

2019

Digi.Com Berhad

2Q 2019 Results | 12 July 2019





LET'S INSPIRE



FREEDOM TO EXPLORE
ON MALAYSIA'S
LARGEST
NETWORK



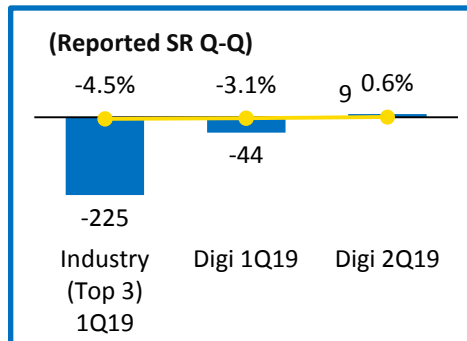
Based on the most subscribers.
Digi Telecommunications Sdn Bhd (001083-M)

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

1 Driving sustainable business in challenging market

Resilient earnings

- Service revenue¹: +0.7% Q-Q ; -2.2% Y-Y
- 49% EBITDA margin²
- 5 sen dividend per share



¹ Revenue ex-contract asset amortisation

² Include non-recurring cost benefit of RM62m

2 Invest in what matters most

4G Plus Network Coverage

- 4G LTE: 90%; LTE-A: 70%
- 8.5M 4G subscribers
- 62.7% of service revenue from Internet

