



**NEED A BOOST FOR
YOUR SMALL BUSINESS?
BE A PART OF MYDIGI BAZAAR!**



DIGI.COM BERHAD

199701009694 (425190-X)

2Q 2020 Earnings Call

14 JULY 2020



1

Key Messages

2

2Q20 Business Highlights

3

2Q20 Financial Review

4

Other Updates

5

Outlook and Guidance

6

Appendix

2Q20 affected by external factors amid Covid-19 outbreak

- **Movement Control Order (MCO)** from 18 Mar – 9 Jun'20
- Physical closure of touchpoints and local businesses **impacting acquisition and market spend**
- Closed borders led to restricted travel **affecting roaming revenues**

Supporting Malaysians during this period

- High availability of **quality and consistent network** nationwide
- **Free 1GB data daily** industry initiative for stimulus package
- **Upskilling SMEs** on business continuity, recovery, and digitalisation

Positive recovery post MCO built on strong foundation

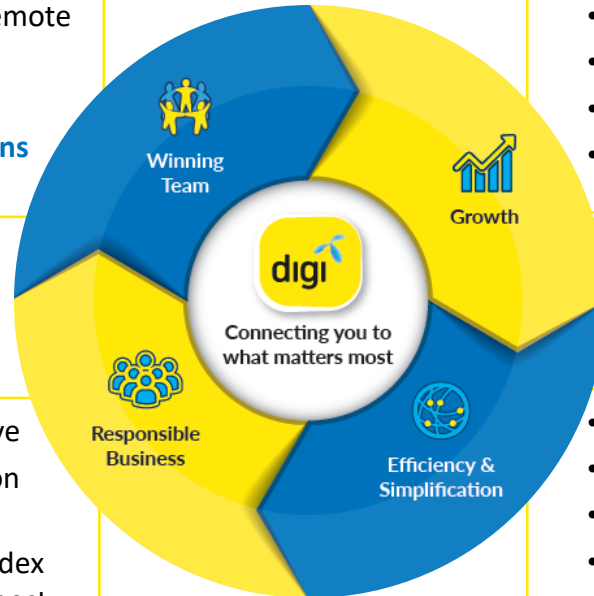
- Drive operational momentum via **digital touchpoints**
- Sustain **user experience** through prioritised traffic management
- **Meet customer needs** via targeted base management strategies
- Grow active **Malaysian** base



- **Expedited rollout of tools** that enabled remote work and effective collaboration
- Weekly HR engagement **virtual toolkit**
- High operational SOPs led to **zero infections to-date**



- **Free 1GB data daily**; joint industry initiative
- **Yellow Heart Covid-19 Aid** and RM1 million contribution to support frontliners
- Member of **FTSE4Good Bursa Malaysia** Index and **Bursa Malaysia Hijrah Shariah** Index post-June semi annual review



- Monthly data usage per user: **+58% Y-Y**
- Internet & Digital Revenue: **+8% Y-Y**
- Postpaid subscribers: **+4% Y-Y**
- Signed **wholesale agreement** with TM Global

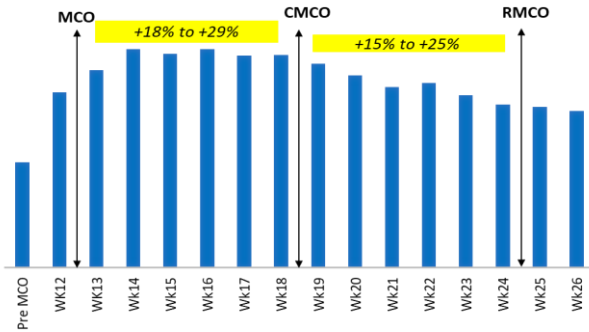


- MyDigi upsell transactions: **16.7m**
- Cost of Goods Sold Reduction: **-7% Y-Y¹**
- Opex improvement: **-7% Y-Y**
- EBITDA margin: **53%**

¹ Excluded non-recurring traffic cost benefit of RM34m in 2Q2019

Strong data usage due to higher data quota utilisation

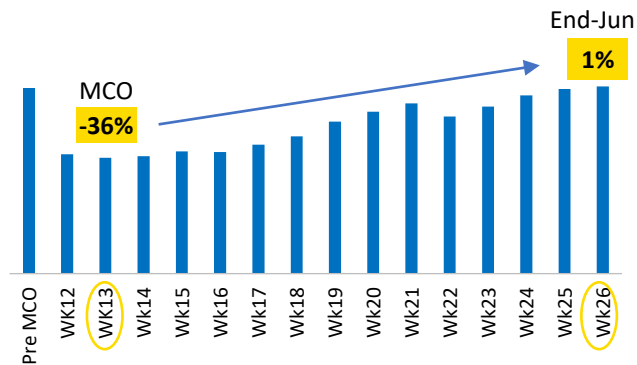
Total data traffic



- Data **usage patterns stabilised** post-MCO due to free 1GB data daily
- In RMC0, service quality is managed via **dynamic optimisation and traffic management** for rising traffic demand at critical sites and high-demand locations

