

# Standing Together With You

Keeping you connected to  
what matters most.



**DIGI.COM BERHAD**

199701009694 (425190-x)

## **1Q 2020 Earning Call**

23 April 2020





1

**1Q 2020 Key Highlights**

2

**Performance Review**

3

**Covid-19 and Business Continuity Plan (BCP)**

4

**2020 Outlook and Guidance**

5

**Appendix**

# Strong foundation moving into 2020

To capture growth and revenue renewals while managing some challenges

- **Resilient 1Q performance** led by strong growth momentum from 4Q19
- Business resilience resulting from consistent strategic focus over the last 3 years in **driving sustainable growth, efficiency** and **digital transformation**
- **Future-ready operations** with solid foundation in:
  - **Digitalisation of customer journey:** delivering improved personalised and seamless customer experience
  - **Scalable, secure and robust network:** Network & IT function virtualisation, spectrum refarming and optimisation, fibre network collaboration
  - **Operating model innovation:** Common Delivery Centres Network & IT, centralized scale procurement
  - **Modernising the organisation:** Way of work and skills





# Resilient 1Q performance

1

1Q 2020 Key Highlights

Underpinned by strong growth momentum from 4Q19 and consistent focus on strategy



- **Focused acquisition and retention**
  - Easy device ownership and attractive Family proposition
  - Loyalty based rewards and incentives
- **Digital services and digital solutions** extended to Business Customers
- **Disciplined Efficiency and Network/IT initiatives**
- **Innovation 360 and Customer Obsessed culture**
- **Secure and sustainable business conduct** with high standards of corporate governance

## GROWTH

- ✓ **Monthly data usage per user:** 14.5GB, +42% Y-Y
- ✓ **Internet & Digital Revenue:** RM977m, +13.3% Y-Y
- ✓ **Service Revenue (excl. IC):** RM1,366m, +0.7% Y-Y

## EFFICIENCY & SIMPLIFICATION

- ✓ **MyDigi:** 4.0m MAUs, +25.4% Y-Y
- ✓ **Flat Y-Y Opex,** RM411m
- ✓ **EBITDA margin:** 48.5%

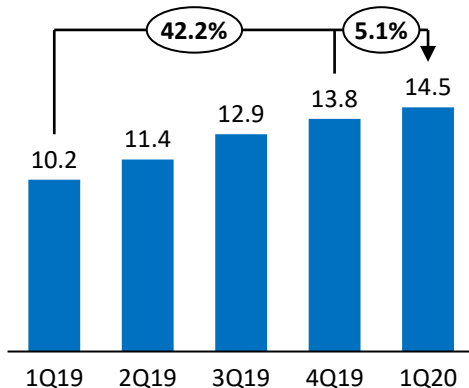
## RESPONSIBLE BUSINESS & WINNING TEAM

- ✓ **#1 Best Managed Company (Malaysia)**
- ✓ **#1 Most Committed to Social Causes**  
- 2020 FinanceAsia

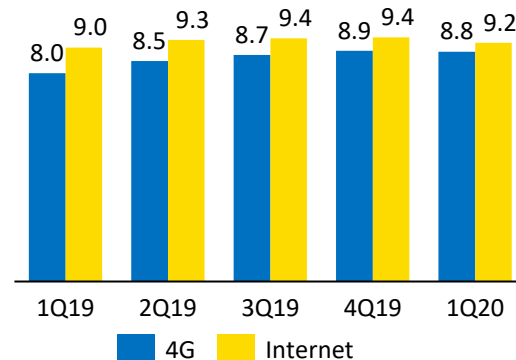
All analysis and comparisons are based on post MFRS 16

- **Increase in internet usage to 14.5GB per user** from key initiatives to keep customers connected
  - Loyalty based rewards and incentives
  - Easy device ownership and attractive Family proposition
  - Wider range of digital services through partnerships and collaborations
- **+188K Y-Y internet subscribers**, with Q-Q decline mainly from non-revenue generating subscribers (non-RGS)
- **+RM115m Y-Y internet and digital revenue** to 70% of service revenue