Digitisation of Core Business

- 3.3M MyDigi MAU

3 Driving pre-to-post conversions and data subscriber growth

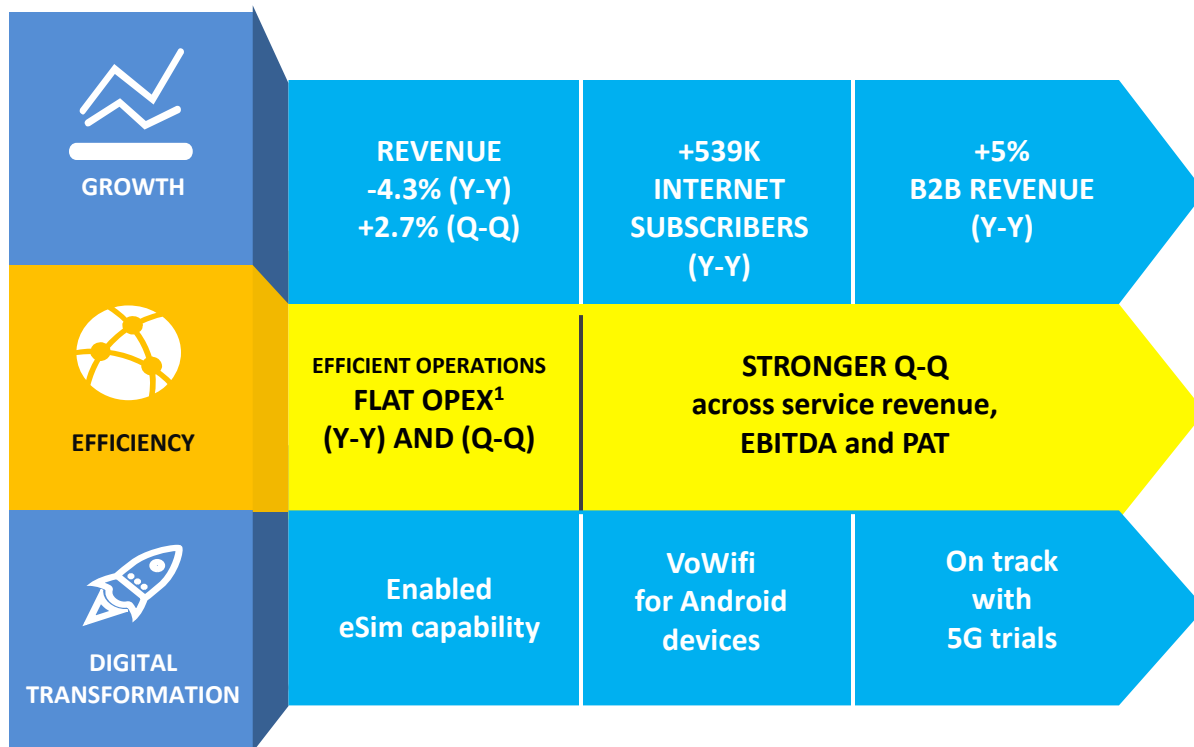
Postpaid growth

- +12.6% postpaid revenue¹
- +71K netadds

Stronger prepaid internet subscribers

- +221K netadds
- 6.7M prepaid internet subscribers

2Q 2019 Performance



¹ Incl. non-recurring cost benefit of RM28m

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

SOLID INTERNET GROWTH

supported by improved network capabilities and growing internet base

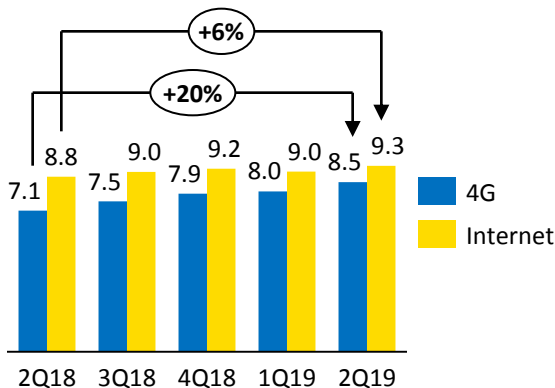


4G Plus Network Coverage

- 4G LTE: 90%
- LTE-A: 70%
- Fibre: 9,100KM



4G & Internet Subscribers (# m)

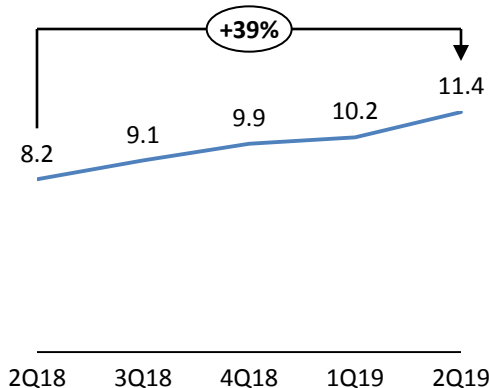


Data Traffic Growth

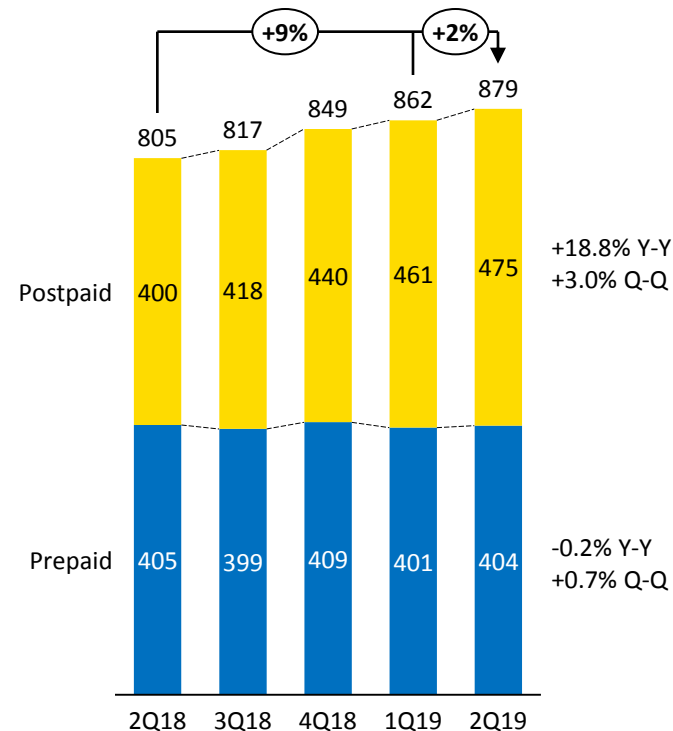
- 49% Y-Y
- 12% Q-Q



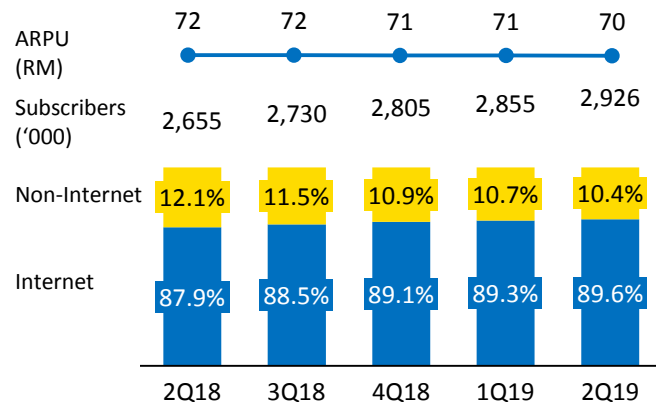
Monthly Data Usage (Sub/GB/month)