Delivered high user experience on consistent service quality

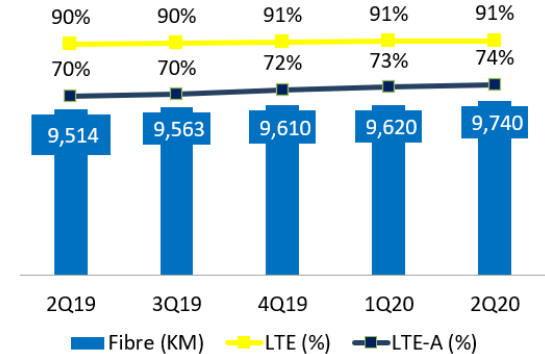
4G Download Speed Throughput



- Sustained **#1 position on consistency and throughput** with minimal degradation as measured by third party data
- Current download speeds **back to pre-MCO levels** and caters for uninterrupted HD video streaming experience as needed

Accelerated site deployments and optimisation activities

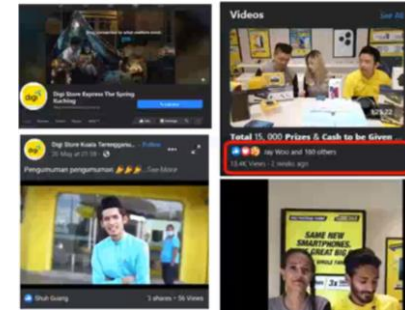
Population Coverage & footprint



- **Accelerated network optimisation** in Jun'20 to **manage rollout backlog** experienced in April to May
- **Improved network coverage and capacity** with **29% Y-Y** new and upgraded sites in 1H 2020

Transitioned to new norm amid shifting consumer behaviors

- **Accelerated self-serve channels** through channel transformation and diversification
- Customer Service Telesales increased **outbound calls by 80% Q-Q**; 3X increase in successful conversion in 2Q20
- **Improved customer footfall** in June and expect to stabilise amid easing infection rates



Targeted base management and retention strategies for quality acquisition

- **Segmentised and best-in-value offerings** for various wallet size
 - For entry-level prepaid plans on bite-size purchase at high-speed
- **Rewarded loyal customers** with exclusive privileges and surprises
- Tightened **acquisition mechanisms** to manage doubtful debt risks such as higher credit score eligibility and device volume controls
- Balanced **product and customer experience** through agile cross collaboration

Identified new opportunities with strategic partners

- **Digi Abadi**: Partnered AXA-Affin to offer a unique prepaid plan **with free Covid-19 insurance**
- **EasyAdd**: Integrated with partners to build **e-commerce ecosystem**
- **MyDigi Bazaar**: Empowered **small businesses** to generate online sales on our MyDigi app



Achieved growth amid steady on-ground momentum despite MCO

- Reduction in **roaming revenues** due to strict travel restrictions
- **Lower acquisition activities** during MCO followed by steady recovery as businesses re-open post-MCO
- 2Q20 B2B revenue growth of **4% Y-Y** and 1H20 growth of **5% Y-Y**

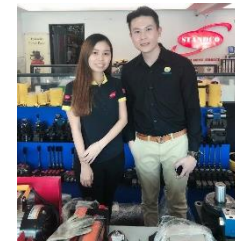
Tailored business plans and customised digital solutions

- **Short-term** Digi Business plans with **zero upfront payments**
- Introduced **new digital bundles** to enable SMEs to **quickly digitalise** their businesses, e.g. Alt.HR, OMNI, iFleet
- Grew **pipeline** of customers by **5% Y-Y**



Costa Coffee Malaysia

- **Pivoted** from a premise-based outlet model to using **mobile trucks in May'20**
- Launched their mobile trucks within **2 days with Digi's Managed Internet Services**

