



# DIGI.COM BERHAD

199701009694 (425190-x)

## 4Q 2019

22 January 2020

**DIGI POSTPAID FAMILY**

**PHONE  
FREEDOM 365**

**SAME NEW SMARTPHONES.  
SAME GREAT BIG GB.  
FOR THE WHOLE FAMILY.**

**3X PHONES**

**3X 100GB &  
UNLIMITED CALLS**



# AGENDA

- FY2019 and 4Q19 Key Highlights
- Performance Review
- Other Updates
- 2020 Priorities and Outlook

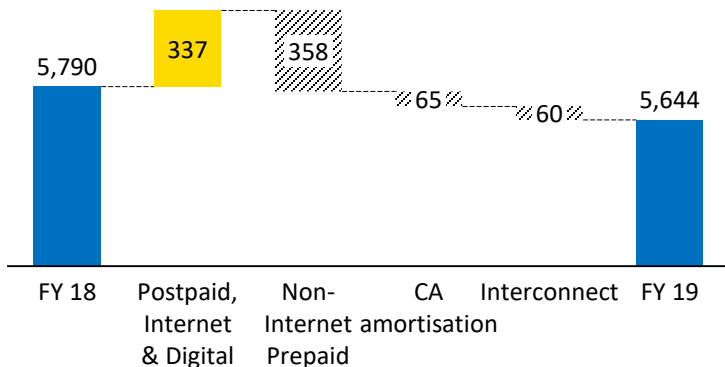
## MORE SUSTAINABLE REVENUE MIX & GROWTH

### Strengthened Postpaid, Internet & Digital: 69% → 77%

- Postpaid<sup>1</sup>: +11.9% to RM2.82b
- Internet & Digital: +11.0% to RM3.59b

### Reduced Reliance on Non-Internet Prepaid: 31% → 23%

### Resilient Service Revenue : -2.5% | -1.4%<sup>1</sup> | -0.4%<sup>1&2</sup>



## EFFICIENT OPERATIONS AND RE-INVESTMENTS FOR FUTURE GROWTH

-0.5% Lower Opex to RM1.96b while driving higher postpaid contracts, stronger 4G Plus network and 5G-ready technology

### Healthy Returns:

- 46.3% EBITDA margin

## DELIVERED 2019 AS GUIDED

**Service revenue:** Low single digit decline

✓ -2.5% | -1.4%<sup>1</sup>

**EBITDA:** Low – medium single digit decline

✓ -3.8% | -1.6%<sup>1</sup>

**Capex-to-Service Revenue:** 12% - 13%

✓ 13.3%



# 4Q19: STRONGER SERVICE REVENUE GROWTH MOMENTUM

Anchored on sustainable internet growth and efficient operations

4Q19 Key Highlights



GROWTH		
+9.9% INTERNET & DIGITAL REVENUE (Y-Y)	+9.6% POSTPAID REVENUE <sup>1</sup> (Y-Y)	SERVICE REVENUE <sup>1</sup> +0.4% (Y-Y) +1.6% (Q-Q)
EFFICIENCY		
RM495M OPEX +1.2% (Q-Q) -1.4% (Y-Y)	43% EBITDA MARGIN Invest in postpaid contracts	RM753M FY19 CAPEX Expansion in network coverage and capacity
DIGITAL TRANSFORMATION		
3.8M MyDigi MAU ↑ transactions & new subscription services	IT COMMON DELIVERY CENTRE	DIGITALISING WORKFORCE - Digital day, tools, online learning

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





# INNOVATING AND PARTNERING TO MAKE 5G A REALITY

@5G OpenLab, Cyberjaya; @Langkawi International Airport; @Hospital Sultanah Maliha, Langkawi

4Q19 Key Highlights

## 5G OpenLab, Cyberjaya

- Focusing on the digital healthcare, education, entertainment/ media and smart city verticals

### 5G Demonstration Project (5GDP) in Langkawi

Malaysia's 1<sup>st</sup>

#### Real-Time Virtual Tourism



Malaysia's 1<sup>st</sup>

#### Real-Time Emergency Services

- 5G connected ambulance



## RE-DEFINING CONSUMER MOBILE EXPERIENCE

- Continued **network expansion** with **faster internet experience** and **5G-ready capabilities**
- **Easy device ownership** and **Family proposition**  
- PF365 and Family plans
- **Rewarding Digi loyal customers** with exclusive offers and privileges
- Empowering **broader variety of Digital Services** through MyDigi
- Expanding **home fibre services** to more locations

## GROWING B2B OPPORTUNITIES

- Advancing as a **trusted digital business solutions provider**
- Attracting big brands and winning SMEs
- **Over 6% revenue growth Y-Y** on B2B