Internet Revenue (RM m)

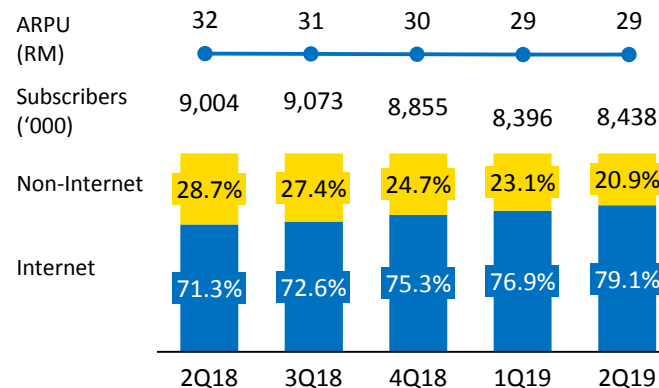


Postpaid



- Stepped up postpaid growth via the revamped PhoneFreedom 365 program, Digi Postpaid Family plans along with solid demand from prepaid conversions and B2B
- 71K net adds to 2.9M subscribers or 26% of total subscribers
- ARPU marginally lower from higher entry level postpaid subscriptions although underpinned by ARPU uplifts from existing postpaid customers

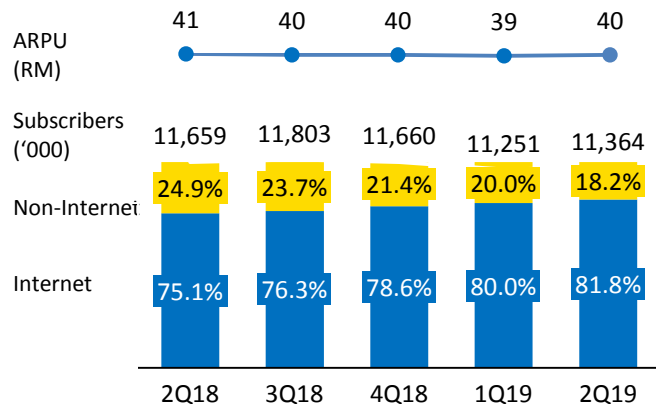
Prepaid



- Focused on driving data adoption and sustainable data revenue growth amongst our prepaid customers
- Stabilised operations, ARPU and improved acquisition momentum post channel transformation in Mar 2019
- Internet subscribers rose to 6.7M or 79.1% fueled by demand from worry-free internet plans now enhanced with voice bundles

while ARPU returned back to RM40

Blended



- Solid growth from postpaid and prepaid internet base contributed to higher smartphone penetration to 83.1% and internet base to 81.8%
- 4G subscribers increased 467K to 8.5M along with stronger subscriber base to 11.4M
- ARPU returned back to RM40 supported by solid postpaid subscriber growth

Digi Business

Increase your efficiency, not your cost.

Your customers' experience and operating cost can be better improved when you take your business digital with our solutions, no matter how big or small your business is.

KryptoPOS

Manage & track sales anywhere, anytime on a cloud-based system for valuable insights, at zero subscription fee.

iFleet

Smart tracking of vehicles and goods via your devices in real time, from RM60/mth.

Omni

Operate like a call centre with extensions on your smartphone, from RM69/mth.

Dedicated personnel

1-on-1 guidance & 24/7 support for quick problem solving.