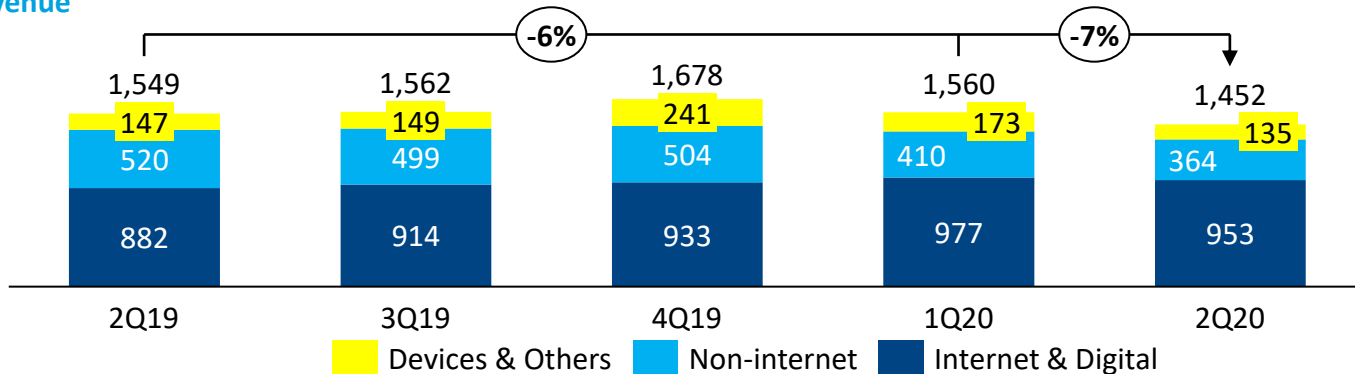


Standco Hydraulic Enterprise

- Signed up **Digi's Go Digital Bundle** to help manage and expand online businesses in Jun'20
- **Upselling our existing customer** with more relevant offerings

- **Total Service Revenue** moderated to **RM1,317m**
 - Recovery in data monetisation in June, despite competitive internet offers and industry-wide free 1GB data
 - Recovery in voice revenue in June as businesses reopened, despite lower voice revenue due to lesser usage during MCO
 - Lower roaming revenues by -64% Y-Y, -53% Q-Q from closed borders
- **Postpaid revenue: -1% Y-Y and -3% Q-Q to RM639m**
 - Cautious acquisitions to ensure quality subscribers to manage collection risk
 - PF365 sales in June back to normal, first part of 2Q impacted by lower device bundling, contracting and renewal activities
- **Internet and digital revenue: 8% Y-Y and -2% Q-Q to RM953m**
 - Stronger demand from gaming activities, subscription management services and customised digital solutions for B2B
 - Underlying performance driven by internet and digital adoption alongside improved Malaysian service revenue Y-Y growth of 3%

Total Revenue
(RM m)

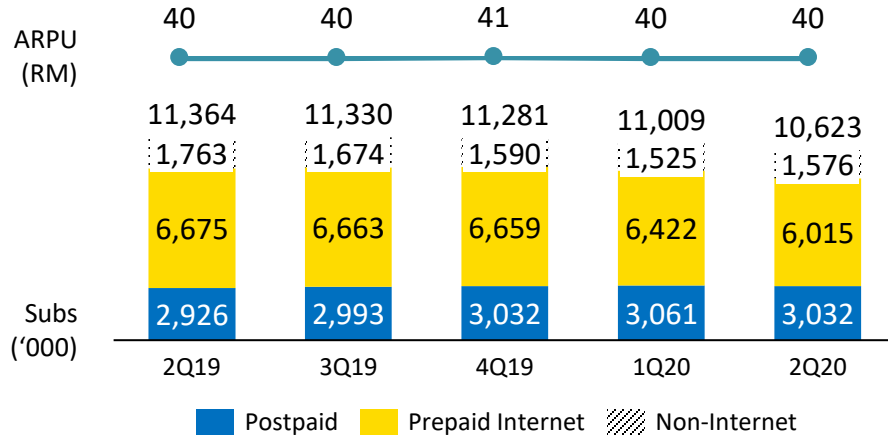


Service Revenue:
RM1,317m
(-6% Y-Y, -5% Y-Y*
and -5% Q-Q)