Core



Solutions



IoT





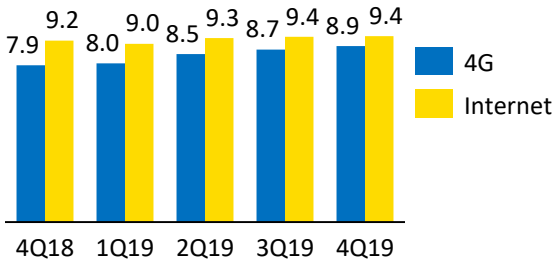
# CONTINUED INTERNET GROWTH

Anchored on enhanced 4G network experience and growing internet usage

## 4G Plus Network Coverage

- 4G LTE: 91%
- LTE-A: 72%
- Fibre: 9,610KM

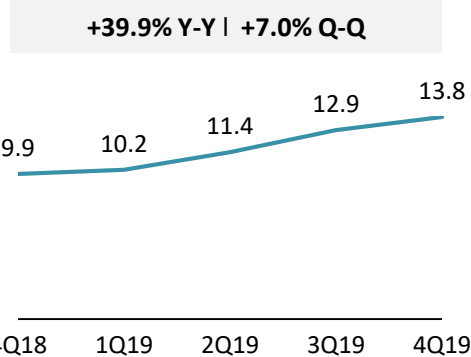
## 4G & Internet Subscribers (# m)



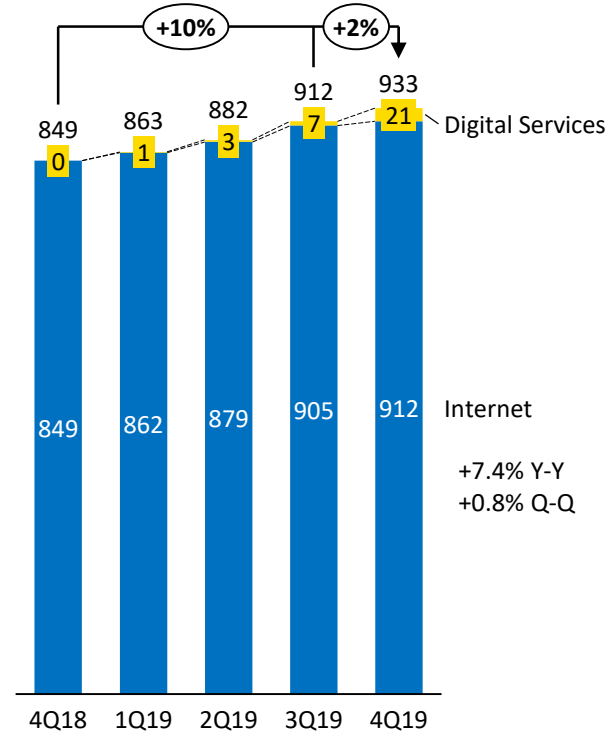
## Network Performance

- Ranked #1 or #2 nationwide
- Top recognition @ MCMC Star Rating Award 2018
  - ✓ Best Public Cellular Service Provider
  - ✓ Best Consumer Satisfaction
  - ✓ Best Quality of Service

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



## Internet & Digital Revenue (RM m)

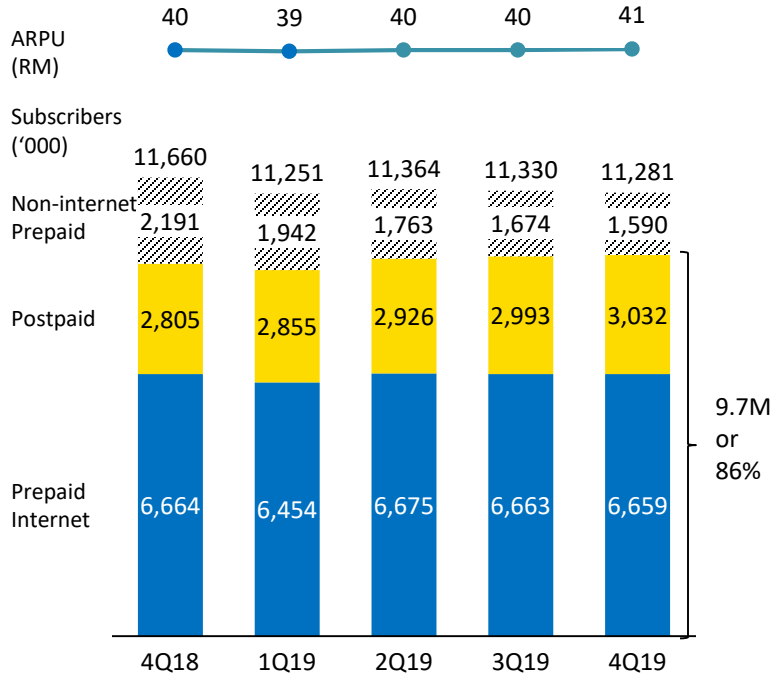




# STRONGER SUBSCRIBER MIX AND ARPU

Underpinned by solid contract renewals and upgrades along with quality acquisitions