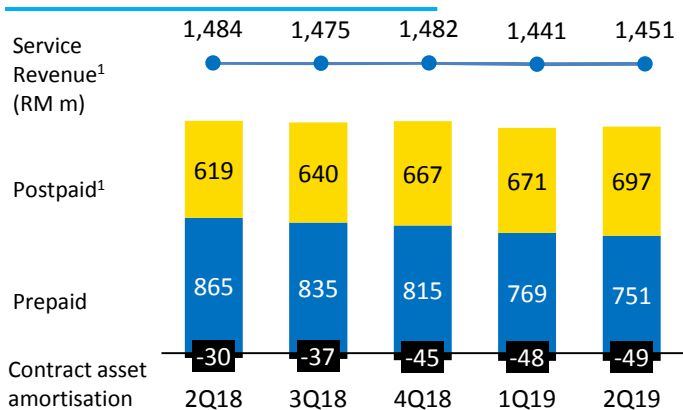
Go Digital with Digi Business. Visit digi.my/solutions

LET'S INSPIRE Terms and conditions apply. Digi Telecommunications Sdn. Bhd. 001015-M

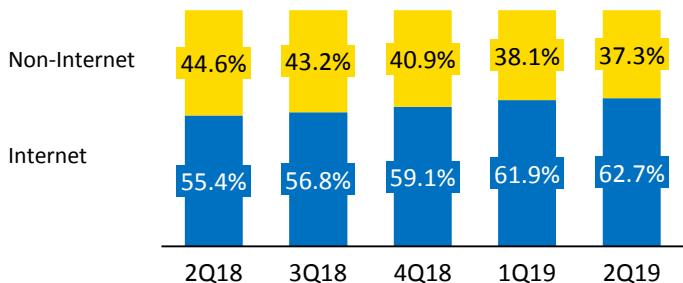
MOBILE SERVICE REVENUE: Better Q-Q and improving Y-Y trajectory

supported by solid postpaid growth and growing internet subscribers

Service Revenue



Service Revenue Mix



¹ Revenue ex- contract asset amortisation

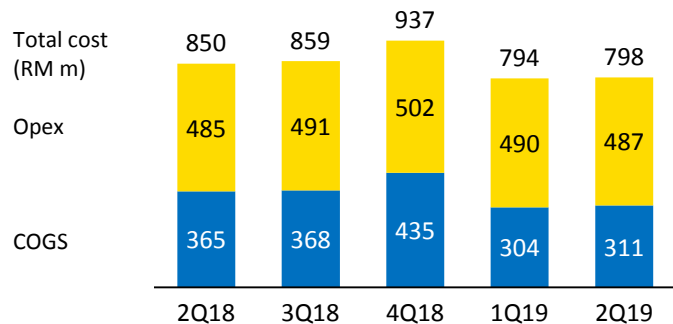
- Postpaid revenue¹ grew 12.6% Y-Y and 3.9% Q-Q led by solid acquisitions and retention while postpaid internet revenue rose 18.8% Y-Y and 3.0% Q-Q to RM475m
- Prepaid internet revenue mix climbed to 54% but reduction from traditional voice and interconnect rate revision levelled prepaid revenue by 13.2% Y-Y
- Overall internet revenue increased 9.2% Y-Y and 2.0% Q-Q to RM879m or 62.7%
- Service revenue¹ rose 0.7% Q-Q while Y-Y decline narrowed to -2.2% fuelled stronger postpaid revenue and improved prepaid trajectory although market remained challenging
- Contract asset amortisation increased RM19m Y-Y to RM49m as a flow through from prior year's accelerated postpaid contract acquisition



COST: Continued efficient operations

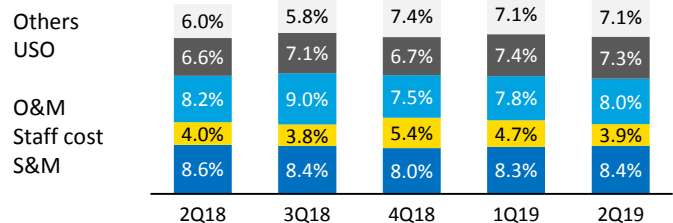
to support growing internet demand and network capability