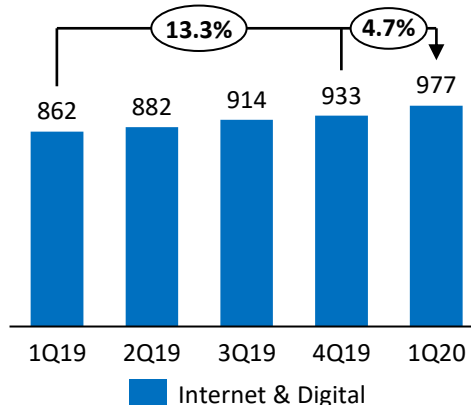
## Monthly GB per User



## Internet and 4G Subscribers (Million)



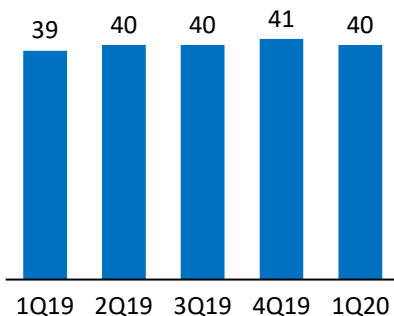
## Internet & Digital Revenue (RM million)



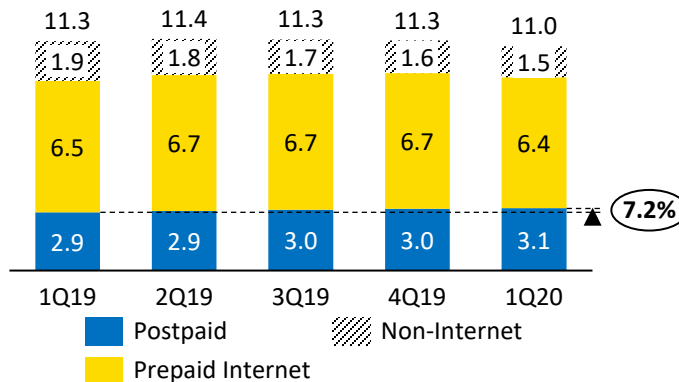
Underpinned by healthy ARPU and sustainable revenue mix

- **ARPU post interconnect (IC) rate revision remained relatively steady** supported by higher postpaid subscriber mix
  - **Prepaid ARPU at RM30** (+RM1 Y-Y) lifted by improved acquisition quality and lower non-RGS base
  - **Postpaid ARPU at RM69** (-RM2 Y-Y) supported by postpaid subscriber growth
- **Subscriber base moderated Y-Y and Q-Q** – restricted acquisition activities - Covid19
  - Active subscribers steady with continued postpaid conversions, plan upgrades and device contracting
- **Service revenue (excl. IC) strengthened Y-Y** coming from strong growth momentum in 4Q19
  - Q-Q decline mainly from lower non-internet usages and roaming services

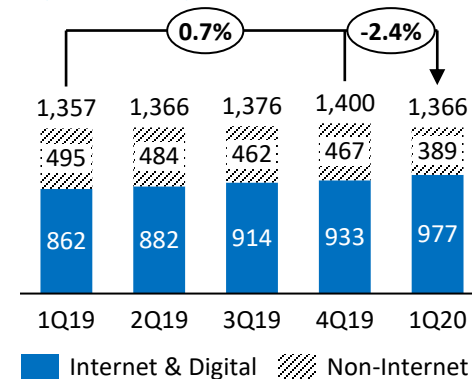
**Blended ARPU**  
(RM)



