

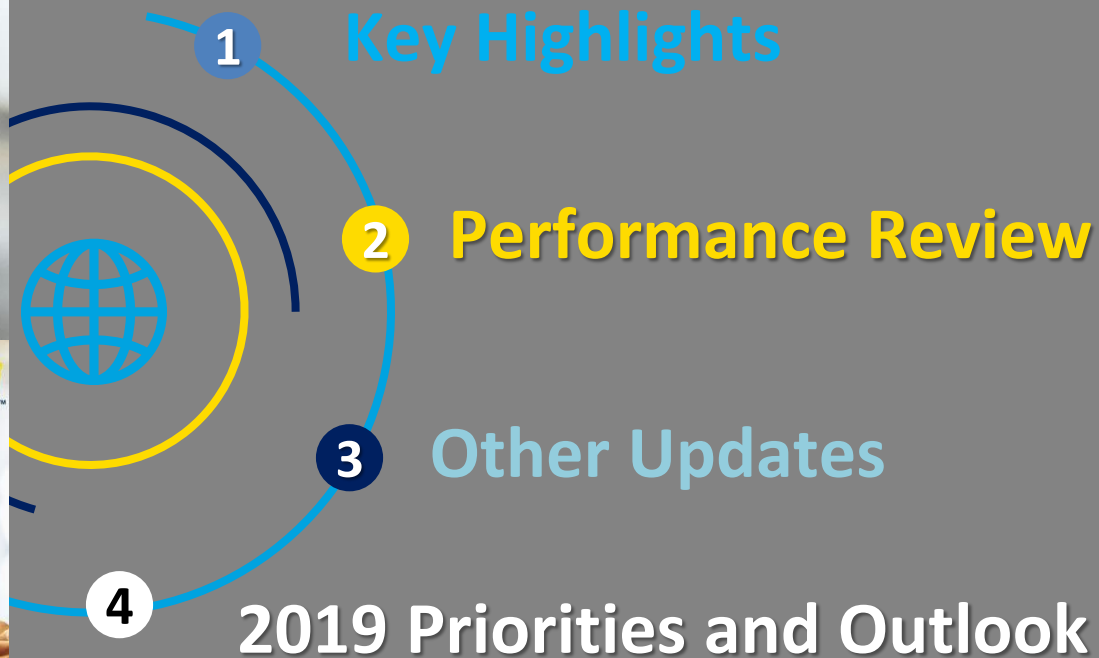
2019

**DIGI.COM BERHAD** (425190-X)

**3Q 2019 Results**

**18 October 2019**





## 9M19 - SUSTAINABLE INTERNET AND POSTPAID GROWTH

underpinned by sharper customer-focused execution, enhanced digital connectivity experience and solutions

9M19 Key Highlights

### CONNECTIVITY

- Better and faster 4G network experience
- Stronger internet base (9.4M active subscribers, 12.9GB data usage)
- Solid internet and postpaid revenue growth with improving Q-Q trajectory

### DIGITAL SOLUTIONS

- MyDigi MAU reached 3.6M (9M18: 2.8M)
- Republic GG and EasyAdd - to manage entertainment and lifestyle subscriptions

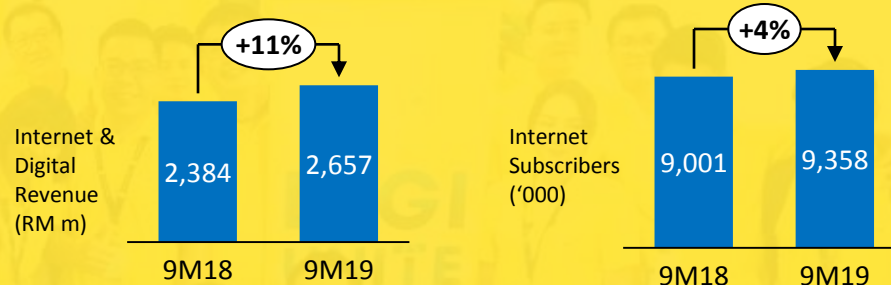
### B2B

- Dedicated Digi Business Experts @ Retail

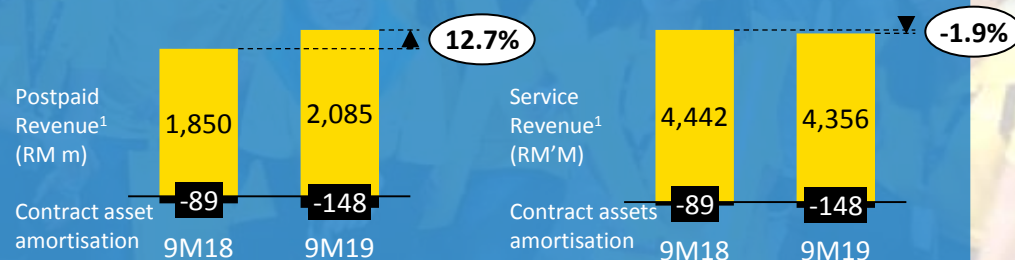
### 5G OPENLAB

- Collaborative approach to build 5G ecosystem and crowdsource practical use cases to rollout