Total Cost



Opex to Service Revenue

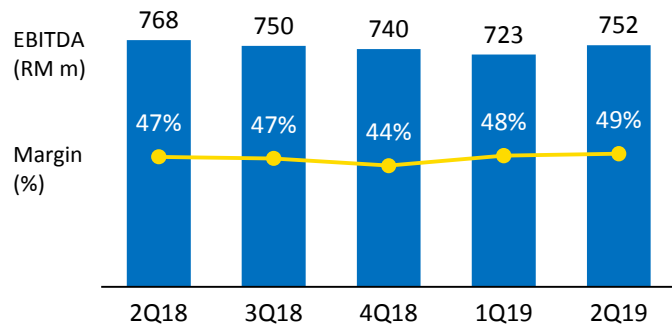
Category	2Q18	3Q18	4Q18	1Q19	2Q19
Net opex ¹	33.4%	33.5%	34.7%	34.6%	34.7%
Opex	33.4%	34.1%	34.9%	35.2%	34.7%



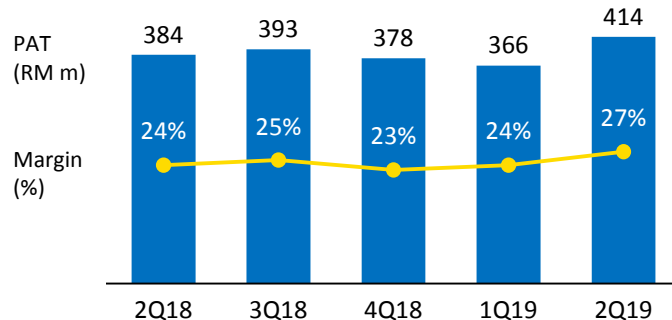
- Cost of goods sold (COGS) improved 14.8% Y-Y after accounting for lower regulated interconnect rate and non-recurring traffic cost benefit of RM34m
- Higher device sales from revamped PF365 program contributed to 2.3% Q-Q higher COGS
- Opex remained flat Y-Y and Q-Q supported by continued efficient operations discipline across all business functions
 - Included non-recurring cost benefit of RM28m (1Q19: RM22m)
- Opex to service revenue stood at 34.7%
- Digi continued to lead on efficient operations with a lean and robust cost structure relative to industry players in the Malaysian mobile market to deliver sustainable business operations with the flexibility to invest in what matters most for our customers

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

EBITDA and Margin



Profit After Tax (PAT) and Margin

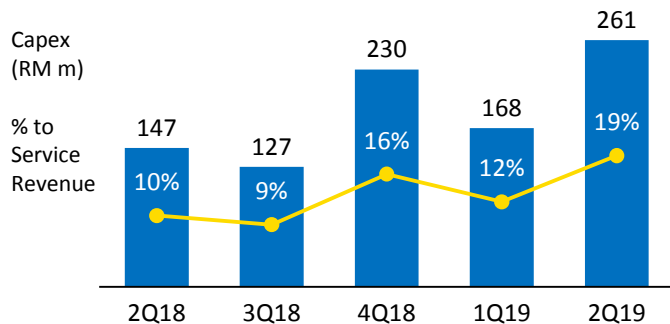


- EBITDA and margin underpinned by continued postpaid growth, stronger prepaid internet base and efficient cost management
- EBITDA decline narrowed to -2.1% Y-Y while Q-Q strengthened by 4.0% Q-Q to RM752m or 49% margin
- PBT rose 0.2% Y-Y in the absence of RM40m restructuring cost incurred in 2Q 2018 and after accounting for RM213m depreciation cost and RM21m finance cost to RM518m
- Meanwhile, PBT strengthened 6.8% Q-Q as a flow through from sequentially stronger EBITDA and coupled with lower depreciation and financial cost
- Consequentially, PAT surged to 7.8% Y-Y and 13.1% Q-Q to RM414m or 27% margin after accounting for uplifts from prior years' deferred tax overprovision of RM16m

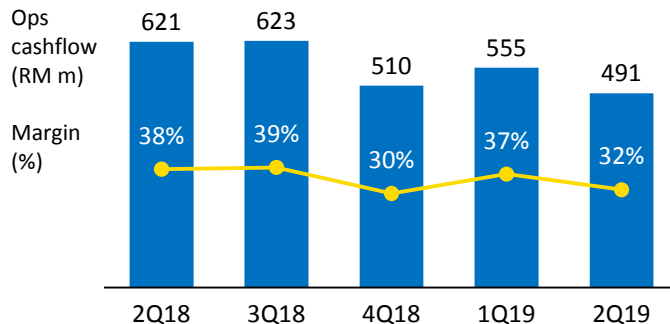
CAPEX AND OPS CASH FLOW: Strategically accelerate capex