**Subscribers**  
(Million)



**Service Revenue (excl. IC)**  
(RM million)

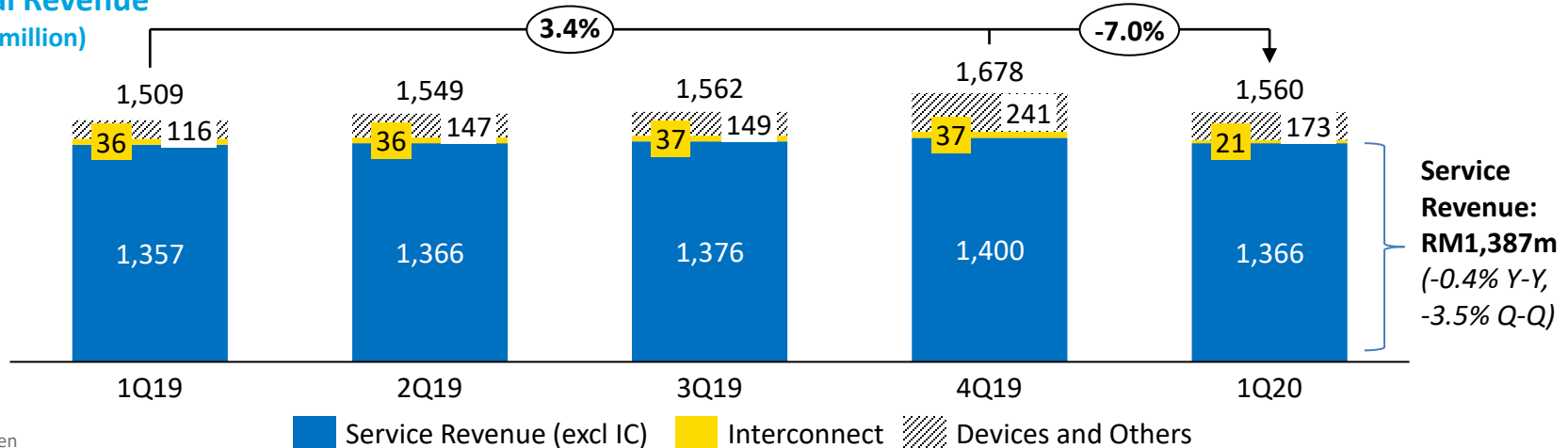


## Total revenue supported by improved service revenue mix

And stronger Y-Y demand for device bundling

- **Stronger service revenue mix** with uplift from, postpaid and digital revenue contribution
- **Prepaid internet and digital revenue: +8.2% Y-Y to RM434m**
  - +2.5pp Y-Y to 31.3% of SR
- **Postpaid revenue: +5.5% Y-Y to RM656m**
  - +2.6pp Y-Y to 47.3% of SR
- Device and other revenue development mainly driven by **demand from postpaid contracting and renewal activities**

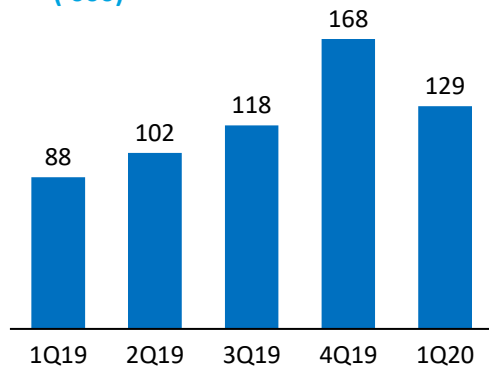
### Total Revenue (RM million)



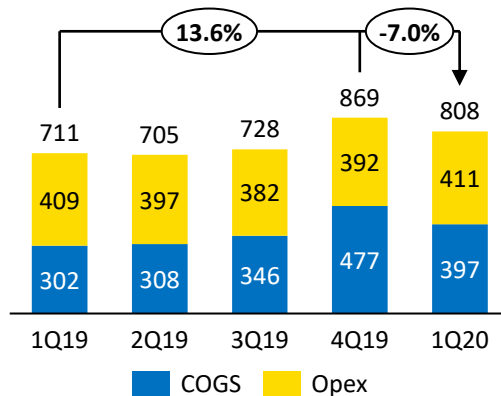
Leveraging on structural efficiencies, digital transformation and operating model innovation

- **COGS: +31.5% Y-Y and -16.8% Q-Q**
  - Mainly due to device cost development from subscriber contracting activities and growth from digital services
  - Offset by lower traffic cost from IC rate revision
- **Flat Y-Y Opex** alongside progressive 4G LTE and LTE-A network coverage and capacity expansion
  - Higher cost from network expansion cushioned by efficiencies from digitisation and operating model shifts
  - Q-Q: Impacted by RM14m non-recurring cost benefits included in prior quarter

