

2019

Digi.Com Berhad

1Q 2019 Results

22 April 2019



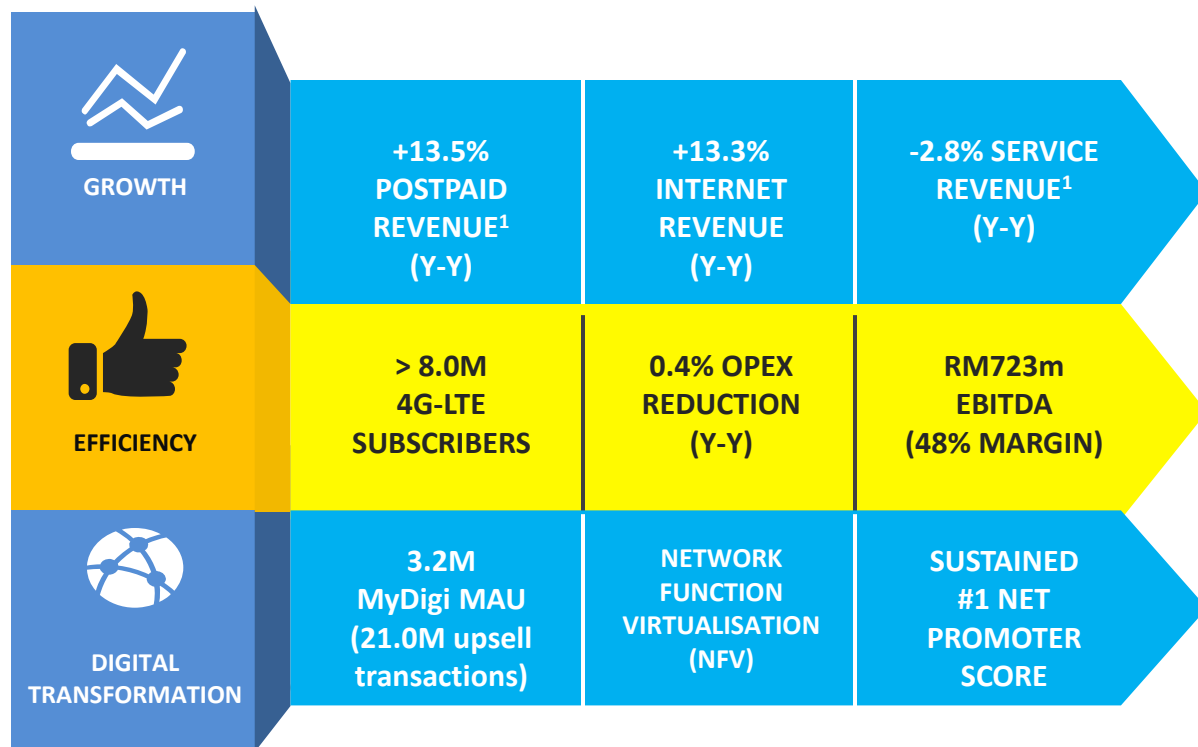


The True Freedom to Own
The Latest Smartphones



- **KEY HIGHLIGHTS**
- **PERFORMANCE REVIEW**
- **OTHER UPDATES**
- **2019 PRIORITIES AND OUTLOOK**
- **Q&A**

1Q 2019 Performance



¹ Revenue ex- contract asset amortisation

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

A summary of the financial impact post adoption of MFRS 16 will be included as part of Other Updates



RE-DEFINING GROWTH OPPORTUNITIES

supported by core, MyDigi and B2B

Key Highlights

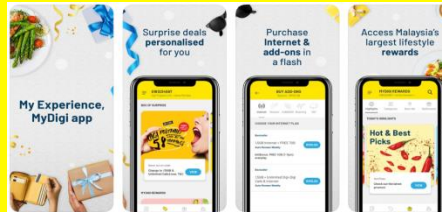
Core Business

- Modernised and re-energised channel to support internet growth ambition
- Sharpened easy device ownership program (Phone Freedom 365) to cater for broader customer base
- Segmented internet offering and continued postpaid conversions
- Base management activities to drive retention and ARPU growth