## Subscribers and ARPU



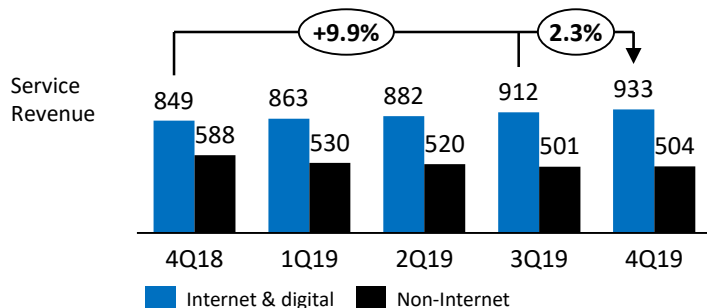
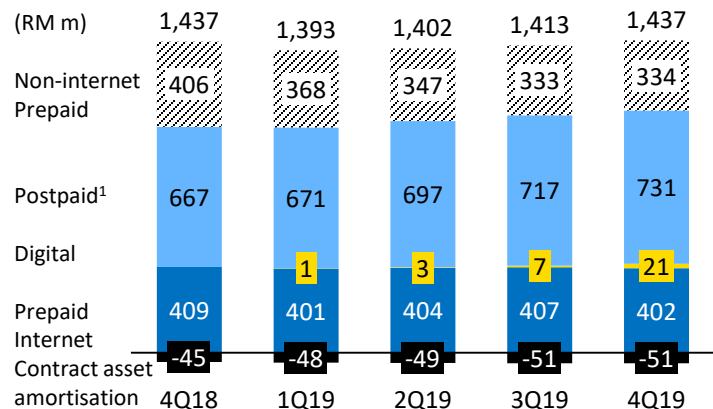
- **Postpaid subscribers surpassed 3.0m (+8.1% Y-Y) while prepaid internet subscribers remained steady at 6.7m**
  - Good trajectory on **quality acquisitions, customer re-contracting and upgrades** via PF365 and Family plans
  - Relatively **resilient** against aggressive internet pricing and offers in the market
  - Postpaid and prepaid internet **subscribers strengthened** to 9.7M or 86% (4Q18: 81%) of total subscriber base
- **Non-internet prepaid moderated** to 1.6 million while total **subscriber base maintained** at 11.3 million throughout the 4 quarters.
- Blended ARPU strengthened to RM41 supported by **ARPU uplifts** for both postpaid and prepaid
  - Postpaid: RM72 (3Q19: RM71)
  - Prepaid: RM30 (3Q19: RM29)



# HIGHEST UNDERLYING SERVICE REVENUE IN 8 QUARTERS

Underpinned by sustainable revenue mix and growth from postpaid, internet and digital revenue

## Service Revenue



- **Service revenue<sup>1</sup> up +1.6% Q-Q and +0.4% Y-Y**
  - Solid postpaid revenue<sup>1</sup> growth of +2.0% Q-Q and +9.6% Y-Y driven by solid demand for PF365 and Family plans
  - Resilient prepaid internet revenue in line with prepaid subscriber development amid progressive postpaid conversions
  - Stronger growth from digital services to RM21m
- **Prepaid non-internet revenue stabilized** at RM334m
- **Higher internet and digital revenue** to 64.9% of service revenue
  - Supported by 9.4m internet subscribers alongside smartphone penetration rate of 85.0% and growing monthly data usage of 13.8 GB per user.
- **Service revenue<sup>1</sup> for the year** declined -1.4% to RM5.84 billion or RM5.65 billion net of contract assets amortisation, a result from lower interconnect and shift in revenue mix with lower reliance on traditional voice

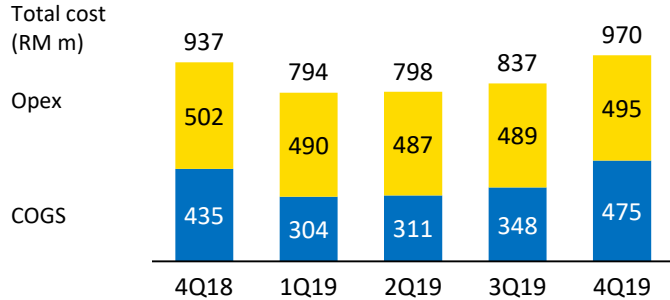
<sup>1</sup> Ex-contract asset amortisation