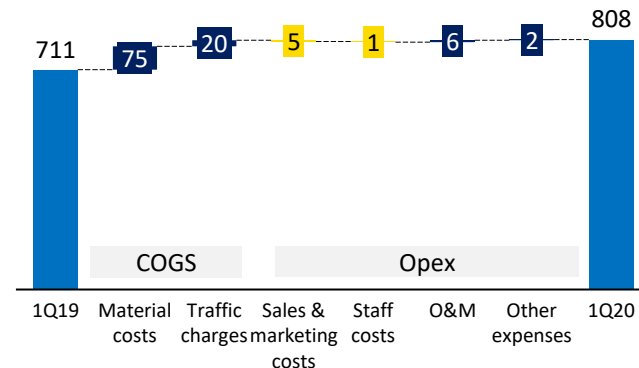
# of Devices Sold  
(‘000)



Total Cost  
(RM million)

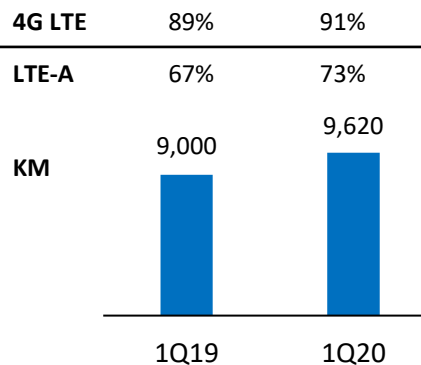


Cost development Y-Y  
(RM million)

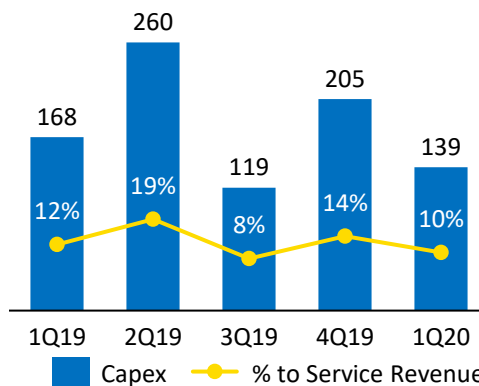


- **Data driven way of work with strengthened focus on customer experience** driving network deployment
  - **Improved customer confidence and satisfaction** on Digi's network: +4pp Y-Y and +2pp Q-Q on Network NPS
- **Capex of RM139m as planned** mainly to support:
  - Capacity upgrades and fibre network expansion to deliver consistent quality data connectivity amid rising data demand
  - Digital capabilities in core businesses and processes
- **Ops cashflow margin remained solid at 40%** after accounting for progressive Capex

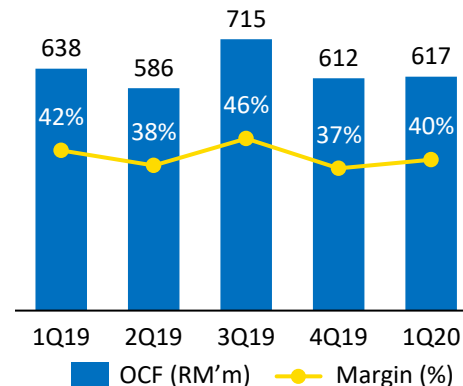
## Population Coverage and Fibre Network



## Capex (RM million and % to Service Revenue)

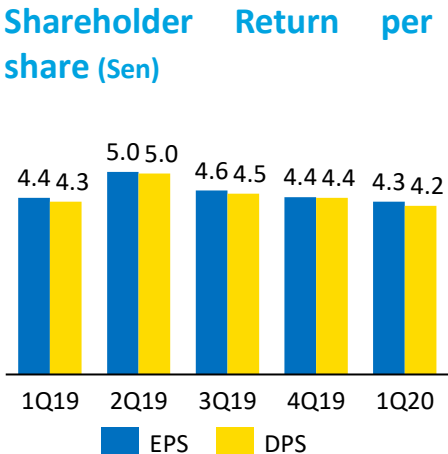
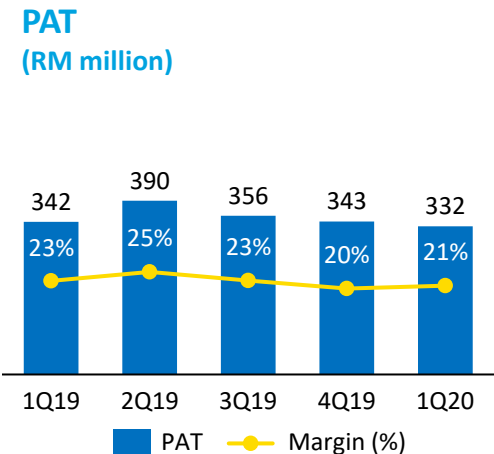
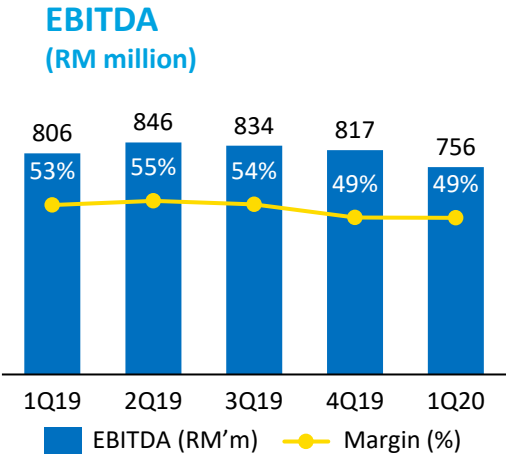