### TRACKING WELL TOWARDS SUSTAINABLE INTERNET GROWTH



### POSTPAID GROWTH SUPPORTED SERVICE REVENUE RESILIENCE



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





# STRONGER Q-Q SERVICE REVENUE GROWTH

anchored on sustainable internet growth and efficient operations



 GROWTH	+10.8% INTERNET REVENUE (Y-Y)	+12.0% POSTPAID REVENUE <sup>1</sup> (Y-Y)	SERVICE REVENUE <sup>1</sup> -0.7% (Y-Y) +0.9% (Q-Q)
 EFFICIENCY	EFFICIENT OPERATIONS FLAT OPEX <sup>2</sup> (Y-Y) and (Q-Q)	46% EBITDA MARGIN or RM725M	RM548M YTD CAPEX (better and faster 4G network experience)
 DIGITAL TRANSFORMATION	MYDIGI 3.0 beyond rewards and account management	Digi WiFi Available at 7,000 locations nationwide	DIGITAL INCLUSION Privileges for Senior Citizens & differently - abled Persons

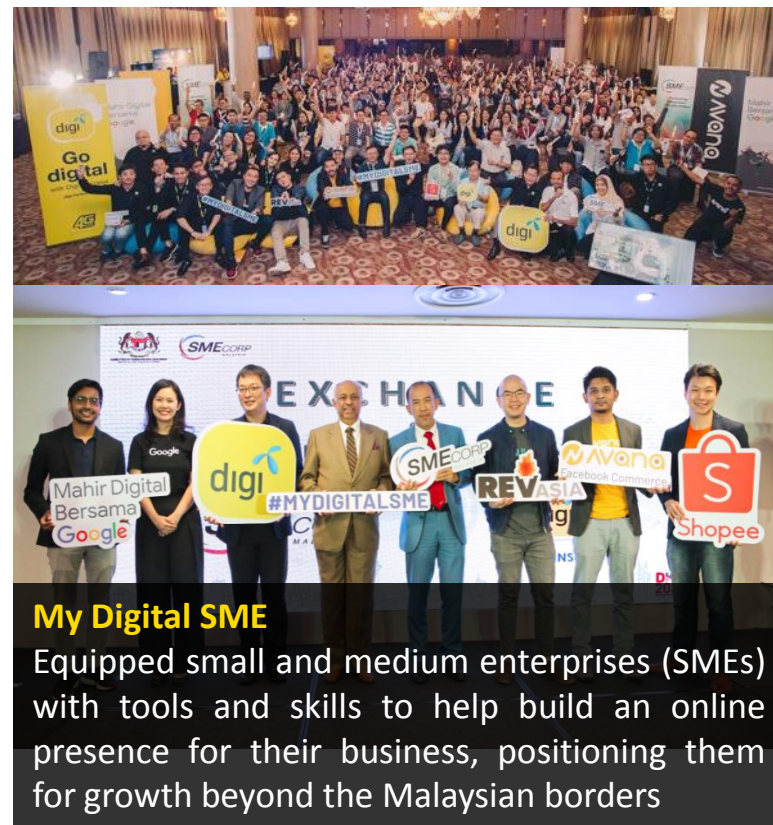
<sup>1</sup> Revenue ex-contract asset amortisation

<sup>2</sup> Include non-recurring cost effects of RM17m

## OUR COMMITMENT TOWARDS PLACING CUSTOMERS FIRST

in all we do and a strong reminder of what's truly important to our business – our customers

Key highlights



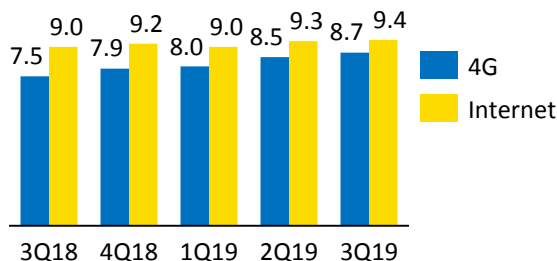


## 4G Plus Network Coverage

- 4G LTE: 90%
- LTE-A: 70%
- Fibre: 9,200KM



## 4G & Internet Subscribers (# m)



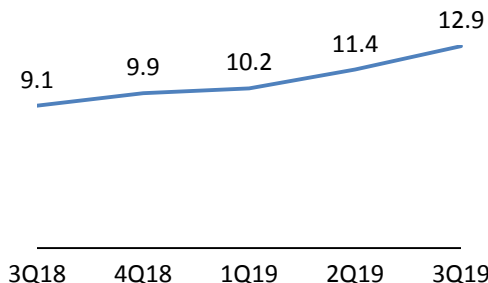
## Network Performance

- Strong network positioning in recent QoS Network Performance report<sup>1</sup>
- Optimised spectrum and capacity for **better and faster 4G network**