to activate growth opportunities in 2H 2019

Capex and % to Service Revenue



Ops Cashflow and Margin

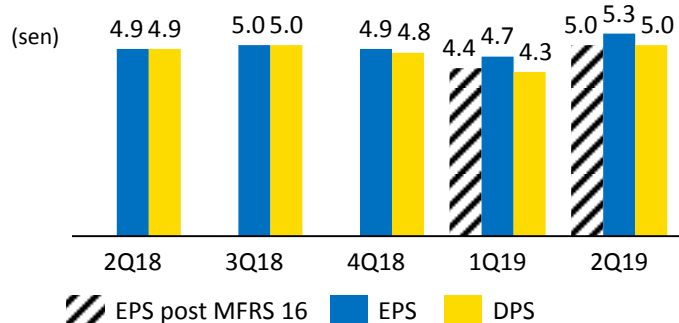


- Frontloaded capex investment to expedite network deployment and strengthen infrastructure capability that will activate growth opportunities in 2H 2019
- Invested RM261 million Capex or 18.6% of service revenue mainly for:
 - Capacity upgrades and fibre network expansion to 9,100KM
 - Deployment of Network Function Virtualisation (NFV)
 - LTE-A network coverage to 70% of population
- Ops cashflow fell -20.9% Y-Y and -11.5% Q-Q to RM491m or 32% margin in line with higher Capex investment for the quarter

SHAREHOLDERS RETURN: 5 sen dividend per share

underpinned by stronger earnings for the quarter

Earnings Per Share and Dividend Per Share



Balance Sheet

	2Q18	3Q18	4Q18	1Q19	2Q19
Total Assets	6,035	6,202	6,212	8,012	8,197
Total Equity	673	684	673	641	700
Conventional borrowings	1,287	1,287	1,289	1,289	1,290
Islamic borrowings	1,397	1,398	1,397	1,497	1,497
Finance lease	13	10	8	2,024	2,124
Cash & cash equivalents	428	565	433	244	369

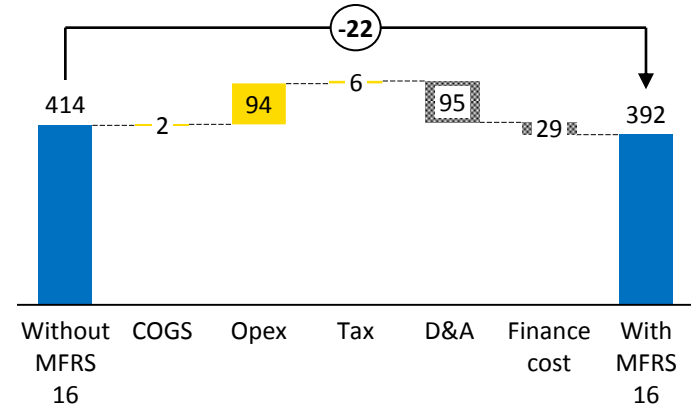
- Earnings per share resilient at 5.3 sen or 5.0 sen after accounting for MFRS 16 impact
- The Board of Directors declared 2nd interim dividend of 5.0 sen per share equivalent to RM389 million, payable to shareholders on 27 Sept 2019
- Total assets strengthened to RM8.20b, up 35.8% Y-Y and 2.3% Q-Q underpinned 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	2Q 2019 (Without MFRS 16)	2Q 2019 (With MFRS 16)	Delta	%
Total revenue	1,549	1,549	-	0.0%
COGS	311	309	(2)	-0.6%
Opex	487	393	(94)	-19.3%
EBITDA	752	848	96	12.8%
EBITDA margin	48.5%	54.7%	6.2pp	
Deprn &A	213	308	95	44.6%
Finance cost	21	50	29	138.1%
Profit before tax	518	490	(28)	-5.4%
Profit after tax	414	392	(22)	-5.3%
Capex	261	261	-	0.0%
Ops cash flow	491	587	96	19.6%
Ops cash flow margin	31.7%	37.9%	6.2pp	
EPS (sen)	5.3	5.0		
DPS (sen)		5.0		

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 2Q 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

Resilient 1H19 performance

- Solid organic postpaid revenue growth of 13.1%
- Internet revenue growth of 11.2%
- 48% EBITDA margin

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

	2019 Updated Guidance ¹	1H 2019
Service revenue	Low single digit decline	-4.1% -2.5% ²
EBITDA		-4.4%
Capex to service revenue ratio	11% - 12%	15.3%

¹ Guidance above excludes impact of MFRS 16: Leases

² Excluding Contract Assets amortisation



Subscriptions Made Easy

One place to manage all your entertainment and lifestyle subscriptions. Explore, Subscribe and Manage with EasyAdd.