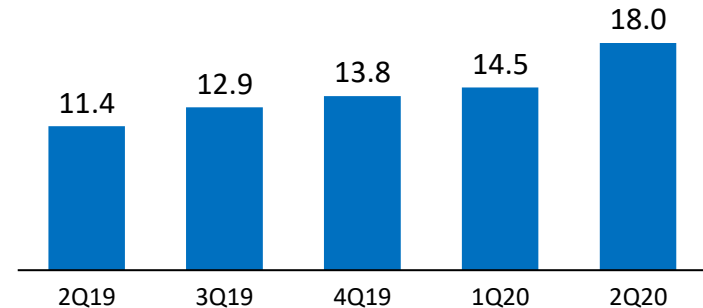
* Excluded interconnect of RM20m

- **Subscriber base moderated Y-Y and Q-Q** stemming from reduction of non-active users hampered by physical stores closure leading to lower inbound subscriptions, involuntary churn and continued sim consolidation
 - Gross adds cushioned by **recovery in Malaysian base by 3% Q-Q** to offset the decline in the migrant segment
- **Blended ARPU sustained at RM40 on the back of growing postpaid and internet subs Y-Y**
 - Prepaid ARPU of RM29 relatively resilient against aggressive internet pricing and offers in the market
 - Postpaid: RM68 (-RM2 Y-Y) from lower interconnect and roaming ARPU
- **Monthly data usage per user grew +24% Q-Q and +58% Y-Y** (*Postpaid: 24.1GB, Prepaid: 15.3GB*)
 - Higher data quota utilisation for remote working and online learnings anchored on key initiatives to keep customers connected

Subscribers Development

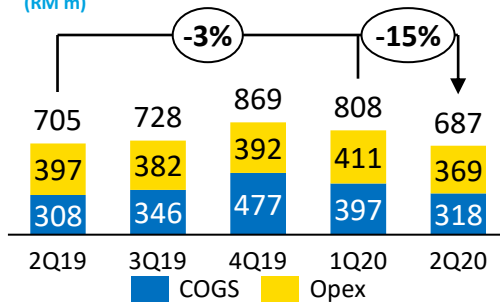


Monthly GB per User

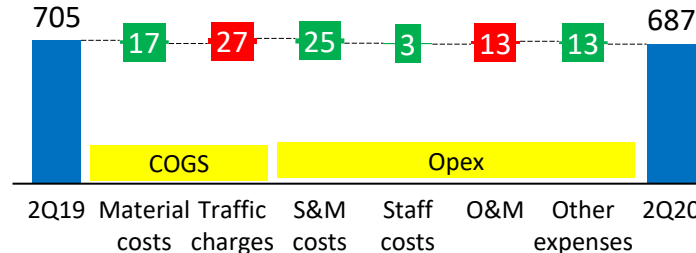


- **COGS: 3% Y-Y, -20% Q-Q to RM318m**
 - Reduction in regulated interconnect rate and lower device volume
 - Higher traffic charges from stronger demand for bandwidth, digital products and services
 - 2Q19 included a non-recurring traffic cost benefit of RM34m. Excluding that, Y-Y would have been -7%
- **Opex: -7% Y-Y, -10% Q-Q to RM369m** on lesser on-ground activities during MCO
 - Reprioritisation of critical spend and acceleration of OE initiatives based on Covid-19 learnings
 - Included non-recurring MFRS 16 adjustment to site rental expense of RM16m
 - Total provision for doubtful debt (PFDD) of RM20m, at 3.1% of postpaid revenue, below benchmark
- **EBITDA Margin of 53.0%**, proven by solid Q-Q EBITDA trajectory despite Y-Y contraction

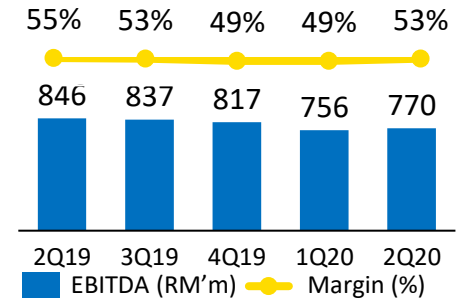
Total Cost
(RM m)



Cost development Y-Y
(RM m)

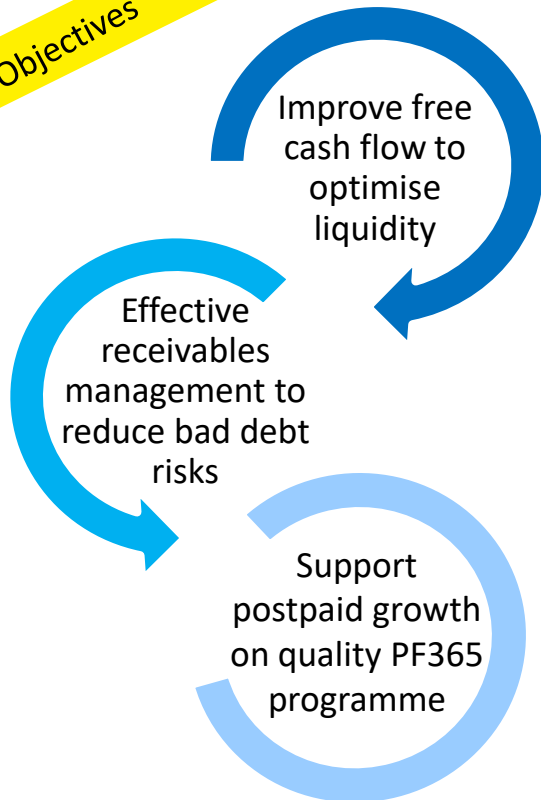


EBITDA and margin



Note: PF365 PFDD amounted to RM4m vs 2Q19 of RM1m. EBITDA excluded PF365 PFDD was RM774m, or 53.3% margin