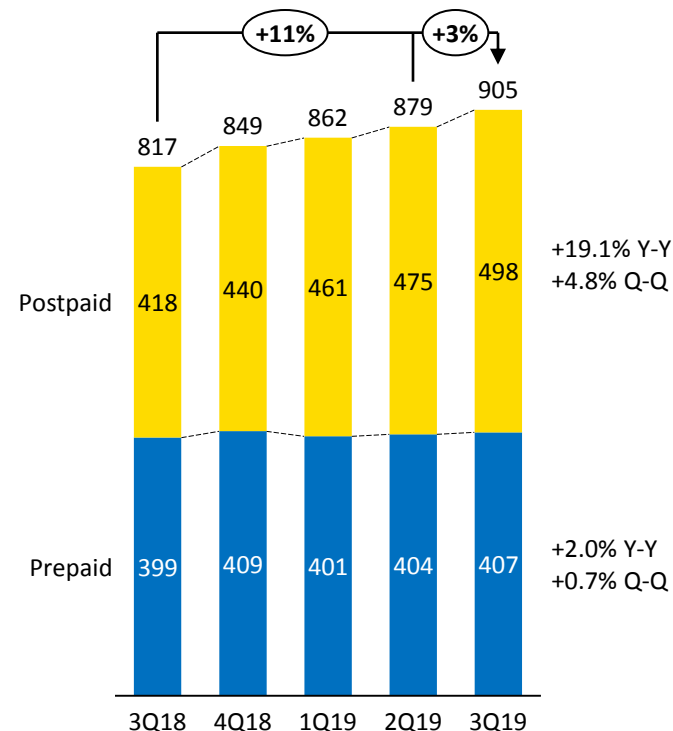


## Monthly Data Usage (Sub/GB/month)

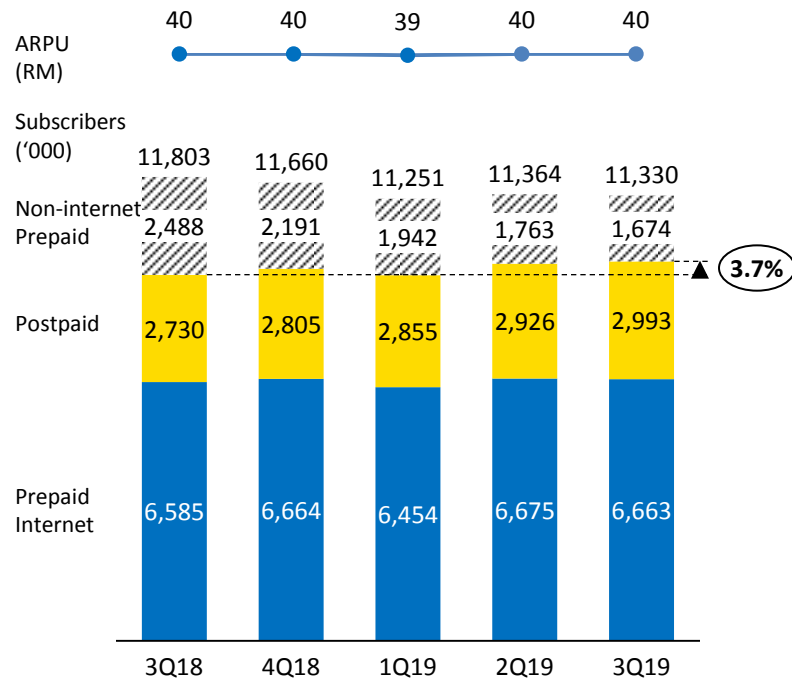
**+49% Y-Y | +15% Q-Q**



## Internet Revenue (RM m)



### Subscribers and ARPU

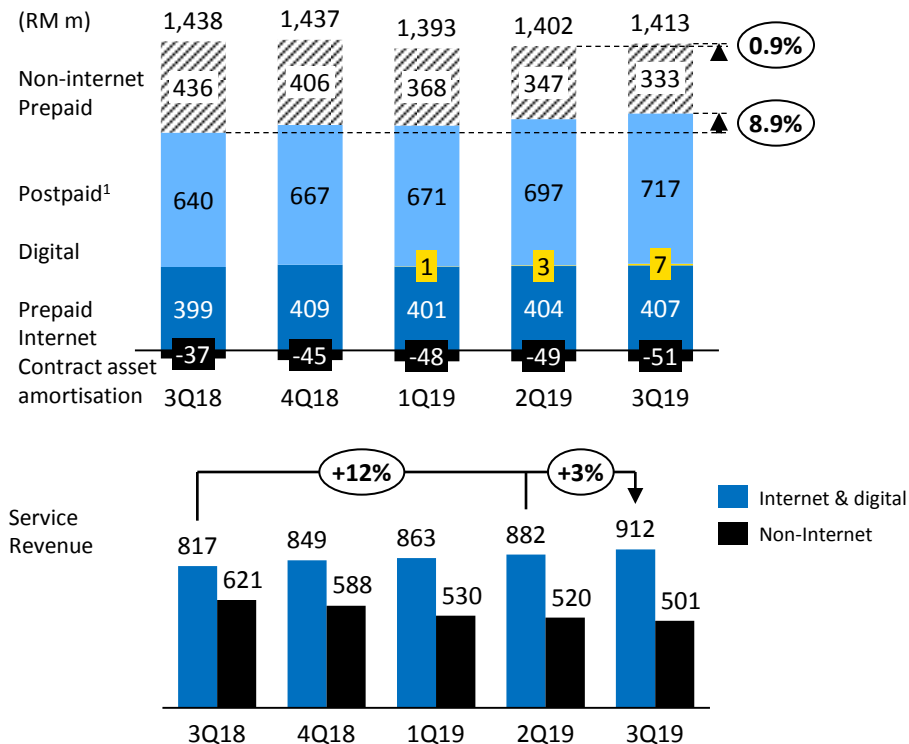


- **Sharper focus to capture customers' demand** through easy device ownership programme - PF365, postpaid family plans, pre-to-post conversions and prepaid internet passes
- **Stronger on-ground channel execution** to drive internet acquisitions and plan upgrades (Smartphone 84.2%; Internet: 82.6% )
  - Subscribers from postpaid and prepaid internet strengthened by 341K or 3.7% Y-Y to 9.7M;
  - 4G subscribers rose to 8.7M
  - Decline from non-internet prepaid subscribers narrowed to -5.0% Q-Q (2Q18: -9.2%)
- **Blended ARPU resilient at RM40** with stronger internet and postpaid revenue to cushion non-internet ARPU dilution
  - Postpaid ARPU rose to RM71 while prepaid ARPU steady at RM29

# SERVICE REVENUE TRACKED STRONGER Q-Q

with solid internet growth amid continued transition impact of non-internet revenue

## Service Revenue

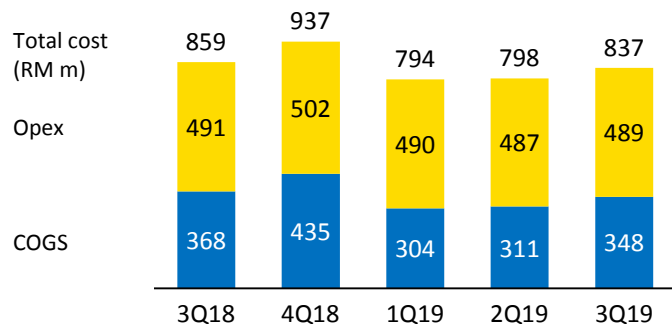


- **Service revenue<sup>1</sup> rose 0.9% Q-Q** while Y-Y decline narrowed to -0.7%
  - Excluding non-internet prepaid, service revenue<sup>1</sup> grew 2.4% Q-Q and 8.9% Y-Y