MyDigi 3.0

- **Brand-new look:** Greater convenience and rewards at customers' fingertips
- **Easier payments:** One account for multiple numbers and seamless one-click payment
- **Personalised deals:** Box of Surprise and MyDigi Rewards
- **Secure sign-in:** Enhanced login security for safer online experience



B2B

- Sharper channel acquisition
- My Digi Business self-care platform
- Digital business solutions



Republic GG

- **rGG:** One-stop gaming command centre for gaming exclusives and rewards



#5G Malaysia

- Broad multi-party collaborations important **to test as many use cases to draw learnings** that we can use to purpose-build 5G according to the needs of the country
- **Working closely with the MCMC and industry partners** to test use cases, conduct field trials and explore modes of 5G implementation
- Part of **the 5G national taskforce to study and recommend** a holistic strategy for 5G deployment in the country



5G-powered emergency services, learning and eSports @ Putrajaya (18-20 April 2019)



- **Command Centre Monitoring System (CCMS)** to enable faster, better responses especially in emergencies that require precision data in real-time
- **Augmented Reality** for future learning purposes
- **Virtual Reality e-Sports and gaming**

SOLID INTERNET GROWTH

supported by improved network capabilities and growing internet base

Performance Review

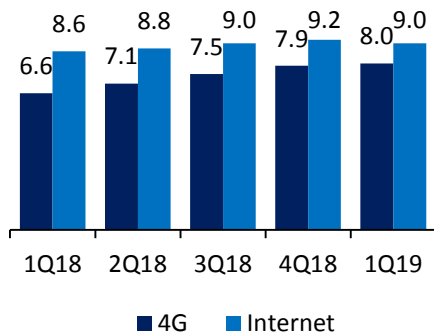


4G Plus Network Coverage

- 4G LTE: 89%
- LTE-A: 67%
- Fibre: 8,500KM



4G & Internet Subscribers (# m)

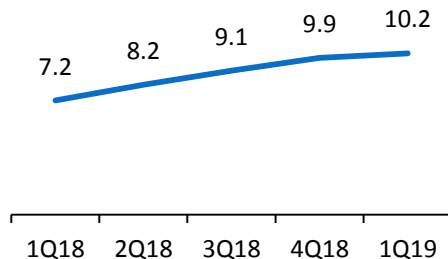


Data Traffic Growth

- 51% Y-Y
- 4% Q-Q



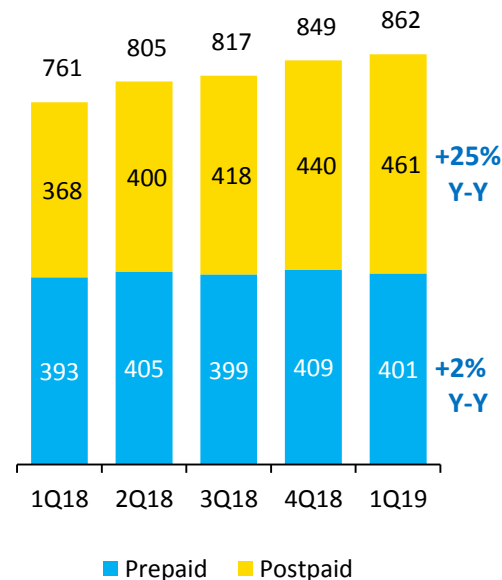
Monthly Data Usage (Sub/GB/month)



Internet Revenue (RM m)