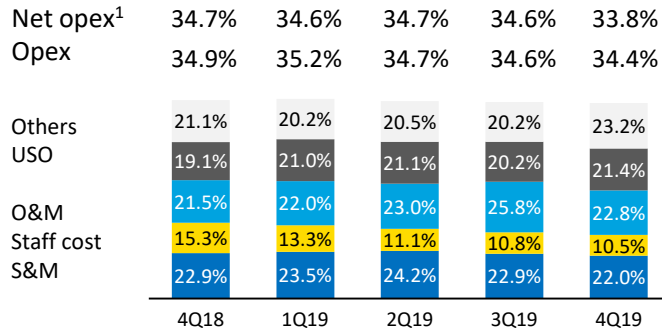
# COST: STRATEGIC INVESTMENT IN WHAT MATTERS MOST

To drive customer contracts, network expansion and experience while delivering efficient operations

## Total Cost



## Opex to Service Revenue

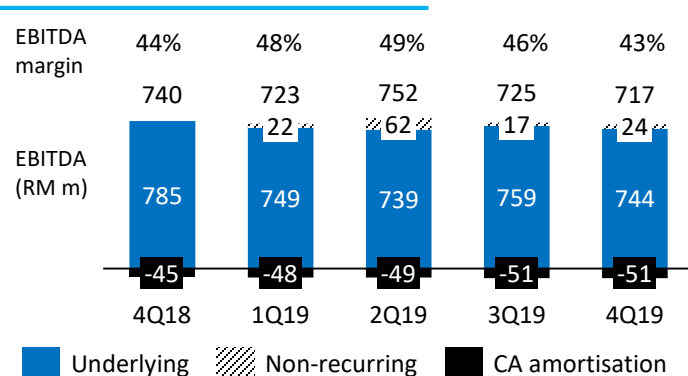


- **Higher COGS by +36.5% Q-Q, +9.2% Y-Y** mainly due to:
  - Investments in devices and PF365 bundles for postpaid acquisitions, contract renewals and plan upgrades
  - Included non-recurring cost benefit of RM3m
- **Fairly consistent Opex at RM495m (+1.2% Q-Q, -1.4% Y-Y)** or 34.4% of service revenue
  - **Prioritised investments** in key growth areas with stronger 4G Plus network connectivity and experience to deliver quality and reliable service
  - **Operating model shifts** to deliver efficient operations
  - Included non-recurring cost of RM21m related to adjustments as well as efficiency benefits (1Q 2019: RM22m; 2Q 2019: RM28m, 3Q 2019: RM17m)
- **FY 2019 Opex trimmed -0.5%** to RM1.96 billion (FY2018 RM1.97 billion)

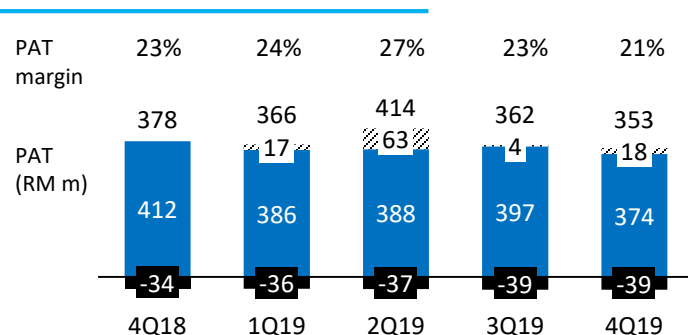
<sup>1</sup> Net opex = Opex + Forex/FV changes + Other income

Due to increased investment in postpaid contracts

## EBITDA and Margin



## Profit After Tax (PAT) and Margin

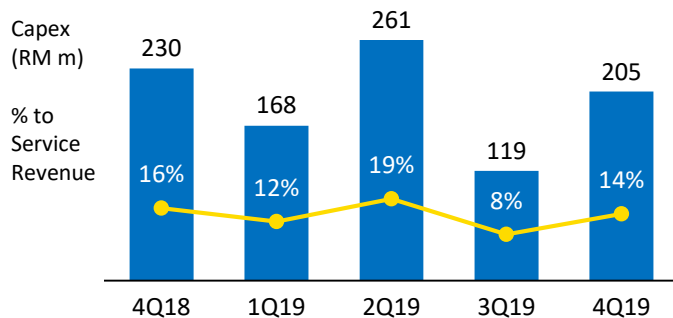


- **Underlying EBITDA -2.0% Q-Q and -5.2% Y-Y**, excluding non-recurring cost effects and CA amortization due to:
  - Higher investments into driving higher customer contracts via device bundles and better network connectivity and experience for customers
- **Reported EBITDA** traced to **RM717m** or **43%** EBITDA margin with full year EBITDA amounted to **RM2.92b** or **46%** EBITDA margin
- **Underlying PAT -5.8% Q-Q and -9.2% Y-Y** after normalisation of non-recurring items
  - Reported PAT **-2.5% Q-Q and -6.6% Y-Y** after accounting for RM202m depreciation cost and RM32m finance cost as well as RM9m IT operating model transition cost
- **Underlying PAT for the year** stood at **RM1.54b (FY18: RM1.54b)** with improved revenue mix and resilience to unlock future growth opportunities.