- **Internet and digital revenue growth gaining momentum Q-Q and Y-Y**
  - Robust postpaid acquisition and increased plan upgrades
  - Underlying postpaid revenue<sup>1</sup> grew 12.0% Y-Y and 2.9% Q-Q
  - Prepaid internet revenue climbed 0.7% Q-Q and 2.0% Y-Y
  - Uplifts from higher demand for digital services
- **Non-internet revenue decline moderated to -3.7% Q-Q** and -19.3% Y-Y
  - Non-internet prepaid revenue decline narrowed to -4.0% Q-Q and -23.6% Y-Y
  - Continued Y-Y impact from interconnect rate revision and higher contract asset amortisation

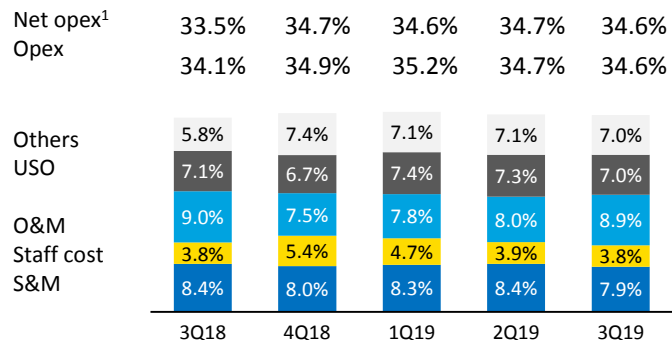
<sup>1</sup> Ex-contract asset amortisation



## Total Cost



## Opex to Service Revenue



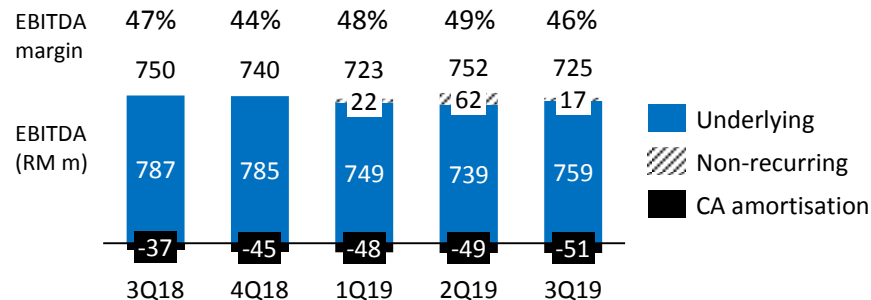
- Underlying COGS remained flat Q-Q**
  - Sequential increase mainly due to absence of non-recurring traffic cost of RM34m included in preceding quarter
  - 5.4% Y-Y decline mainly from lower interconnect rate
- Opex remained flat Y-Y and Q-Q** or 34.6% of service revenue while we continued investing on network coverage and capacity expansions to serve our 11.3 million subscriber base
  - Included non-recurring cost of RM17m related to adjustments as well as efficiency benefits (1Q 2019: RM22m; 2Q 2019: RM28m)
- Highly committed and focus** in driving efficient operations discipline across all business functions