Objectives



Solutions

1. **Stringent PF365 acquisition process** in driving good quality subscribers
2. **Transfer risks and rewards** to a financial institution on a **non-recourse basis** while ensuring **zero impact to customer journey**
3. **Rigorous credit controls and collection process** ensuring **efficient debt management**

Outcomes



Optimise balance sheet through de-recognition of receivables



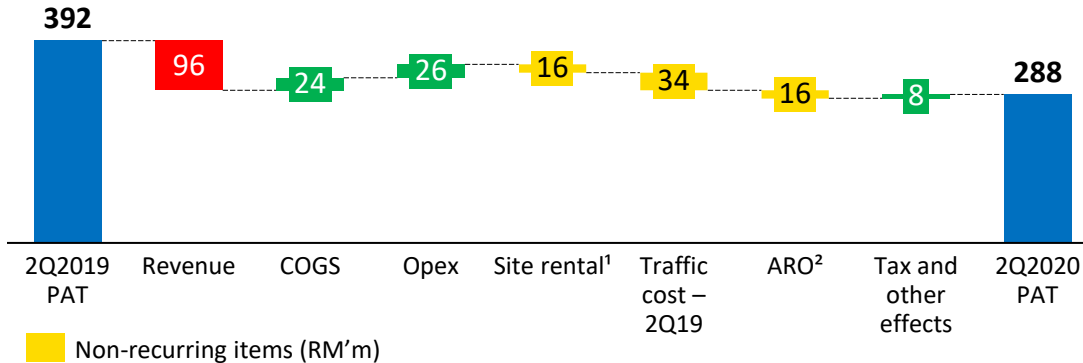
Monetise receivables at earlier date rather than 24 months



Low provision for doubtful debts below industry benchmark (2Q20: at 3.1% of postpaid revenue)

- **Depreciation** included RM13m from MFRS 16 adjustment to site rental expense and RM3m impact on the recognition of Asset Retirement Obligations (ARO)
- **Reported PAT** moderated -27% Y-Y, -13% Q-Q to RM288m, or reported margin of 19.8%
- **Normalised PAT** would have equaled to RM299m (-13% Y-Y, -10% Q-Q), or **normalised margin of 20.6%** excluding non-recurring effects
- **Dividend payout of RM288m**, representing **payout ratio of close to 100%**
 - Keeping to our **commitment** to deliver minimum dividend payout ratio of above 80%

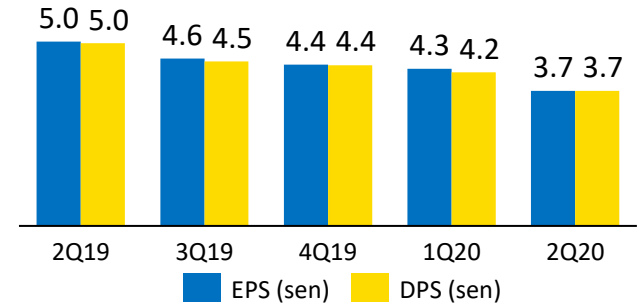
Profit After Tax and margin



¹ Impact on site rental was mainly due to RM20m reversal in 2Q19, partly offset by RM4m reversal in 2Q20

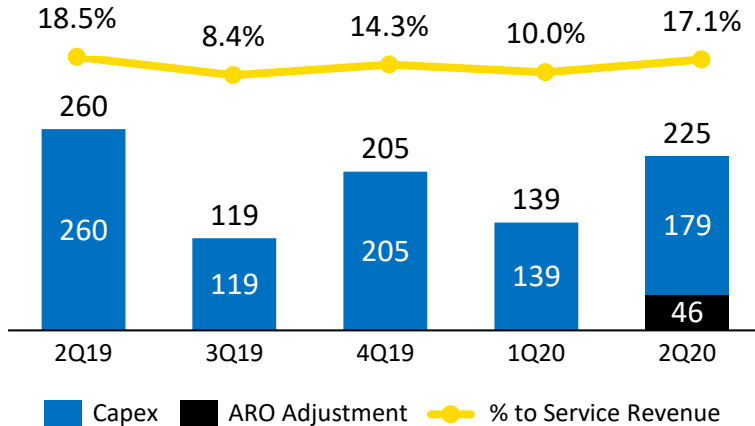
² ARO impact on depreciation and financial cost