13.3% Y-Y

1.5% Q-Q

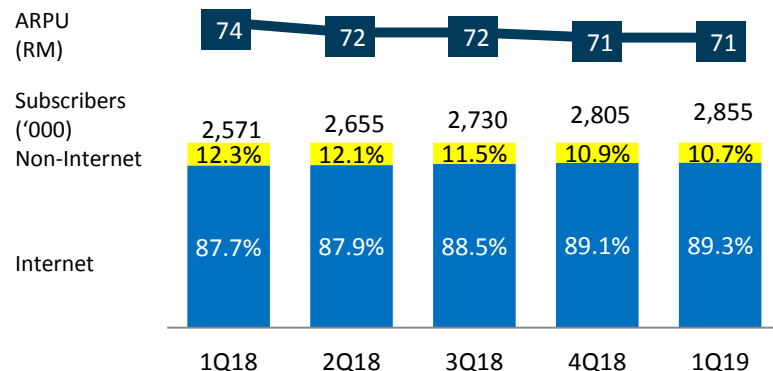


STRONGER POSTPAID ALONG WITH STRATEGIC SHIFT IN PREPAID MIX

well-positioned for sustainable growth

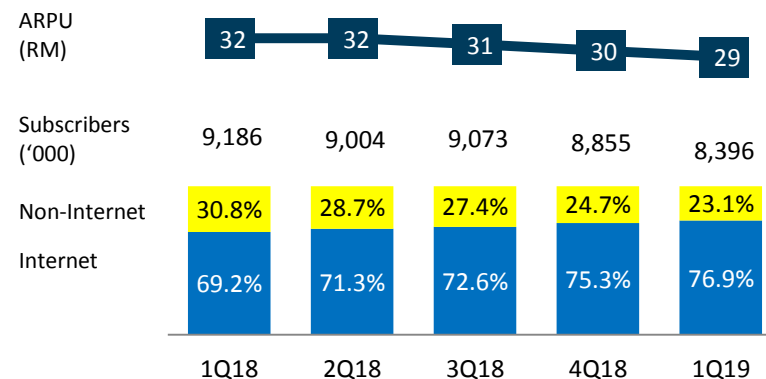
Performance Review

Postpaid



- Solid subscriber growth driven by highly focused acquisition and retention strategies
- 50K net adds to 2.9M subscribers or 25% of total subscribers
- Stable ARPU while growing entry level postpaid subscriptions and plan upgrades from existing base

Prepaid

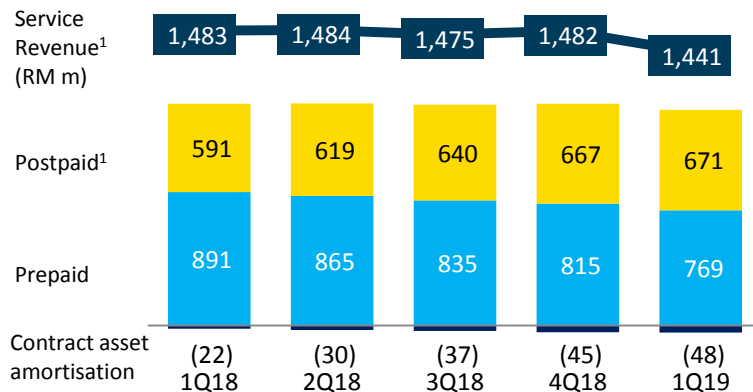


- Significant change in prepaid mix with reduced reliance on traditional voice re-set baseline for subscriber, ARPU and revenue
- Stronger internet subscribers and usage but growth in ARPU challenged by prolonged data competition intensity
- Re-energised channel strategy impacted current acquisition momentum but set a solid foundation towards building a stronger platform for sustainable growth

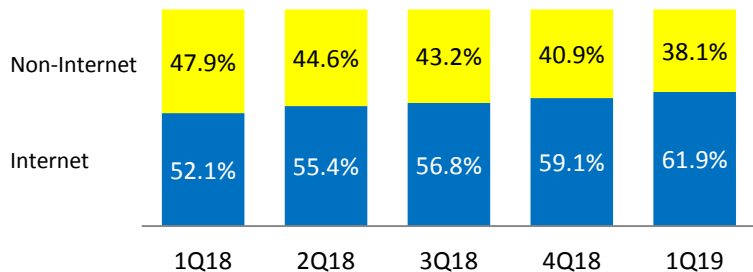
MOBILE SERVICE REVENUE: A new baseline from shift in prepaid mix

and interconnect rate revision while supported by solid postpaid and internet growth