## Op Cashflow (RM million and margin)



And healthy shareholder return

- **EBITDA margin remained healthy at 49%**
  - Y-Y and Q-Q decline attributed to higher investments to support growth from subscriber contracting and renewal activities while supporting solid increase in data usage demand
- **Profit after tax (PAT) moderated -2.9% Y-Y and -3.2% Q-Q** after accounting for RM306m depreciation and amortisation cost, and net finance cost of RM14m
- **Resilient Earnings Per Share (EPS)** with 1st interim **dividend of 4.2 sen per share** or RM327m, payable on 26 June 2020



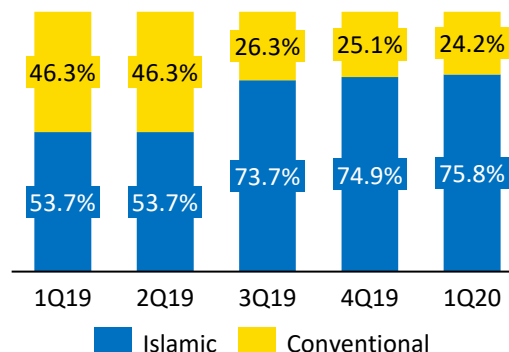
With strong working capital and funding capabilities

- **Solid assets** anchored on prudent allocation of resources and asset management
  - Q-Q: Mainly due to re-payment of borrowings amounting to RM138m
- **Total borrowings healthy at RM2.97 billion**, of which 76% comprised Islamic borrowings
  - Conventional debt over total assets at 9%, well-within the Shariah threshold
- **Net debt to EBITDA ratio (post MFRS 16) at 1.5 times**
  - AAA/Stable/P1 credit rating by RAM Rating

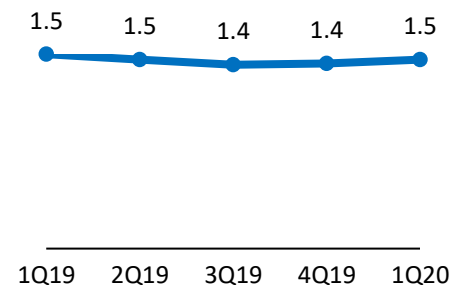
### Balance Sheet (RM million)

	1Q19	2Q19	3Q19	4Q19	1Q20
Total Assets	8,012	8,197	8,483	8,149	7,997
Total Equity	641	700	667	660	650
Borrowings	2,786	2,787	3,152	3,102	2,965
Finance lease	2,024	2,124	2,154	2,048	2,062
Cash & cash equivalents	244	369	749	458	307

### Borrowings



### Net Debt/EBITDA (x)





## Covid 19 - Movement Control Order (MCO) in Malaysia

Effective 18 March till 28 April 2020

3

Covid-19 and BCP



With higher demand for consistent mobile network connectivity

## Network and Service Reliability

### Network & IT Availability

Teams working 24/7 to maintain and upgrade sites and systems

#### • Shift in customer behaviour and traffic

- Geographical mainly from urban business areas to residential areas
- Increase in utilisation of quota
- Resource demand for video and gaming applications more than doubled e.g. YouTube, Netflix