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

## EBITDA & PAT: Relatively resilient underlying Q-Q earnings

if excluding fluctuations from non-recurring and prior year items

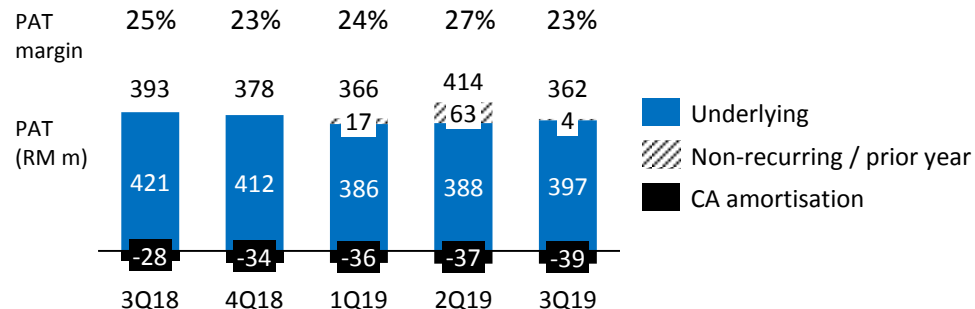
### EBITDA and Margin



- **Underlying EBITDA +2.7% Q-Q and -3.6% Y-Y** after normalisation of non-recurring cost effects and CA amortisation

- Improved sequential earnings mainly a flow through from stronger service revenue and efficient operations
- Reported EBITDA traced to RM725m or 46% EBITDA margin

### Profit After Tax (PAT) and Margin



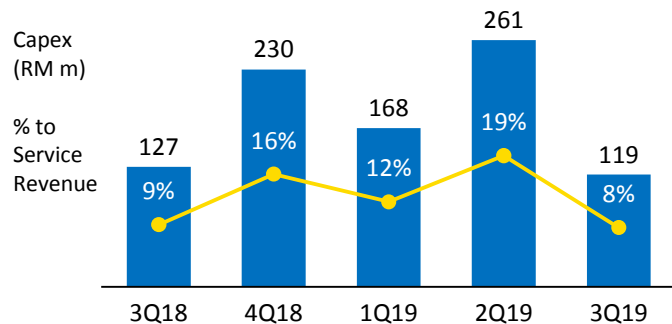
- **Underlying PAT +2.2% Q-Q and -5.8% Y-Y** after normalisation of non-recurring and prior year tax expenses

- Reported PAT fell -12.6% Q-Q and -7.9% Y-Y after accounting for RM202m depreciation cost, RM26m finance cost and higher effective tax rate

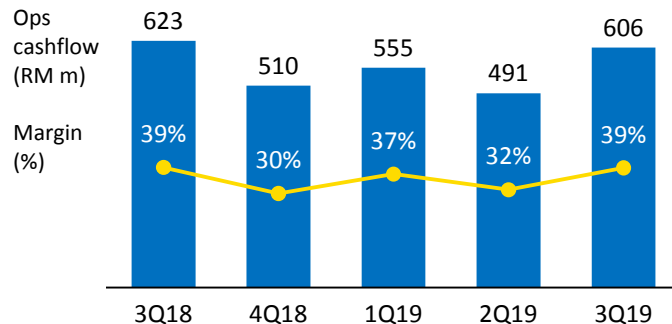
# CAPEX AND OPS CASH FLOW: Investing in what matters most

for customers to enjoy the best 4G network experience and digital connectivity

## Capex and % to Service Revenue



## Ops Cashflow and Margin

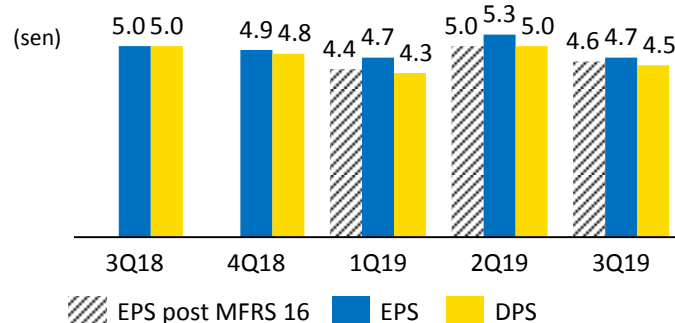


- **Additional RM119m capex** investment to strengthen infrastructure and capabilities
  - 9M 2019 cumulative Capex of RM548m or 13% of service revenue
- **Optimised 4G network quality** with enhanced capacity
  - Fibre network expansion to 9,200KM
  - More spectrum dedicated for 4G network
  - Stronger 4G network performance in recent QoS network performance report<sup>1</sup>
  - Average data download speed of 30Mbps across Digi's 4G LTE and LTE-A network coverage
- **Ops cashflow strengthened 23.4% Q-Q** to RM606m or 39% margin after recording a relatively lower Capex, as planned
  - Annual capex frontloaded in 1H 2019