Service Revenue



Service Revenue Mix



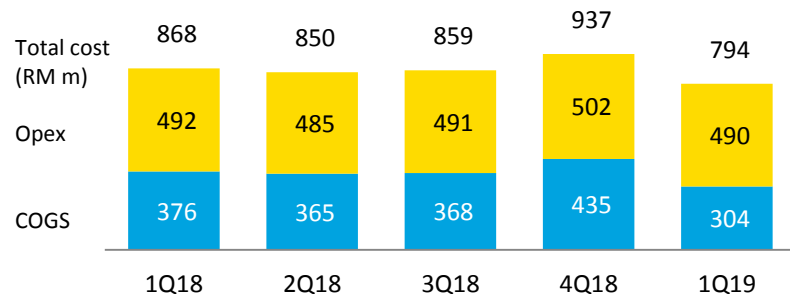
- Postpaid revenue¹ grew 13.5% Y-Y and 0.6% Q-Q led by solid acquisitions and retention while postpaid internet revenue rose 25.3% Y-Y and 4.8% Q-Q to RM461m
- Prepaid internet revenue mix climbed to 52% (1Q18: 46%) but reduction from traditional voice and interconnect rate revision levelled prepaid revenue by 13.7% Y-Y
- Overall internet revenue rose 13.3% Y-Y and 1.5% Q-Q to RM862m or 61.9%
- Service revenue¹ trended 2.8% lower Y-Y and Q-Q to RM1.44 billion or RM1.39 billion net of contract assets amortisation, a result from shift in prepaid revenue mix with lower reliance on traditional voice and supported by the solid growth from postpaid
- Contract asset amortisation accelerated Y-Y to RM48m as a flow through from prior year's accelerated postpaid contract acquisition

¹ Revenue ex- contract asset amortisation

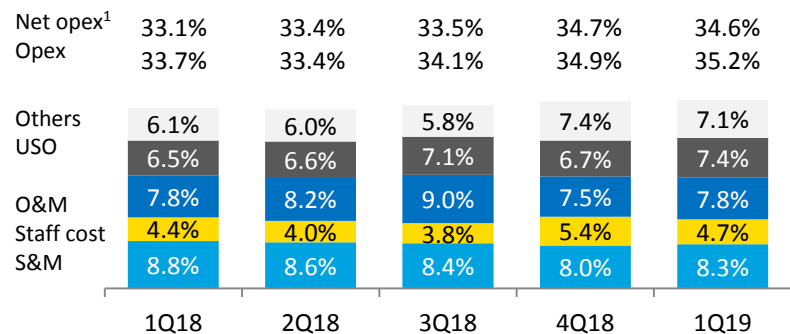
COST: Efficient operations

to support capacity upgrades and enhanced digital capabilities

Total Cost



Opex to Service Revenue



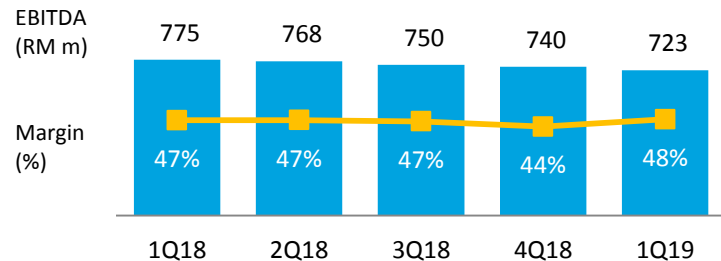
¹ Net opex = Opex + Forex/FV changes + Other income