### Network at critical areas

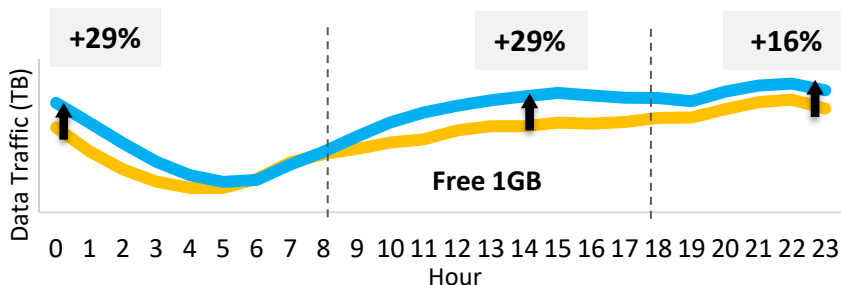
Additional connectivity support at hospitals, relief centres, and more

#### Network management initiatives:

- **Prioritised traffic management and optimisation** to cater to rising traffic demand at residential areas and critical sites
- **Quality of service prioritisation** for mission critical services and essential services at specific time periods
- **Collaboration with application providers** to reduce resource intensity for services, such as global bit rate adjustment and default resolution setting with Netflix, YouTube

### Hourly Data Traffic Distribution

Pre MCO MCO



#### Outcome:

- **Most consistent 4G** network on download speeds, with **minimal degradation of service quality**
- **Current download speeds adequate** to support customer needs and experience across commonly used applications



# Our commitment to keep CONSUMERS connected

Measures taken to support Malaysians during the MCO period

3

Covid-19 and BCP

## Enhanced benefits for Consumers focusing on connectivity, learning and insurance

### Connectivity

Free 1GB high-speed internet for prepaid, postpaid & broadband

### Learning

Free access to Jomstudi, RM1/month for Classroom, and more on EasyAdd

### Zero-rate access to Covid-19 information

Incl. emergency hotlines, and trustworthy websites

### Covid-19 Insurance

Free insurance for first 200,000 customers

## 24/7 Customer Care & Support

### Retail Stores

Limited number - Operating Mon, Wed & Fri 10.00am to 4.00pm

### MyDigi

For bill payment, top-ups, digital subscriptions, rewards

### Kiosks

For bill payment, top-ups, sim replacement

### Customer Service

24/7 support at customer care centre, live chat & social media

### Community Portal

Up to date information for customers

## Digital and Alternate Sales Channels

### Digi Store Online

For contract renewal, plan upgrades, new subscriptions (base management and acquisition)

### Online marketing and sales

For in-house teams and dealers

### Alternate channels –

Convenience stores, petrol stations, ATMs, e-commerce, e-wallets etc.





## Enabling **BUSINESSES**

Providing affordable and worry-free commitment options for SME/B2B customers

3

Covid-19 and BCP

**Digi Business™**

**LET BUSINESS CONTINUE, NO MATTER THE DISTANCE**

Digi WiFi Broadband LETS YOU WORK REMOTELY ANYWHERE WITH Digi WiFi

**Go Digi WiFi**

Monthly Charges	FREE
Total Ducts	20 + 500
Contract Period	
Mobile WiFi Device	RM100

**Digi Business™**

**Giving you The Best Value to keep your business going**

**Extra GB** **ZERO CONTRACT** **FREE**

**RM48** **RM68**

**20GB** **40GB**

**Zero Contract** **Zero Contract**

**Digi Business™**

**Manage your online business for only RM13.30/day?**

**Online Business Pack** **Only RM13.30/day**

- 8 x Go Digi 15 plan worth RM100
- 1,000 Bundles worth RM100
- 20GB largest 3Gbps 4Gbps 4Gbps 4Gbps
- 20GB largest 3Gbps 4Gbps 4Gbps 4Gbps
- 20GB largest 3Gbps 4Gbps 4Gbps 4Gbps
- 20GB largest 3Gbps 4Gbps 4Gbps 4Gbps

**Online Operations Pack** **Only RM13.30/day**

- 8 x Go Digi 15 plan worth RM100
- 1,000 Bundles worth RM100
- 20GB largest 3Gbps 4Gbps 4Gbps 4Gbps
- 20GB largest 3Gbps 4Gbps 4Gbps 4Gbps
- 20GB largest 3Gbps 4Gbps 4Gbps 4Gbps
- 20GB largest 3Gbps 4Gbps 4Gbps 4Gbps