# SHAREHOLDERS RETURN: 4.5 sen dividend per share

with YTD cumulative dividend of 13.8 sen for FY2019

## Earnings Per Share and Dividend Per Share



## 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

- **Earnings per share stood at 4.7 sen** or 4.6 sen after accounting for MFRS 16 impact
- The Board of Directors declared **3rd interim dividend of 4.5 sen per share** equivalent to RM350m, payable to shareholders on 19 Dec 2019
- **Total assets strengthened to RM8.48b**, up 36.8% Y-Y and 3.5% Q-Q underpinned by recognition of MFRS 16 Rights of Use assets.
- **Secured RM900m IMTN** funding in 2 tranches of RM450 million each for 7 years and 10 years tenure as part of the RM5.0 billion Sukuk Programmes
- Digi's **net debt to EBITDA ratio steady at 0.8 times** while conventional debt over total assets trimmed to 13%, well-within the Shariah threshold
  - Post MFRS 16: Net debt/EBITDA 1.5 times and conventional debt over total assets at 10%

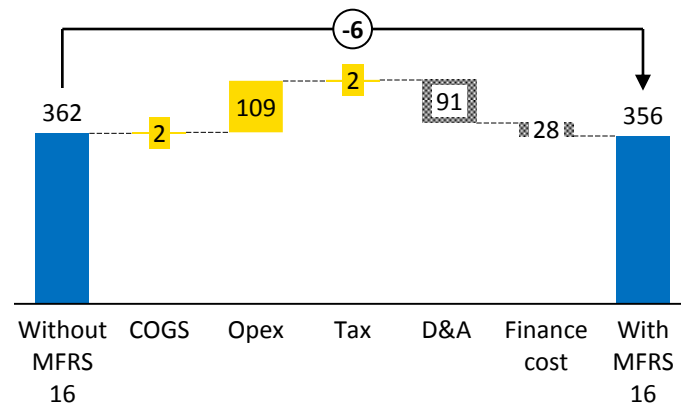


### MFRS 16: Leases

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

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 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



# EMBEDDING SUSTAINABILITY AGENDA

into our core operations

Other Updates

Thought  
Leadership

Strengthen role as **SUSTAINABLE LEADER** via  
**proactive sustainability engagements**

✓ Sustainability Day – Sep 2019



Being a brand that cares with **YELLOW HEART**  
privileges for **Seniors and Differently-Abled Persons**

✓ Lifetime RM10 monthly rebates and customised  
offerings via MyDigi



10 REDUCED  
INEQUALITIES



Empowering the next generation with  
**DIGITAL RESILIENCE - 130,000 school children**



15 townhalls  
600 schools



Partnership with **UNICEF**,  
**Google & Ministry of Education**

Enabling **DIGITAL INCLUSION** for the **under-served & under-privileged** groups

✓ Digital Future  
Skills platform



# RECOGNISED FOR THE EFFORTS IN DRIVING VALUE CREATION

for our customers, employees, investor community and the broader society

Other Updates



For shareholders...



The Edge BRC 2019  
**HIGHEST RETURN ON  
EQUITY OVER 3 YEARS**

- For Telecommunication & Media Sector
- For Big Cap Category (Companies with RM10b to RM40b Market Cap)



MSWG 2019 – ASEAN Excellence Award  
**LONG TERM VALUE CREATION**

- For adhering to highest standards of Corporate Governance



For society...



**TOP 20 FINALISTS**  
PwC Malaysia's Building  
Trust Awards 2019



**COMPANY OF THE YEAR 2019**  
**DIGITAL SERVICE PROVIDER**



For employees...

Golden Globe Tigers 2019  
**Malaysia's Best  
Employer Brand Award**



For environment...

Malaysia Green Building  
Council  
**TOP 10 GREEN  
BUILDINGS OF THE  
DECADE AWARDS 2019**



For customers...

The Loyalty & Engagement  
Awards 2019  
**BEST USE OF MOBILE  
(Silver) & BEST USE OF  
INFLUENCERS (Bronze)**

## 2019 PRIORITIES AND OUTLOOK

anchored on delivering performance resilience and sustainable value creation for our stakeholders

2019 Outlook

Substantially cushioned headwinds from non-internet contractions and intense competition with:

- **Sustainable internet** revenue growth of 11.0%
- Organic **postpaid revenue growth** of 12.7%<sup>2</sup>
- **Efficient operations** - Flat Opex and 48% EBITDA margin
- **Healthy returns** with cumulative dividend per share of 13.8 sen

We remained focused on:

- Executing and delivering on our growth strategies especially in driving postpaid, B2B and prepaid internet growth;
- Driving structural operational efficiencies; and
- Investing in what matters most for our customers

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

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

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



MY Digital SME Workshop

# THINKING OF TAKING YOUR BUSINESS DIGITAL?

Join our workshop for FREE to digitalise your business and gain a global presence.