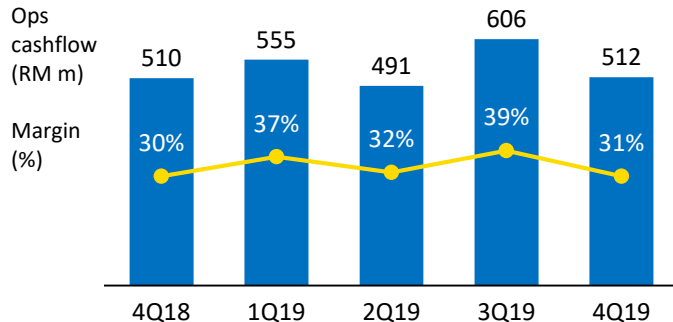
# CAPEX AND OPS CASH FLOW: HIGHER CAPEX AS PLANNED

To pave the way for better 4G network experience our customers

## Capex and % to Service Revenue



## Ops Cashflow and Margin

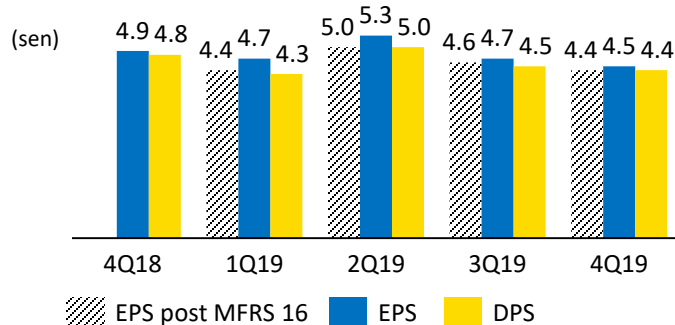


- **Additional RM205m capex** investment to strengthen infrastructure and capabilities
  - FY 2019 cumulative Capex of RM753m or 13.3% of service revenue
- **Optimised 4G network quality** with enhanced capacity
  - Fibre network expansion to **9,610KM** and
  - More spectrum dedicated for 4G network
  - 4G network performance ranked **#1 or #2** across 13 states in Malaysia
  - Average data download **speed of 30Mbps** across Digi's 4G LTE and LTE-A network coverage
    - 91% and 72% population coverage respectively
- **Ops cashflow moderated to RM512m** or 31% margin on higher capex to unlock future growth opportunities

# SHAREHOLDERS RETURN: 4.4 sen dividend per share

with FY2019 total dividend per share of 18.2 sen

## Earnings Per Share and Dividend Per Share



## Balance Sheet

	4Q18	1Q19	2Q19	3Q19	4Q19
Total Assets	6,212	8,012	8,197	8,483	8,149
Total Equity	673	641	700	667	660
Conventional borrowings	1,289	1,289	1,290	830	780
Islamic borrowings	1,397	1,497	1,497	2,322	2,322
Finance lease	8	2,024	2,124	2,154	2,048
Cash & cash equivalents	433	244	369	749	458

- 4Q19 Earnings per share of **4.5 sen per share**,
  - 0.1 sen per share to 4.4 sen (post-MFRS 16 impact)
- Board of Directors declared **4th interim dividend of 4.4 sen** per share equivalent to **RM342 million**, payable to shareholders on **27 March 2020**.
  - FY2019 cumulative dividend per share of **18.2 sen**
- Total assets amounted to RM8.15b**, +31.2% Y-Y and -3.9% Q-Q due to recognition of MFRS 16 Rights of Use assets.
- Digi's **net debt to EBITDA ratio steady at 0.9 times** while conventional debt over total assets trimmed to 9.6%, well-within the Shariah threshold
  - Post MFRS 16: Net debt/EBITDA 1.6 times and conventional debt over total assets at 10%
- Digi's credit rating was re-affirmed with **AAA/Stable/P1 rating** by **RAM Rating** on 6 January 2020