Q&A?

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.



THANK YOU

See you next quarter!

Investor_Relations@digi.com.my | www.digi.com.my



ōmni

Own A Business Landline
Number On Your Smartphone
From RM69/mth

Appendix

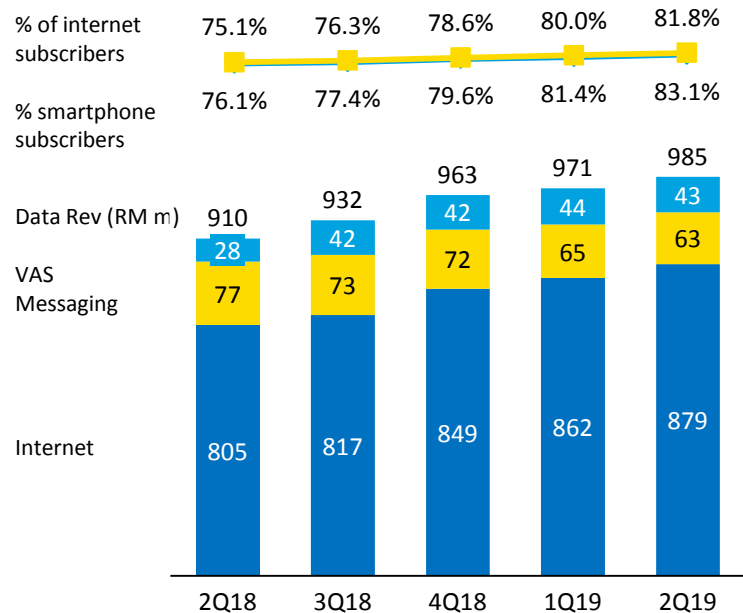
digi

4G
PLUS

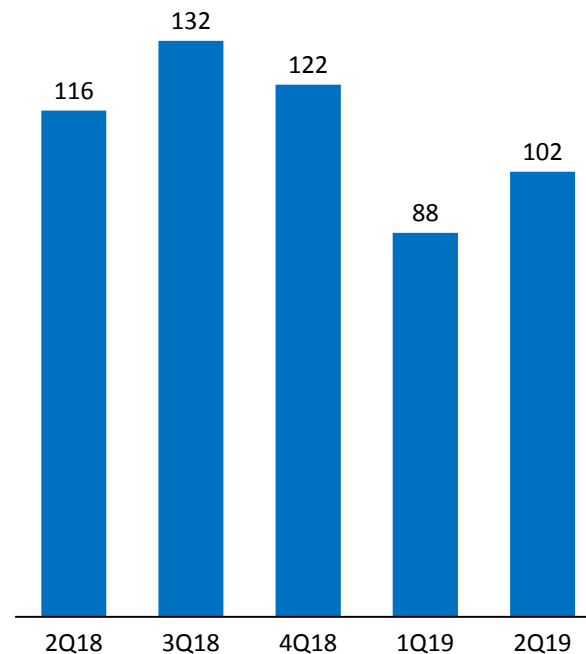
INTERNET REVENUE ROSE 9.2%Y-Y

to 62.7% of service revenue

Data and smartphone



No. of Devices Sold ('000)