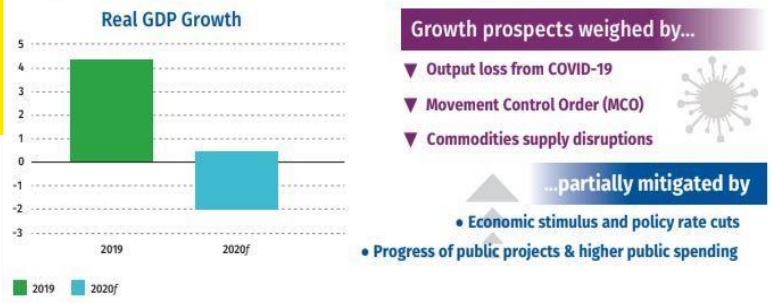
Special value offers broadband and digital solutions: altHR and OMNI

Businesses focused on survivability, and new ways to drive growth

Key shift to online marketing for in-house team and dealers

Amid rising uncertainties weighed by unprecedented measures taken to contain COVID-19

Malaysia's GDP growth to be between -2.0% and 0.5% in 2020



Source: BNM's 2019 Economic Monetary Review

**Macroeconomic forecasts remain fluid**, depending significantly on evolving Covid-19 pandemic situation and public health policies

**Solid strategy execution over the past three years pave the way for:**

## FINANCIAL RESILIENCE

Solid financial strength, efficient operations

## ORGANISATIONAL AGILITY

Digitalisation, operating model innovation, future-ready network

## STRONG VALUE PROPOSITION AND BRAND

In adapting quickly to 'new normal' and ready ourselves to meet future challenges

To revisit 2020 guidance when more clarity is available on the timing of MCO uplift, Covid-19 and economic outlook

	2020 Guidance <sup>1</sup>	1Q20
Service revenue	Flat - low single digit decline	-0.4%
EBITDA		-6.2%
Capex	Similar to FY2019	RM139m

<sup>1</sup> Includes impact of MFRS 16: Leases

## 2020 Priorities

- **Continue creating value** for our stakeholders; remain committed to our long-term strategy, prospects and continued focus on innovation
- **Protecting cash flow** through cost measures and financial flexibility, with a practical view on earnings parameters
- **Investing in strengthening network and IT infrastructure** to support growing data demand
- **Deliver on core and digital business** through focused customer offerings

## Disclaimer

This presentation and the following discussion may contain forward looking statements by Digi.Com Berhad (Digi) related to financial trends for future periods. Some of the statements contained in this presentation or arising from this discussion which are not of historical facts are statements of future expectations with respect to financial conditions, results of operations and businesses, and related plans and objectives. Such forward looking statements are based on Digi's current views and assumptions including, but not limited to, prevailing economic and market conditions and currently available information. These statements involve known and unknown risks and uncertainties that could cause actual results, performance or achievements to differ materially from those in the forward-looking statements. Such statements are not and, should not be construed, as a representation as to future performance or achievements of Digi. In particular, such statements should not be regarded as a forecast or projection of future performance of Digi. It should be noted that the actual performance or achievements of Digi may vary significantly from such statements.

# Keeping You Connected to What Matters

Empowering you with our  
commitment to serve  
your needs.



Free Calls to Health  
Services and Free Access  
to Their Websites



Free 1GB and Calls  
for Prepaid Subscribers  
When You Reload



Free Daily 1GB for  
Postpaid Subscribers



Free Learning Hours  
with JomStudi

# Q&A

# Thank you, Heroes!



To our **HEROES**  
on the frontlines,

We're **WITH YOU.**  
We want to keep you safe.

Thank you for staying  
**STRONG FOR US.**

[Investor\\_Relations@digi.com.my](mailto:Investor_Relations@digi.com.my) | [www.digi.com.my](http://www.digi.com.my)

#StayHomeStayStrongMsia



This report was produced over the course of the Movement Control Order, with full adherence to safety measures and our business continuity plan guidelines.