- Cost of goods sold (COGS) declined 19.1% Y-Y and 30.1% Q-Q mainly due to seasonally lower device volume in transition to the enhanced PF365 program and reduction in regulated interconnect rate
- Opex reduced 0.4% Y-Y and 2.4% Q-Q
 - Improved efficiencies across sales and marketing and O&M functions
 - Included a one-time cost reduction of RM22m relating to O&M efficiency initiative
- Opex to service revenue remained healthy at 35.2%
- Digi continued to demonstrate lean and efficient cost structure while investing into capacity upgrades and digital capabilities to support our customers' growing data demand

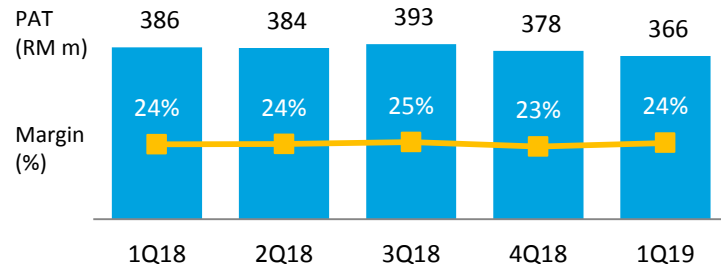
EBITDA & PAT: Profitable operations and healthy margins

supported by sustainable growth and efficiencies

EBITDA and Margin



Profit After Tax (PAT) and Margin

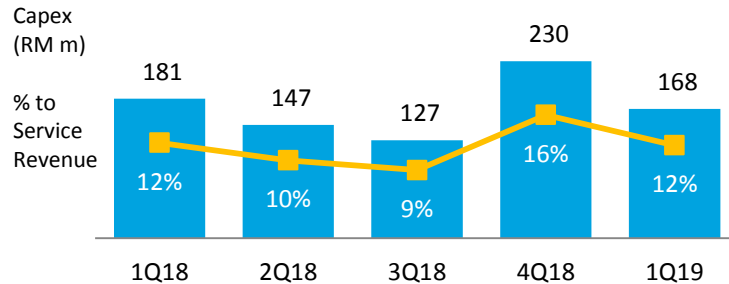


- Healthy EBITDA and margin underpinned by solid postpaid growth, stronger prepaid internet base and efficient cost management
 - Softer topline development from shift in prepaid mix and seasonally lower device volume moderated EBITDA 6.7% Y-Y and 2.3% Q-Q to RM723m although EBITDA margin improved to 48%
- Profit before tax (PBT) eased 5.8% Y-Y and 6.4% Q-Q to RM485m after accounting for RM216m depreciation cost (1Q 2018: RM231m) and RM22m finance cost (1Q 2018: RM29m)
- PAT remained fairly resilient at RM366m or 24% margin, although challenged by softer topline development

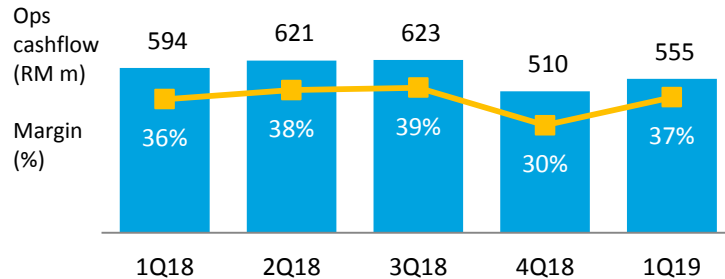
CAPEX AND OPS CASH FLOW: Continued investments and strong cashflow

to support capacity upgrades along with enhancement to digital and IT capabilities