Shareholder Return per share

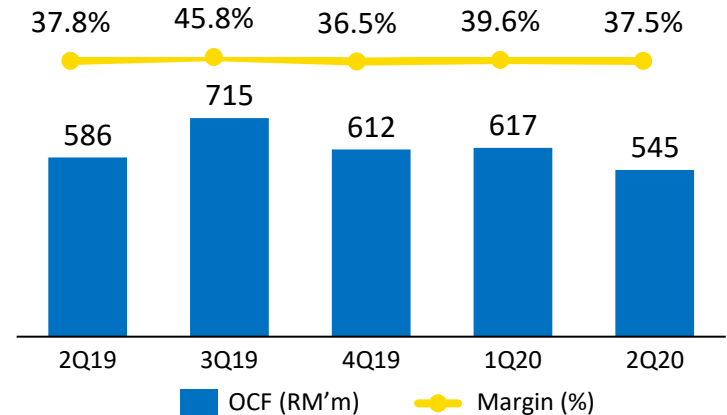


- **Capex: RM225m or 17.1% of service revenue which included ARO adjustment of RM46m**
 - Excluded ARO, capex was **RM179m, or 13.6%** of service revenue
 - 4G Plus network rollout acceleration for capacity upgrades, fiber network expansion and traffic management
 - Paving the way for improved network experience for our customers
- **Ops cashflow: RM545 million or 37.5% margin**
 - Anchored on sharp focus in managing working capital and protecting cash flow

Capex
(RM m and % to Service Revenue)



Ops Cash Flow
(RM m and margin %)



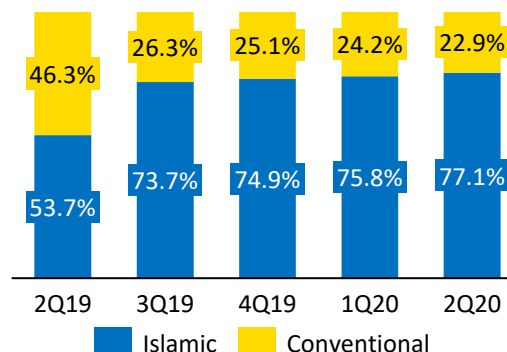
- **Solid assets sustained at RM8.2b** on dynamic allocation of resources and asset management
- **Total borrowings amounted to RM2.91b**, of which 77.1% comprised Islamic borrowings
 - Conventional debt over total assets at 8.2%, well-within the Shariah threshold
- **Net debt to EBITDA ratio (post MFRS 16) at 1.5 times**
 - Reflecting our financial capabilities to embrace new technologies and drive a future-proofed organisation

Balance Sheet

(RM m)

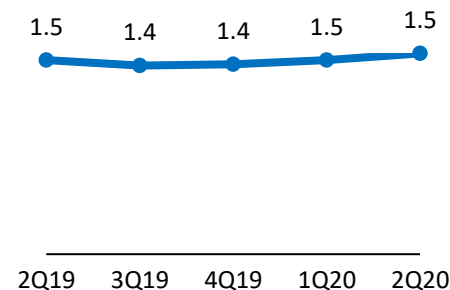
	2Q19	3Q19	4Q19	1Q20	2Q20
Total Assets	8,197	8,483	8,149	7,997	8,169
Total Equity	700	667	660	650	611
Borrowings	2,787	3,152	3,102	2,965	2,907
Finance lease	2,124	2,154	2,048	2,062	2,251
Cash & cash equivalents	369	749	458	307	519

Composition of Borrowings



Net Debt/EBITDA

(x)



Scaling Up And Extending Postpaid Bundle Offerings Through Total Connectivity At Home And On-the-go

Mar-Dec
2019

- **Partnership** with Allo and Celcom Timur Sabah
- **Successful home fibre pilot launches** in selected areas i.e. Jasin, Subang, Rawang and Kajang, followed by an extension of coverage in Sabah

Jan
2020

- Collaboration with **TIME Dotcom** to extend Digi home fibre to **over 500,000 homes** in Malaysia

July
2020

- Collaboration with **Telekom Malaysia** to provide Digi home fibre to **over 3 million** Malaysian homes

NEXT

- Committed to provide **affordable and high-quality connectivity** to more Malaysians nationwide
- Anchored by efforts to **expand our fibre coverage footprint** across Malaysia

Launched Digi Internet Freedom On 1 Jul 2020

The new Digi Internet Freedom.
Total connectivity at home and on the go for all in the family.