## APPENDIX

	Post MFRS 16						
(RM m)	1Q19	2Q19	3Q19	4Q19	1Q20	Q-Q	Y-Y
Subscribers ('000)	11,251	11,364	11,330	11,281	11,009	-2%	-2%
Internet subscribers ('000)	9,003	9,296	9,358	9,397	9,191	-2%	2%
<b>Revenue</b>	<b>1,509</b>	<b>1,549</b>	<b>1,562</b>	<b>1,678</b>	<b>1,560</b>	<b>-7%</b>	<b>3%</b>
Mobile serv. revenue	1,392	1,402	1,414	1,437	1,387	-3%	0%
Postpaid revenue	622	647	667	680	656	-4%	5%
Prepaid and digital revenue	770	755	747	756	731	-3%	-5%
Device and other revenue	116	147	149	241	173	-28%	49%
<b>EBITDA (before other items)</b>	<b>806</b>	<b>846</b>	<b>834</b>	<b>817</b>	<b>756</b>	<b>-7%</b>	<b>-6%</b>
EBITDA margin	53%	55%	53%	49%	49%	-2.9pp	-5.0pp
Other items	-	-	-	9	-	-100%	-
Depreciation	305	308	293	291	306	5%	0%
EBIT	501	538	541	526	450	-14%	-10%
Net finance costs	(48)	(49)	(52)	(56)	(14)	-75%	-71%
Profit Before Tax	453	488	489	461	435	-6%	-4%
Taxation	111	98	133	118	103	-12%	-7%
<b>Profit After Tax</b>	<b>342</b>	<b>390</b>	<b>356</b>	<b>343</b>	<b>332</b>	<b>-3%</b>	<b>-3%</b>
<b>EPS (sen)</b>	<b>4.4</b>	<b>5.0</b>	<b>4.6</b>	<b>4.4</b>	<b>4.3</b>	<b>-2%</b>	<b>-2%</b>
<b>Prepaid ARPU (RM)</b>	<b>29</b>	<b>29</b>	<b>29</b>	<b>30</b>	<b>30</b>	<b>0%</b>	<b>3%</b>
<b>Postpaid ARPU (RM)</b>	<b>71</b>	<b>70</b>	<b>71</b>	<b>72</b>	<b>69</b>	<b>-4%</b>	<b>-3%</b>
<b>Blended ARPU (RM)</b>	<b>39</b>	<b>40</b>	<b>40</b>	<b>41</b>	<b>40</b>	<b>-2%</b>	<b>3%</b>

(RM m)	Post MFRS 16						
	1Q19	2Q19	3Q19	4Q19	1Q20	Q-Q	Y-Y
<b>COGS</b>	<b>302</b>	<b>308</b>	<b>346</b>	<b>477</b>	<b>397</b>	<b>-17%</b>	<b>31%</b>
Cost of materials	120	146	151	263	195	-26%	63%
Traffic charges	182	162	195	214	202	-6%	11%
<b>OPEX</b>	<b>409</b>	<b>397</b>	<b>382</b>	<b>392</b>	<b>411</b>	<b>5%</b>	<b>0%</b>
Sales & marketing	115	117	112	109	110	1%	-4%
Staff costs	65	54	53	52	64	23%	-2%
Operations & maintenance	52	43	42	33	58	76%	12%
USP fund and license fees	78	78	74	80	80	0%	3%
Other expenses	85	92	80	88	86	-3%	0%
Credit loss allowances	14	13	21	30	14	-53%	0%
<b>TOTAL</b>	<b>711</b>	<b>705</b>	<b>728</b>	<b>869</b>	<b>808</b>	<b>-7%</b>	<b>14%</b>

(RM m)	1Q19	2Q19	3Q19	4Q19	1Q20	Q-Q	Y-Y
<b>Cash at start</b>	<b>433</b>	<b>244</b>	<b>369</b>	<b>749</b>	<b>458</b>	<b>-39%</b>	<b>6%</b>
Cash flow from operations	607	786	705	632	628		
Changes in working capital	(256)	(59)	(128)	(213)	(106)		
Cash flow used in investing activities	(162)	(257)	(113)	(200)	(138)		
Cash flow used in financing activities	(378)	(345)	(84)	(511)	(537)		
Net change in cash	(189)	125	380	(292)	(152)		
<b>Cash at end</b>	<b>244</b>	<b>369</b>	<b>749</b>	<b>458</b>	<b>307</b>	<b>-33%</b>	<b>26%</b>