Capex and % to Service Revenue



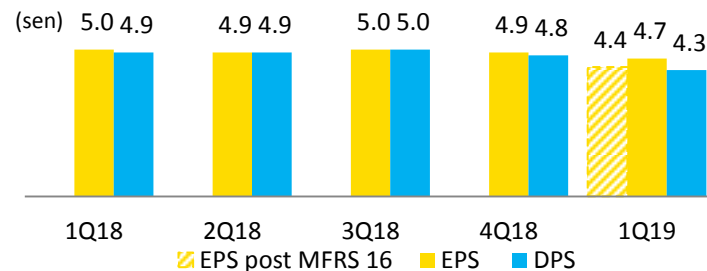
Ops Cashflow and Margin



- Digi invested RM168 million Capex or 12.1% of service revenue mainly for
 - Capacity upgrades and fibre network expansion
 - Deployment of Network Function Virtualisation (NFV)
 - Expansion of LTE-A network coverage to 67% of population
- Ops cashflow moderated 6.6% Y-Y in line with EBITDA development for the quarter.
- However, when compared sequentially, ops cashflow improved 8.8% to RM555m or 37% margin



Earnings Per Share and Dividend Per Share



Balance Sheet

	1Q18	2Q18	3Q18	4Q18	1Q19
Total Assets	6,027	6,035	6,202	6,212	8,012
Total Equity	669	673	684	673	641
Conventional borrowings	1,286	1,287	1,287	1,289	1,289
Islamic borrowings	1,398	1,397	1,398	1,397	1,497
Finance lease	16	13	10	8	2,024
Cash & cash equivalents	461	428	565	433	244

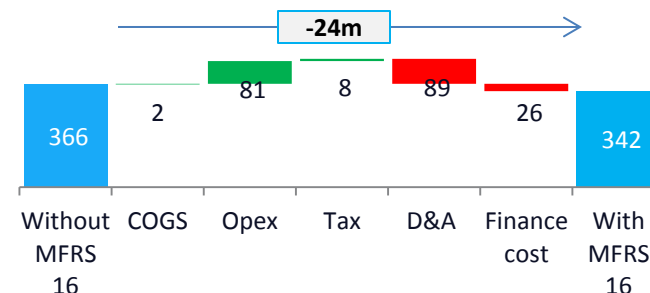
- Earnings per share resilient at 4.7 sen or 4.4 sen after accounting for MFRS 16 impact
- The Board of Directors declared 1st interim dividend of 4.3 sen per share equivalent to RM334 million, payable to shareholders on 28 June 2019.
- Healthy dividend yield > 4% based share price of RM4.65
- Total assets strengthened to RM8.01b, up 32.9% Y-Y and 29.0% Q-Q underpinned by recognition of MFRS 16 Rights of Use assets.
- Digi's net debt to EBITDA ratio remained healthy at 0.8 times while conventional debt over total assets steady at 21%, well-within the Shariah threshold.
- Post MFRS 16: Net debt/EBITDA 1.5 times and conventional debt over total assets at 16%

MFRS 16: Leases

RM million	1Q 2019 (Without MFRS 16)	1Q 2019 (With MFRS 16)	Delta	%
Total revenue	1,509	1,509	-	0.0%
COGS	304	302	(2)	-0.7%
Opex	490	409	(81)	-16.5%
EBITDA	723	806	83	11.5%
EBITDA margin	47.9%	53.4%	5.5pp	
Deprn &A	216	305	89	41.2%
Finance cost	22	48	26	118.2%
Profit before tax	485	453	(32)	-6.6%
Profit after tax	366	342	(24)	-6.6%
Capex	168	168	-	0.0%
Ops cash flow	555	638	83	15.0%
Ops cash flow margin	36.8%	42.3%	5.5pp	
EPS (sen)	4.7	4.4		
DPS (sen)		4.3		

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 1Q 2019 income statement as follows:



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

2019 PRIORITIES AND OUTLOOK

in 1Q 2019 financial statements

2019 Outlook

Our key priorities remained focused on:

- Capturing growth from existing customers
- Continue to drive postpaid growth and SME/B2B opportunities
- Deploy network for best internet experience
- Continue focus and execution of OE initiatives
- Build 'Customer Obsessed' and 'Innovation 360' culture, cultivate growth and efficiency mindset