## MFRS 16: Leases

RM million	4Q 2019		Delta	%	FY 2019		Delta	%
	Pre MFRS 16	Post MFRS 16			Pre MFRS 16	Post MFRS 16		
Revenue	1,678	1,678	-	0.0%	6,297	6,297	-	0.0%
COGS	475	478	3	0.6%	1,438	1,435	(3)	-0.2%
Opex	495	389	(106)	-21.4%	1,961	1,571	(390)	-19.9%
EBITDA (boi)	717	820	103	14.4%	2,916	3,309	393	13.5%
EBITDA margin	42.7%	48.9%	6.2		46.3%	52.5%	6.2	
Depreciation and amortisation	202	291	89	44.1%	833	1,197	364	43.7%
Net Finance cost	32	59	27	84.4%	101	211	110	108.9%
Profit before tax	474	461	(13)	-2.7%	1,973	1,892	(81)	-4.1%
Profit after tax	353	343	(10)	-2.8%	1,495	1,433	(62)	-4.1%
Capex	205	205	-	0.0%	753	753	-	0.0%
Ops cash flow	512	615	103	20.1%	2,163	2,556	393	18.2%
Ops cash flow margin	30.5%	36.7%	6.2		34.3%	40.6%	6.2	
EPS (sen)	4.5	4.4			19.2	18.4		
DPS (sen)		4.4				18.2		

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

## 1. Regulatory updates on interconnect

### CHANGES TO MOBILE TERMINATION RATES (MTR)

Sen	2017	2018	2019	2020
Local	3.65	2.92	1.96	0.99
National	3.88	2.92	1.96	0.99
Sub-marine	15.73	2.92	1.96	0.99

- On 20 Dec 2017, MCMC issued Determination 1, 2017 of Mandatory Standard on Access Pricing

## 2. Final Report on Allocation of Spectrum Public Inquiry

- 2300Mhz and 2600Mhz:** Existing allocation will be maintained by way of **Apparatus Assignment (AA)** until **31 Dec 2021**
- 700MHz and 3.5GHz:** Identified as pioneer bands for 5G rollout. Tender process to commence in 1Q 2020 - allocation of bands to a **consortium formed by multiple licensees**
- 26GHz and 28GHz:** 4 blocks of 400MHz each made available via tender process in **1Q 2020** to **licensees** on a nationwide basis and remaining 4 blocks of 400MHz each available for tender on a **first-come first-served basis** and will be open to any party (including non-licensees)



# Focus on differentiated customer experience and sustainable growth

Anchored on the sustainable foundation set in FY2019

- **Significant improvement from internet & digital** revenue growth of 11.0%
- Organic **postpaid revenue growth** of 11.9%<sup>2</sup>
- **Efficient operations** – 0.5% Lower Opex and solid EBITDA margin at 46%
- **Healthy returns** with cumulative dividend per share of 18.2 sen

	2019 Updated Guidance <sup>1</sup>	FY 2019
Service revenue	Low single digit decline	-2.5% -1.4% <sup>2</sup>
EBITDA	Low - medium single digit decline	-3.8% -1.6% <sup>2</sup>
Capex to service revenue ratio	12% - 13%	13.3%

<sup>1</sup> 2019 Guidance excludes impact of MFRS 16: Leases

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

## 2020 priorities and guidance:

- Network for **Best Internet Experience** and **5G readiness**
- **Best in Value** and **Digital Experience** in connecting customers to what matters most
- **Discipline OE Execution** and operating model innovation to create value
- **Leadership on Responsible Business & Sustainability**

	2020 Guidance <sup>3</sup>
Service revenue	Flat - low single digit decline
EBITDA	
Capex	Similar to FY2019

<sup>3</sup> 2020 Guidance includes impact of MFRS 16: Leases

WATCH  
AMAZON  
PRIME VIDEO

**ON MALAYSIA'S LARGEST NETWORK**



Q&A?

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AWESOME  
2020  
Deals!

DOUBLE THE PROSPERITY!  
**2X PHONES**  
**2X INTERNET**

ONLY  
RM  
MTH **40**

**PHONE  
FREEDOM 365**

digi

4G  
PLUS

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The banner features a central red diamond shape with the text 'DOUBLE THE PROSPERITY!' and '2X PHONES 2X INTERNET'. To the right, a red circle contains 'ONLY RM MTH 40'. Below the diamond are two smartphones with pink screens and two smaller phones with blue and brown screens. The background is yellow with floral decorations on the sides. The Digi logo is in the bottom left, and '4G PLUS' is in the bottom right.



# THANK YOU

See you next quarter!

