	45.0%
Finance cost	26	54	28	107.7%
Profit before tax	497	489	(8)	-1.6%
Profit after tax	362	356	(6)	-1.7%
Capex	119	119	-	0.0%
Ops cash flow	606	717	111	18.3%
Ops cash flow margin	38.8%	45.9%	7.1	
EPS (sen)	4.7	4.6		
DPS (sen)		4.5		

The adoption of MFRS 16 also resulted in higher assets and liabilities recognised in the current quarter's Balance Sheet, mainly in Rights of Use Assets and Finance Leases balances.

**Digi Customer Obsessed Day – Engaged more than 7,000 Malaysians in key market centres across Malaysia**

In July 2019, we took the opportunity to renew our “Customer Obsessed” commitment towards placing customers first in all we do. Digi employees - ‘Digizens’ were mobilised across key market centres nationwide to engage customers to gain first-hand feedback to improve our customer’s experience and to appreciate loyal Digi customers.



**2019 OUTLOOK AND PRIORITIES**

In 9M 2019, Digi demonstrated service revenue resilience and disciplined focus in driving sustainable growth and profitable operations with solid organic postpaid revenue<sup>2</sup> growth of 12.7% and internet revenue growth of 11.0% while EBITDA margin stood healthy at 48%, relatively stronger compared to the industry profitability.

We have made solid improvement in delivering best 4G network experience with our customers enjoying marked improvement in data download performance nationwide according to the recent speed test report.

In the final quarter of 2019, we will continue to execute and deliver on our growth strategies especially in driving postpaid, B2B and prepaid internet growth.

We will continue to sharpen our focus on structural operational efficiencies, investing in what matters most for our customers and continuously drive value creation for our stakeholders.

The 2019 guidance is summarised as follows:

	2019 Updated Guidance <sup>1</sup>	9M 2019
<b>Service revenue</b>	Low single digit decline	-3.3% -1.9% <sup>2</sup>
<b>EBITDA</b>	Low - medium single digit decline	-4.1% -1.4% <sup>2</sup>
<b>Capex to service revenue ratio</b>	12% - 13%	13.0%

<sup>1</sup> Guidance above excludes impact of MFRS 16: Leases

<sup>2</sup> Excluding Contract Assets amortisation

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*This report is to be read in conjunction with the announcement to Bursa Malaysia and all other disclosures related to our 3<sup>rd</sup> Quarter, 2019 result.*

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