		Pre MFRS 9 & 15	Post MFRS 9 & 15
	2019 Guidance ¹	YTD 1Q 2019	YTD 1Q 2019
Service revenue	Around 2018 level	RM1,441m	RM1,393m
EBITDA	Low single digit growth	-0.4% (RM738m or 49% margin)	-6.7% (RM723m or 48% margin)
Capex to service revenue ratio	11% - 12%	11.7%	12.1%

¹ Guidance above excludes impact of MFRS 16: Leases

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Q&A?

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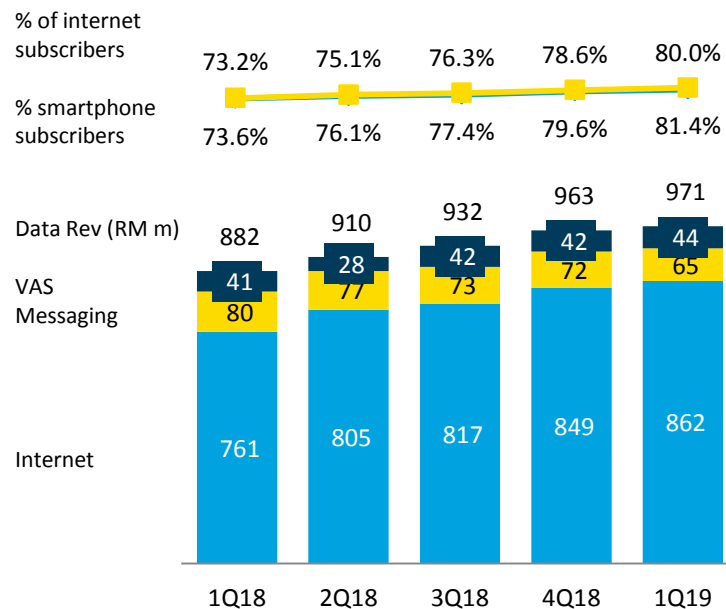


INTERNET REVENUE ROSE 13.3%Y-Y

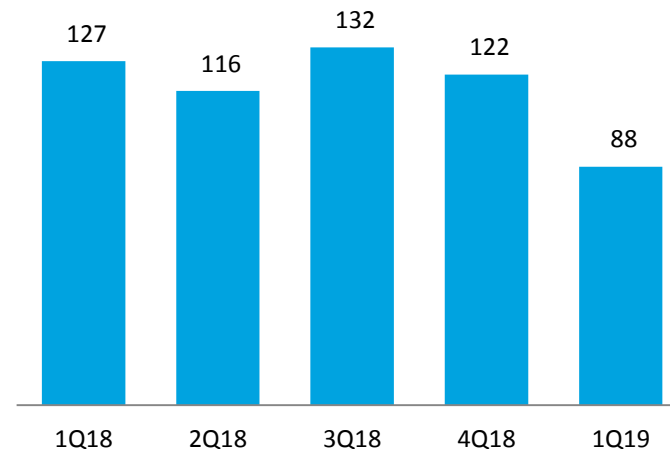
To 61.9% of service revenue

Appendix

Data and smartphone



No. of Devices Sold ('000)