Investor\_Relations@digi.com.my | www.digi.com.my

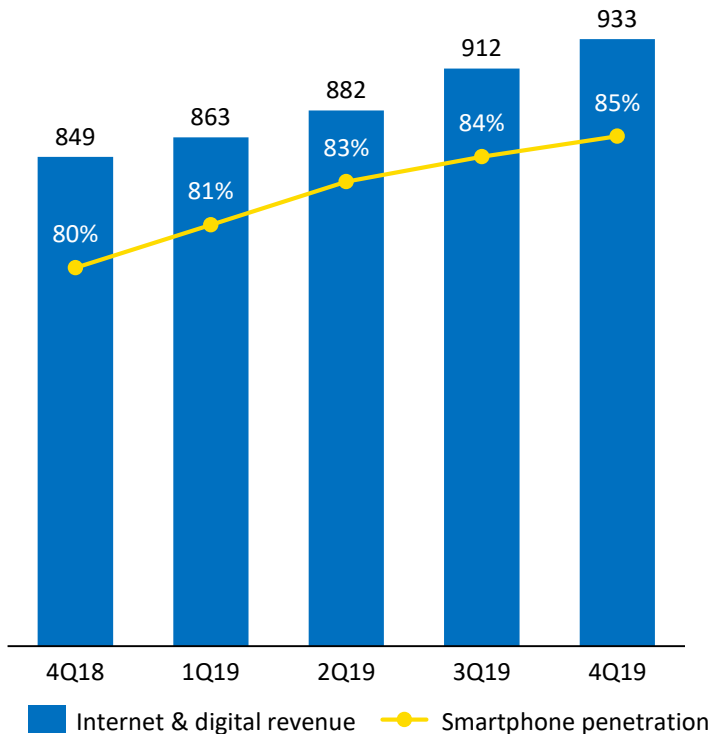


# Appendix

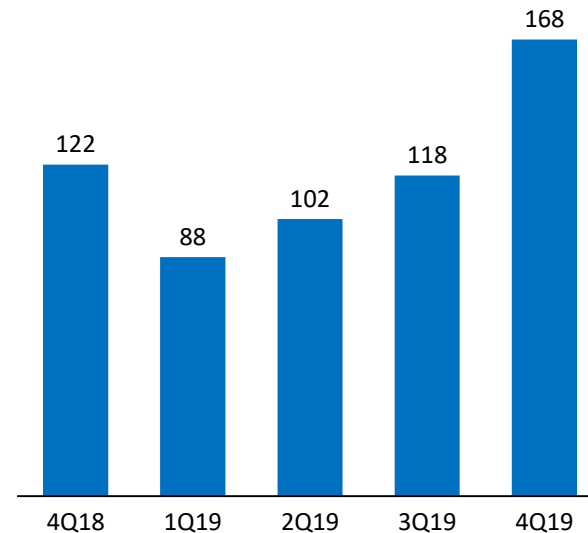
# INTERNET & DIGITAL REVENUE ROSE +2.3 Q-Q and +9.9% Y-Y

Fueled by stronger device contracts and increase smartphone penetration

## Internet & digital revenue vs smartphone %



## No. of Devices Sold ('000)



(RM m)	Post MFRS 15								Post MFRS 16			
	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	Q-Q	Y-Y	1Q19	2Q19	3Q19	4Q19
Subscribers ('000)	11,803	11,660	11,251	11,364	11,330	11,281	0%	-3%	11,251	11,364	11,330	11,281
Internet subscribers ('000)	9,001	9,162	9,003	9,296	9,358	9,397	0%	3%	9,003	9,296	9,358	9,397
Revenue	1,600	1,674	1,509	1,549	1,562	1,678	7%	0%	1,509	1,549	1,562	1,678
Mobile serv. revenue	1,438	1,437	1,393	1,402	1,413	1,437	2%	0%	1,393	1,402	1,413	1,437
EBITDA (before other items)	750	740	723	752	725	717	-1%	-3%	806	848	836	819
<i>EBITDA margin</i>	<i>47%</i>	<i>44%</i>	<i>48%</i>	<i>49%</i>	<i>46%</i>	<i>43%</i>	<i>-3.7pp</i>	<i>-1.5pp</i>	<i>53%</i>	<i>55%</i>	<i>54%</i>	<i>49%</i>
Other items	-	-	-	-	-	9	-	-	-	-	-	-
Depreciation	194	197	216	213	202	202	0%	3%	305	308	293	291
EBIT	556	543	507	539	523	506	-3%	-7%	501	540	543	519
Net finance (costs)/income	(27)	(25)	(22)	(21)	(26)	(31)	19%	24%	(48)	(50)	(54)	(58)
Profit Before Tax	529	518	485	518	497	475	-4%	-8%	453	490	489	461
Taxation	136	140	119	104	135	122	-10%	-13%	111	98	133	118
Profit After Tax	393	378	366	414	362	353	-2%	-7%	342	392	356	343
EPS (sen)	5.0	4.9	4.7	5.3	4.7	4.6	-2%	-6%	4.4	5.0	4.6	4.4
Prepaid ARPU (RM)	31	30	29	29	29	30	3%	0%	29	29	29	30
Postpaid ARPU (RM)	72	71	71	70	71	72	1%	1%	71	70	71	72
Blended ARPU (RM)	40	40	39	40	40	41	2%	2%	39	40	40	41