A smiling man with short dark hair and a goatee, wearing a blue button-down shirt under a dark patterned vest, stands with his arms crossed. The background is a blurred office setting.

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.





## SUSTAINABILITY BY DESIGN:

Practical Steps for Malaysian Businesses



In partnership with:



# THANK YOU

See you next quarter!

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



# FOOTBALL

***PROJEK OLEH DIGI***



# Appendix

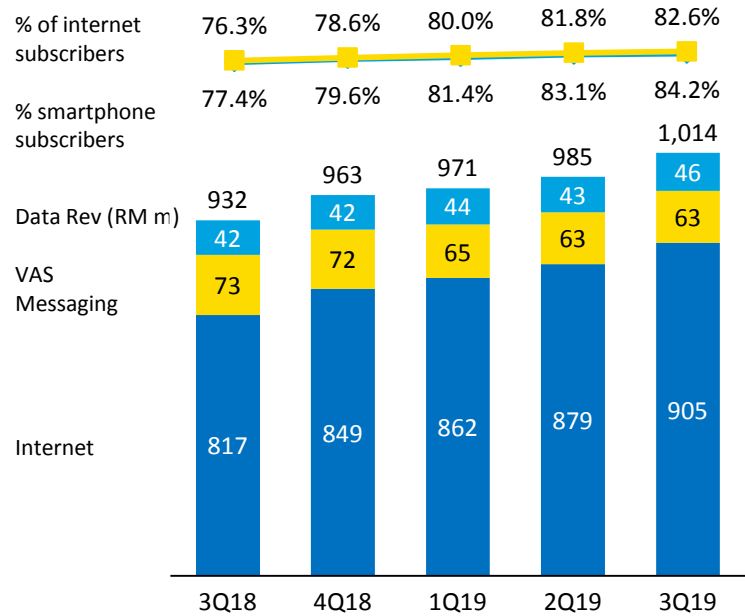




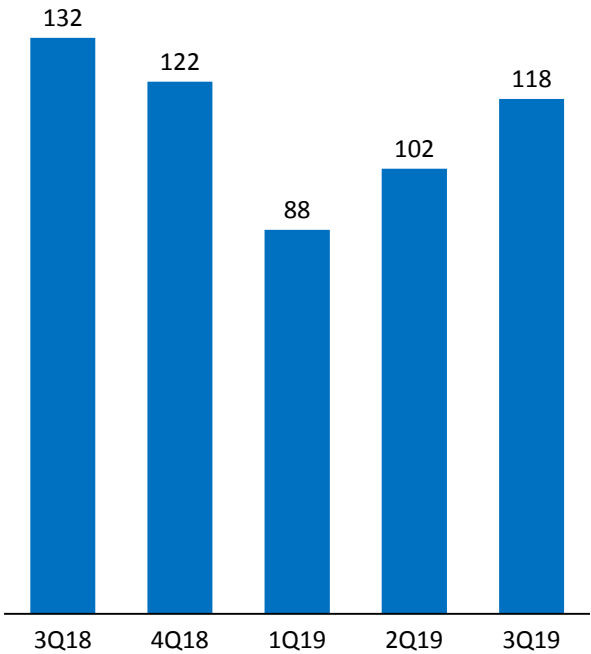
# INTERNET REVENUE ROSE 10.8%Y-Y

to 64.0% of service revenue

## Data and smartphone



## No. of Devices Sold ('000)



(RM m)	Post MFRS 15							Post MFRS 16			
	3Q18	4Q18	1Q19	2Q19	3Q19	Q-Q	Y-Y	1Q19	2Q19	3Q19	4Q19
Subscribers ('000)	11,803	11,660	11,251	11,364	11,330	0%	-4%	11,251	11,364	11,330	
Internet subscribers ('000)	9,001	9,162	9,003	9,296	9,358	1%	4%	9,003	9,296	9,358	
Revenue	1,600	1,674	1,509	1,549	1,562	1%	-2%	1,509	1,549	1,562	
Mobile serv. revenue	1,438	1,437	1,393	1,402	1,413	1%	-2%	1,393	1,402	1,413	
EBITDA (before other items)	750	740	723	752	725	-4%	-3%	806	848	836	
<i>EBITDA margin</i>	<i>47%</i>	<i>44%</i>	<i>48%</i>	<i>49%</i>	<i>46%</i>	<i>(2.1)</i>	<i>(0.5)</i>	<i>53%</i>	<i>55%</i>	<i>54%</i>	
Other items	-	-	-	-	-	0%	0%	-	-	-	
Depreciation	194	197	216	213	202	-5%	4%	305	308	293	
EBIT	556	543	507	539	523	-3%	-6%	501	540	543	
Net finance (costs)/income	(27)	(25)	(22)	(21)	(26)	24%	-4%	(48)	(50)	(54)	
Profit Before Tax	529	518	485	518	497	-4%	-6%	453	490	489	
Taxation	136	140	119	104	135	30%	-1%	111	98	133	
Profit After Tax	393	378	366	414	362	-13%	-8%	342	392	356	
EPS (sen)	5.0	4.9	4.7	5.3	4.7	-11%	-6%	4.4	5.0	4.6	
Prepaid ARPU (RM)	31	30	29	29	29	0%	-6%	29	29	29	
Postpaid ARPU (RM)	72	71	71	70	71	1%	-1%	71	70	71	
Blended ARPU (RM)	40	40	39	40	40	0%	0%	39	40	40	