	Post MFRS 15							Post MFRS 16			
(RM m)	1Q18	2Q18	3Q18	4Q18	1Q19	Q-Q	Y-Y	1Q19	2Q19	3Q19	4Q19
Subscribers ('000)	11,757	11,659	11,803	11,660	11,251	-4%	-4%	11,251			
Internet subscribers ('000)	8,612	8,757	9,001	9,162	9,003	-2%	5%	9,003			
Revenue	1,635	1,618	1,600	1,674	1,509	-10%	-8%	1,509			
Mobile serv. revenue	1,461	1,454	1,438	1,437	1,393	-3%	-5%	1,393			
EBITDA (before other items)	775	768	750	740	723	-2%	-7%	806			
<i>EBITDA margin</i>	<i>47%</i>	<i>47%</i>	<i>47%</i>	<i>44%</i>	<i>48%</i>	<i>3.7</i>	<i>0.5</i>	<i>53%</i>			
Other items	-	40	-	-	-	0%	0%	-			
Depreciation	231	183	194	197	216	10%	-6%	305			
EBIT	544	545	556	543	507	-7%	-7%	501			
Net finance (costs)/income	(29)	(28)	(27)	(25)	(22)	-12%	-24%	(48)			
Profit Before Tax	515	517	529	518	485	-6%	-6%	453			
Taxation	129	133	136	140	119	-15%	-8%	111			
Profit After Tax	386	384	393	378	366	-3%	-5%	342			
EPS (sen)	5.0	4.9	5.0	4.9	4.7	-4%	-6%	4.4			
Prepaid ARPU (RM)	32	32	31	30	29	-3%	-9%	29			
Postpaid ARPU (RM)	74	72	72	71	71	0%	-4%	71			
Blended ARPU (RM)	41	41	40	40	39	-3%	-5%	39			

	Post MFRS 15							Post MFRS 16			
(RM m)	1Q18	2Q18	3Q18	4Q18	1Q19	Q-Q	Y-Y	1Q19	2Q19	3Q19	4Q19
REVENUE	1,635	1,618	1,600	1,674	1,509	-10%	-8%	1,509			
Mobile serv. revenue	1,461	1,454	1,438	1,437	1,393	-3%	-5%	1,393			
Voice revenue	578	544	506	474	421	-11%	-27%	421			
Data revenue	882	910	932	963	971	1%	10%	971			
Other serv. revenue	1	-	-	-	1	100%	0%	1			
Device and other revenue	174	164	162	237	116	-51%	-33%	116			
Prepaid Revenue	891	865	835	815	769	-6%	-14%	769			
Voice revenue	431	398	370	342	309	-10%	-28%	309			
Data revenue	460	467	465	473	460	-3%	0%	460			
Postpaid Revenue	569	589	603	622	623	0%	9%	623			
Voice revenue	147	146	136	132	112	-15%	-24%	112			
Data revenue	422	443	467	490	511	4%	21%	511			

(RM m)	Post MFRS 15							Post MFRS 16			
	1Q18	2Q18	3Q18	4Q18	1Q19	Q-Q	Y-Y	1Q19	2Q19	3Q19	4Q19
COGS	376	365	368	435	304	-30%	-19%	302			
Cost of materials	146	166	157	220	120	-45%	-18%	120			
Traffic charges	230	199	211	215	184	-14%	-20%	182			
OPEX	492	485	491	502	490	-2%	0%	409			
Sales & marketing	129	125	121	115	115	0%	-11%	115			
Staff costs	65	58	54	77	65	-16%	0%	65			
Operations & maintenance	114	119	130	108	108	0%	-5%	52			
USP fund and license fees	95	96	102	96	103	7%	8%	78			
Other expenses	89	87	84	106	99	-7%	11%	99			
<i>Credit loss allowances</i>	16	15	5	14	14	0%	-13%	14			
<i>Others</i>	73	72	79	92	85	-8%	16%	85			
TOTAL	868	850	859	937	794	-15%	-9%	711			

(RM m)	1Q18	2Q18	3Q18	4Q18	1Q19	Q-Q	Y-Y
Cash at start	575	461	428	565	433	-23%	-25%
Cash flow from operations	682	661	753	474	607		
Changes in working capital	(138)	(169)	(95)	8	(256)		
Cash flow used in investing activities	(295)	(141)	(137)	(224)	(162)		
Cash flow used in financing activities	(363)	(384)	(384)	(390)	(378)		
Net change in cash	(114)	(33)	137	(132)	(189)		
Cash at end	461	428	565	433	244	-44%	-47%



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