(RM m)	Post MFRS 15								Post MFRS 16			
	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	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>1,678</b>	<b>7%</b>	<b>0%</b>	<b>1,509</b>	<b>1,549</b>	<b>1,562</b>	<b>1,678</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>1,437</b>	<b>2%</b>	<b>0%</b>	<b>1,393</b>	<b>1,402</b>	<b>1,413</b>	<b>1,437</b>
Voice revenue	506	474	421	414	392	394	1%	-17%	421	414	392	394
Data revenue	932	963	971	985	1,014	1,022	1%	6%	971	985	1,014	1,022
Other serv. revenue	-	-	1	3	7	21	200%	100%	1	3	7	21
<b>Device and other revenue</b>	<b>162</b>	<b>237</b>	<b>116</b>	<b>147</b>	<b>149</b>	<b>241</b>	<b>62%</b>	<b>2%</b>	<b>116</b>	<b>147</b>	<b>149</b>	<b>241</b>
<b>Prepaid Revenue</b>	<b>835</b>	<b>815</b>	<b>769</b>	<b>751</b>	<b>740</b>	<b>736</b>	<b>-1%</b>	<b>-10%</b>	<b>769</b>	<b>751</b>	<b>740</b>	<b>736</b>
Voice revenue	370	342	309	290	274	273	0%	-20%	309	290	274	273
Data revenue	465	473	460	461	466	463	-1%	-2%	460	461	466	463
<b>Postpaid Revenue</b>	<b>603</b>	<b>622</b>	<b>623</b>	<b>648</b>	<b>666</b>	<b>680</b>	<b>2%</b>	<b>9%</b>	<b>623</b>	<b>648</b>	<b>666</b>	<b>680</b>
Voice revenue	136	132	112	124	118	121	3%	-8%	112	124	118	121
Data revenue	467	490	511	524	548	559	2%	14%	511	524	548	559



(RM m)	Post MFRS 15								Post MFRS 16			
	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	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>475</b>	<b>36%</b>	<b>9%</b>	<b>302</b>	<b>309</b>	<b>346</b>	<b>478</b>
Cost of materials	157	220	120	146	151	263	74%	20%	120	146	151	263
Traffic charges	211	215	184	165	197	212	8%	-1%	182	163	195	215
<b>OPEX</b>	<b>491</b>	<b>502</b>	<b>490</b>	<b>487</b>	<b>489</b>	<b>495</b>	<b>1%</b>	<b>-1%</b>	<b>409</b>	<b>393</b>	<b>380</b>	<b>389</b>
Sales & marketing	121	115	115	118	112	109	-3%	-5%	115	118	112	109
Staff costs	54	77	65	54	53	52	-2%	-32%	65	54	53	52
Operations & maintenance	130	108	108	112	126	113	-10%	5%	52	43	42	33
USP fund and license fees	102	96	103	103	99	106	7%	10%	78	78	74	80
Other expenses	84	106	99	100	99	115	16%	8%	99	100	99	115
<i>Credit loss allowances</i>	5	14	14	12	19	28	47%	100%	14	12	19	28
<i>Others</i>	79	92	85	88	80	87	9%	-5%	85	88	80	87
<b>TOTAL</b>	<b>859</b>	<b>937</b>	<b>794</b>	<b>798</b>	<b>837</b>	<b>970</b>	<b>16%</b>	<b>4%</b>	<b>711</b>	<b>702</b>	<b>726</b>	<b>867</b>

(RM m)	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	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>749</b>	<b>103%</b>	<b>33%</b>
Cash flow from operations	753	474	607	786	705	632		
Changes in working capital	(95)	8	(256)	(59)	(128)	(213)		
Cash flow used in investing activities	(137)	(224)	(162)	(257)	(113)	(200)		
Cash flow used in financing activities	(384)	(390)	(378)	(345)	(84)	(511)		
<b>Net change in cash</b>	<b>137</b>	<b>(132)</b>	<b>(189)</b>	<b>125</b>	<b>380</b>	<b>(292)</b>		
<b>Cash at end</b>	<b>565</b>	<b>433</b>	<b>244</b>	<b>369</b>	<b>749</b>	<b>458</b>	<b>-39%</b>	<b>6%</b>