Enjoy ultra fast fibre connection and unbeatable savings on postpaid plans when you sign up with Digi Internet Freedom.

From RM130/month, with more savings for you:

- HOME**
Unlimited fibre internet on multiple devices.
- MOBILE**
Add more postpaid lines and get up to 20% savings.
- ENTERTAINMENT**
8 months of Amazon Prime Video, worth RM162, included.

digi LET'S INSPIRE

Digi Internet Freedom 130:
Speeds up to 100Mbps, at RM130 per month

Digi Internet Freedom 190:
Speeds of up to 500Mbps, at RM190 per month

Digi Internet Freedom 290:
Speeds of up to 1Gbps, at RM290 per month

New partnerships to serve broader business community

- Certified as **Technology Solution Provider** to support Malaysian SMEs in digital adoption under the **SME Business Digitalisation Grant**
- Partnered MDEC to launch **Business Continuity Digitalisation (BCD) Programme** on **28 May'20**, webinar series to equip SMEs with right digital tools and solutions
- Exploring SME Grant **bundling with internet connectivity** as part of the PENJANA stimulus package



Pragmatic and relevant digital solutions to enable scalability for SMEs

- Launched **new digital workforce management solution** on 26 Jun'20
- **Free until year-end** for first 50 employees
- Capitalising on **sustainable remote working arrangements** and digitalising office processes



- **On-boarded growing startups** i.e. GoGet, Naluri, and financial institutions
- Provided complementary product to **support SMEs with their virtual office needs**



- Continuously building footprint in **connected commercial vehicles** with new clients i.e. TopGlove, Ninja Van and Ho Hup
- Led to **higher ARPU** compared to traditional M2M connectivity



Prioritising **safety** of employees, customers and partners via thorough **business continuity, and health & safety plan**

- **ZERO Covid-19 infections**
- **Strict safety guidelines** for employee, store and office management procedures
- **Full adherence to SOPs** issued by respective authorities

Digital HR to maximise **remote work, virtual engagements and recruitment**

- **95% active users** on O365 during MCO
- **Fully virtual** recruitment process
- **3X increase** in online learning hours
- **Effective virtual collaboration with partners** to maintain operations

Prudent people management to protect **long-term interests** of employees and value chain

- Upskilling employees for **lateral transfer** opportunities
- Tightened governance and **staff cost optimisation**
- **Prudent management of supply chain**, assisting businesses at risk



Yellow Heart

RESPONSIBLE
BRAND**Connecting Customers:**

- Brand tie-in with **segment offerings** for seniors, persons with disabilities, and B40 communities
- **Ranked 2nd in brand recall**, reflecting high awareness* of Digi's efforts to help the society during Covid-19

Impacting Societies:

- Contributed **RM1mil to frontline hospitals** as part of joint corporates initiatives via GDRN
- Sponsored **connectivity and solutions** for Covid-19 ICU unit in Hospital KL and Mercy Malaysia



* Nielsen Brand Health Tracker, 2020 results (April)

**THOUGHT
LEADERSHIP**

- Sustainability leadership via CEO panel in the **United Nations Virtual Forum on Responsible Business and Human Rights** (June 2020)
- **Responsible Business Summit** (20-21 July 2020)

**DIGITAL RESILIENCE**

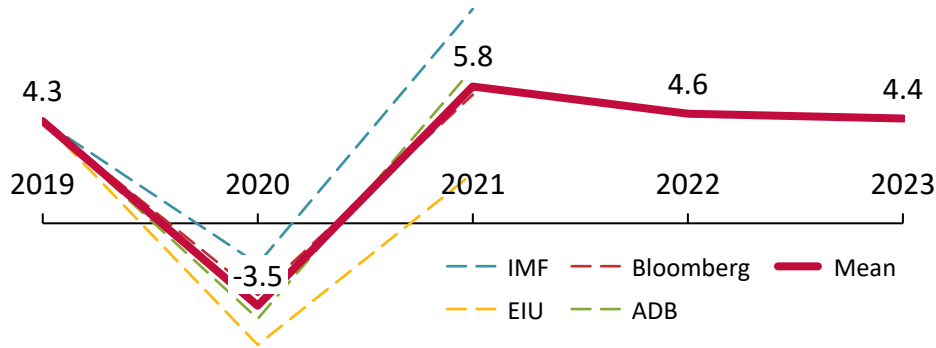
- Ongoing **web contests and learning** on internet safety
- Panel speaker for **Child Rights in 2020** webinar by Child Rights Innovation & Betterment (CRIB) Foundation