	Post MFRS 15							Post MFRS 16			
(RM m)	3Q18	4Q18	1Q19	2Q19	3Q19	Q-Q	Y-Y	1Q19	2Q19	3Q19	4Q19
<b>REVENUE</b>	<b>1,600</b>	<b>1,674</b>	<b>1,509</b>	<b>1,549</b>	<b>1,562</b>	<b>1%</b>	<b>-2%</b>	<b>1,509</b>	<b>1,549</b>	<b>1,562</b>	
<b>Mobile serv. revenue</b>	<b>1,438</b>	<b>1,437</b>	<b>1,393</b>	<b>1,402</b>	<b>1,413</b>	<b>1%</b>	<b>-2%</b>	<b>1,393</b>	<b>1,402</b>	<b>1,413</b>	
Voice revenue	506	474	421	414	392	-5%	-23%	421	414	392	
Data revenue	932	963	971	985	1,014	3%	9%	971	985	1,014	
Other serv. revenue	-	-	1	3	7	133%	100%	1	3	7	
<b>Device and other revenue</b>	<b>162</b>	<b>237</b>	<b>116</b>	<b>147</b>	<b>149</b>	<b>1%</b>	<b>-8%</b>	<b>116</b>	<b>147</b>	<b>149</b>	
<b>Prepaid Revenue</b>	<b>835</b>	<b>815</b>	<b>769</b>	<b>751</b>	<b>740</b>	<b>-1%</b>	<b>-11%</b>	<b>769</b>	<b>751</b>	<b>740</b>	
Voice revenue	370	342	309	290	274	-6%	-26%	309	290	274	
Data revenue	465	473	460	461	466	1%	0%	460	461	466	
<b>Postpaid Revenue</b>	<b>603</b>	<b>622</b>	<b>623</b>	<b>648</b>	<b>666</b>	<b>3%</b>	<b>10%</b>	<b>623</b>	<b>648</b>	<b>666</b>	
Voice revenue	136	132	112	124	118	-5%	-13%	112	124	118	
Data revenue	467	490	511	524	548	5%	17%	511	524	548	

	Post MFRS 15							Post MFRS 16			
(RM m)	3Q18	4Q18	1Q19	2Q19	3Q19	Q-Q	Y-Y	1Q19	2Q19	3Q19	4Q19
<b>COGS</b>	<b>368</b>	<b>435</b>	<b>304</b>	<b>311</b>	<b>348</b>	<b>12%</b>	<b>-5%</b>	<b>302</b>	<b>309</b>	<b>346</b>	
Cost of materials	157	220	120	146	151	3%	-4%	120	146	151	
Traffic charges	211	215	184	165	197	19%	-7%	182	163	195	
<b>OPEX</b>	<b>491</b>	<b>502</b>	<b>490</b>	<b>487</b>	<b>489</b>	<b>0%</b>	<b>0%</b>	<b>409</b>	<b>393</b>	<b>380</b>	
Sales & marketing	121	115	115	118	112	-5%	-7%	115	118	112	
Staff costs	54	77	65	54	53	-2%	-2%	65	54	53	
Operations & maintenance	130	108	108	112	126	13%	-3%	52	43	42	
USP fund and license fees	102	96	103	103	99	-4%	-3%	78	78	74	
Other expenses	84	106	99	100	99	-1%	18%	99	100	99	
<i>Credit loss allowances</i>	5	14	14	12	19	58%	280%	14	12	19	
<i>Others</i>	79	92	85	88	80	-9%	1%	85	88	80	
<b>TOTAL</b>	<b>859</b>	<b>937</b>	<b>794</b>	<b>798</b>	<b>837</b>	<b>5%</b>	<b>-3%</b>	<b>711</b>	<b>702</b>	<b>726</b>	

(RM m)	3Q18	4Q18	1Q19	2Q19	3Q19	Q-Q	Y-Y
<b>Cash at start</b>	<b>428</b>	<b>565</b>	<b>433</b>	<b>244</b>	<b>369</b>	<b>51%</b>	<b>-14%</b>
Cash flow from operations	753	474	607	786	705		
Changes in working capital	(95)	8	(256)	(59)	(128)		
Cash flow used in investing activities	(137)	(224)	(162)	(257)	(113)		
Cash flow used in financing activities	(384)	(390)	(378)	(345)	(84)		
Net change in cash	137	(132)	(189)	125	380		
<b>Cash at end</b>	<b>565</b>	<b>433</b>	<b>244</b>	<b>369</b>	<b>749</b>	<b>103%</b>	<b>33%</b>