(RM m)	Post MFRS 15							Post MFRS 16			
	2Q18	3Q18	4Q18	1Q19	2Q19	Q-Q	Y-Y	1Q19	2Q19	3Q19	4Q19
Subscribers ('000)	11,659	11,803	11,660	11,251	11,364	1%	-3%	11,251	11,364		
Internet subscribers ('000)	8,757	9,001	9,162	9,003	9,296	3%	6%	9,003	9,296		
Revenue	1,618	1,600	1,674	1,509	1,549	3%	-4%	1,509	1,549		
Mobile serv. revenue	1,454	1,438	1,437	1,393	1,402	1%	-4%	1,393	1,402		
EBITDA (before other items)	768	750	740	723	752	4%	-2%	806	848		
<i>EBITDA margin</i>	<i>47%</i>	<i>47%</i>	<i>44%</i>	<i>48%</i>	<i>49%</i>	<i>0.6pp</i>	<i>1.1pp</i>	<i>53%</i>	<i>55%</i>		
Other items	40	-	-	-	-	0%	-100%	-	-		
Depreciation	183	194	197	216	213	-1%	16%	305	308		
EBIT	545	556	543	507	539	6%	-1%	501	540		
Net finance (costs)/income	(28)	(27)	(25)	(22)	(21)	-5%	-25%	(48)	(50)		
Profit Before Tax	517	529	518	485	518	7%	0%	453	490		
Taxation	133	136	140	119	104	-13%	-22%	111	98		
Profit After Tax	384	393	378	366	414	13%	8%	342	392		
EPS (sen)	4.9	5.0	4.9	4.7	5.3	13%	8%	4.4	5.0		
Prepaid ARPU (RM)	32	31	30	29	29	0%	-9%	29	29		
Postpaid ARPU (RM)	72	72	71	71	70	-1%	-3%	71	70		
Blended ARPU (RM)	41	40	40	39	40	3%	-2%	39	40		

(RM m)	Post MFRS 15							Post MFRS 16			
	2Q18	3Q18	4Q18	1Q19	2Q19	Q-Q	Y-Y	1Q19	2Q19	3Q19	4Q19
REVENUE	1,618	1,600	1,674	1,509	1,549	3%	-4%	1,509	1,549		
Mobile serv. revenue	1,454	1,438	1,437	1,393	1,402	1%	-4%	1,393	1,402		
Voice revenue	544	506	474	421	414	-2%	-24%	421	414		
Data revenue	910	932	963	971	985	1%	8%	971	985		
Other serv. revenue	-	-	-	1	3	200%	100%	1	3		
Device and other revenue	164	162	237	116	147	27%	-10%	116	147		
Prepaid Revenue	865	835	815	769	751	-2%	-13%	769	751		
Voice revenue	398	370	342	309	290	-6%	-27%	309	290		
Data revenue	467	465	473	460	461	0%	-1%	460	461		
Postpaid Revenue	589	603	622	623	648	4%	10%	623	648		
Voice revenue	146	136	132	112	124	11%	-15%	112	124		
Data revenue	443	467	490	511	524	3%	18%	511	524		

(RM m)	Post MFRS 15							Post MFRS 16			
	2Q18	3Q18	4Q18	1Q19	2Q19	Q-Q	Y-Y	1Q19	2Q19	3Q19	4Q19
COGS	365	368	435	304	311	2%	-15%	302	309		
Cost of materials	166	157	220	120	146	22%	-12%	120	146		
Traffic charges	199	211	215	184	165	-10%	-17%	182	163		
OPEX	485	491	502	490	487	-1%	0%	409	393		
Sales & marketing	125	121	115	115	118	3%	-6%	115	118		
Staff costs	58	54	77	65	54	-17%	-7%	65	54		
Operations & maintenance	119	130	108	108	112	4%	-6%	52	43		
USP fund and license fees	96	102	96	103	103	0%	7%	78	78		
Other expenses	87	84	106	99	100	1%	15%	99	100		
<i>Credit loss allowances</i>	15	5	14	14	12	-14%	-20%	14	12		
<i>Others</i>	72	79	92	85	88	4%	22%	85	88		
TOTAL	850	859	937	794	798	1%	-6%	711	702		

(RM m)	2Q18	3Q18	4Q18	1Q19	2Q19	Q-Q	Y-Y
Cash at start	461	428	565	433	244	-44%	-47%
Cash flow from operations	661	753	474	607	786		
Changes in working capital	(169)	(95)	8	(256)	(59)		
Cash flow used in investing activities	(141)	(137)	(224)	(162)	(257)		
Cash flow used in financing activities	(384)	(384)	(390)	(378)	(345)		
Net change in cash	(33)	137	(132)	(189)	125		
Cash at end	428	565	433	244	369	51%	-14%