**DIGITAL INCLUSION**

- Partnered Ministry of Education in **Digital Learning Platform** for content during school closures
- Ongoing virtual training of future skills module with teachers as part of **global partnership with UNICEF**



Fluid macroeconomic weighed by output loss and disruptions during MCO/ Covid-19



- **Pending clarity** on the recovery pace of the business activities and re-opening of borders
- **Shifting consumer behavior** and slow recovery of unemployment rate in the new normal
- **Stimulus packages** as well as **fiscal and monetary** policies implemented set to steer domestic economic growth

SOLID FOUNDATION To Manage Future Developments



FINANCIAL RESILIENCE

Solid financial strength, efficient operations



ORGANISATIONAL AGILITY

Digitalisation, operating model innovation, future-ready network



STRONG BRAND AND PROPOSITION

Best-in-value and Best Network Experience

2020 Revised Guidance

	2020 Guidance ¹	1H2020
Service Revenue	Low single digit decline	-3.3%
EBITDA	Medium single digit decline	-7.5%
Capex	Similar to 2019 level	RM318m ²

¹ Included the impact of MFRS 16 adoption

² Excluded the one-off adjustment for ARO in 2Q20, which was a non-cash item

2020 Priorities

- 1 Stepping up growth efforts through **targeted and best-in-value propositions to deliver on core products**
- 2 **Enhancing channel digitalisation and modernisation** across sales, marketing and distribution functions
- 3 Optimising spending and **cash management efforts to secure resilient cash flow** while adapting to changing environment
- 4 Strengthening **network and IT infrastructure** to support growing internet and digital adoption

Disclaimer

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Q&A

(RM m)	Post MFRS 16						Q-Q	Y-Y
	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20		
Subscribers ('000)	11,251	11,364	11,330	11,281	11,009	10,623	-4%	-7%
Internet subscribers ('000)	9,003	9,296	9,358	9,397	9,191	8,707	-5%	-6%
Revenue	1,509	1,549	1,562	1,678	1,560	1,452	-7%	-6%
Mobile serv. revenue	1,392	1,402	1,414	1,437	1,387	1,317	-5%	-6%
<i>Postpaid revenue</i>	622	647	667	680	656	639	-3%	-1%
<i>Prepaid and digital revenue</i>	770	755	747	756	731	679	-7%	-10%
Device and other revenue	116	147	149	241	173	135	-22%	-8%
EBITDA (before other items)	806	846	834	817	756	770	2%	-9%
<i>EBITDA margin</i>	53%	55%	53%	49%	49%	53%	4.5pp	-1.6pp
Other items	-	-	-	9	-	-		
Depreciation	305	308	293	291	306	328	7%	6%
EBIT	501	538	541	526	450	442	-2%	-18%
Net finance costs	(48)	(49)	(52)	(56)	(14)	(65)	364%	33%
Profit Before Tax	453	490	489	461	435	377	-13%	-23%
Taxation	111	98	133	118	103	89	-14%	-9%
Profit After Tax	342	392	356	343	332	288	-13%	-27%
EPS (sen)	4.4	5.0	4.6	4.4	4.3	3.7	-13%	-27%
Prepaid ARPU (RM)	29	29	29	30	30	29	-2%	0%
Postpaid ARPU (RM)	71	70	71	72	69	68	-1%	-4%
Blended ARPU (RM)	39	40	40	41	40	40	-1%	1%

(RM m)	Post MFRS 16							
	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	Q-Q	Y-Y
COGS	302	308	346	477	397	318	-20%	3%
Cost of materials	120	146	151	263	195	129		
Traffic charges	182	162	195	214	202	189		
OPEX	409	397	382	392	411	369	-10%	-7%
Sales & marketing	115	117	112	109	110	92		
Staff costs	65	54	53	52	64	51		
Operations & maintenance	52	43	42	33	58	56		
USP fund and license fees	78	78	74	80	80	80		
Other expenses	85	93	82	91	86	70		
Credit loss allowances	14	12	19	27	13	20		
TOTAL	711	705	728	869	808	687	-15%	-3%

(RM m)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	Q-Q	Y-Y
Cash at start	433	244	369	749	458	307	-33%	26%
Cash flow from operations	607	786	705	632	628	734		
Changes in working capital	(256)	(59)	(128)	(213)	(106)	110		
Cash flow used in investing activities	(162)	(257)	(113)	(200)	(138)	(178)		
Cash flow used in financing activities	(378)	(345)	(84)	(511)	(537)	(453)		
Net change in cash	(189)	125	380	(292)	(152)	213		
Cash at end	244	369	749	458	307	519	69%	41%