

Step-up on market positioning and innovation for the future

Digi made solid progress on its acquisition drive and attracted additional 450K subscribers in the final quarter to end the year with 12.1 million subscribers. At the same time, Digi pursued on aggressive 4G-LTE network expansion to more than 65% of the population nationwide. Meanwhile, service revenue registered positive sequential growth to RM1,587 million with total service revenue for the year at RM6,348 million. Underlying EBITDA and PAT margins, however, was impacted by seasonally higher smartphone demand in addition to effects from continued intense competition and weak MYR currency.

EXECUTIVE SUMMARY

2015 was no short of trials and turbulence, to say the least with the industry caught up with Goods and Services Tax (GST) implementation, competed intensely on price fuelled packages and 4G-LTE network presence on the back of challenging consumer market. Nevertheless, Digi continued to drive robust operational momentum and remained focused on delivering its 2015 commitment.

Service revenue growth turned marginally positive sequentially on stronger demand for Digi's 4G-LTE enabled smartphone bundles and incremental subscriptions from sim-only packages across postpaid and prepaid services.

Active internet subscribers significantly improved to 7.5 million or 61.9% of total subscribers while 4G-LTE subscribers grew 774K to 2.3 million subscribers, representing 19% of total subscribers.

Digi's intensified market focus backed by attractive mobile internet offers and fastest growing high-speed data network enabled a stronger comeback in the market to drive growth opportunities and retention.

Amid various market challenges, Digi delivered its 2015 financial guidance with

- Low single digit service revenue growth of 0.2%;
- 45% normalized EBITDA margin on constant foreign exchange rate at 2014 year end rate; and
- Substantially stronger network coverage and infrastructure capability within its planned RM904 million capex investment.

Digi remains highly committed in driving an agile business that delivers value creation for the nation sustainably.

RM million	4Q15	3Q15	Q-o-Q	Y-o-Y
Service Revenue	1,587	1,584	0.2%	-2.5%
Total Revenue	1,725	1,675	3.0%	-4.1%
EBITDA	701	719	-2.5%	-12.5%
EBITDA margin	41%	43%	-2.3pp	-3.9pp
Normalised	44%	46%		
PAT	382	397	-3.8%	-31.8%
Capex	288	223	29.1%	23.6%
Ops CF	413	496	-16.7%	-27.3%
Cash-Flow margin	24%	30%	-5.7pp	-7.6pp
Normalised	27%	33%		
EPS (sen)	4.9	5.1	-3.9%	-31.9%
DPS (sen)	4.9	5.1	-3.9%	-31.9%

*Normalised to benchmark against constant exchange rate at 2014 year-end rate

OPERATIONAL AND FINANCIAL UPDATES

Building solid foundations for stronger data revenue opportunities

Digi registered notable milestones in its network journey as one of the most efficient and fastest growing network in Malaysia with extensive footprints nationwide.

Throughout the year, Digi accelerated the deployment of 4G-LTE network and delivered consistent quality internet access with transformative improvement on its high-speed internet coverage and access.

Digi's 4G-LTE network has reached more than 65% of population nationwide while population in parts of key market centres such as Klang Valley, Penang, Perak, Kuantan, Johor Bahru, Kota Kinabalu and



Kuching also benefited with the deployment of LTE-Advance (LTE-A) network that allowed for greater capacity and capability to support data traffic growth demand.

As part of its 4G-LTE initiative, Digi became the first mobile service provider in Malaysia to initiate and place customers in the driver's seat to decide on areas for network deployment through #DigiWeWant4G twitter campaign.

The solid customer-focused network deployment and on-ground presence significantly improved market perception on Digi's network strength while actively capturing revenue opportunities across urban and suburban population that values affordable and consistent quality high-speed mobile internet access.

This has been a strong catalyst for the remarkable increase in 4G-LTE adoption to 2.3 million 4G-LTE subscribers at end of 2015.

Furthermore, Digi's network offers worry-free data access where customers can choose to save their data quota and enjoy more music and live TV through Digi Music Freedom and AsiaLive apps.

In addition to delivering 4G-LTE and LTE-A services on its stable, reliable network, Digi is already working to bring Voice-over-LTE (VoLTE) and Voice-over-WiFi (VoWiFi) services to compatible 4G-LTE smartphones for customers.

(VoLTE will improve call experiences for customers with higher quality audio, faster call connections and simultaneous use of data, while VoWiFi will help customers enjoy improved indoor coverage.)

Competitive offerings with a wide selection of quality digital services content

During the quarter, Digi continued to accelerate its prepaid acquisition and retention drive with its new *Smart Prepaid* and *Best Prepaid* packs supported by solid on-ground execution, attractive mobile internet plans, in-demand digital services access and tactical promotions.

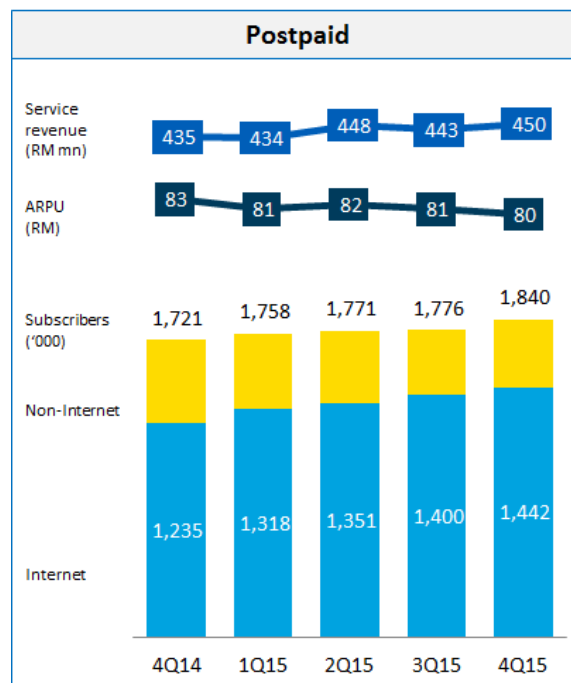
The intensive drive generated positive traction across all segments of the mass market and solidified Digi's positioning in the prepaid market.

As for postpaid, Digi took a bolder step with its enhanced *SmartPlan* portfolio and SIM-only promotions to capitalize on its widest 4G-LTE network to be made available to as many more customers nationwide.

In its effort to drive presence and responsiveness, Digi re-energised its distribution network and took steps to strengthen its go-to-market execution, customer focus and intensified market activities in conjunction with new smartphone launches.

Digi's relentless focus on digital services positioning for future growth continued to shape innovative products to cater for customers' personalised digital lifestyle, enrich digital engagement experience and modernize self-service capabilities through *MyDigi* app.

Best ever postpaid growth on both acquisition and service revenue



Postpaid service revenue registered positive growth of 3.4% year-on-year and 1.6% quarter-on-quarter following the success of intensive 4G-LTE roll-out,

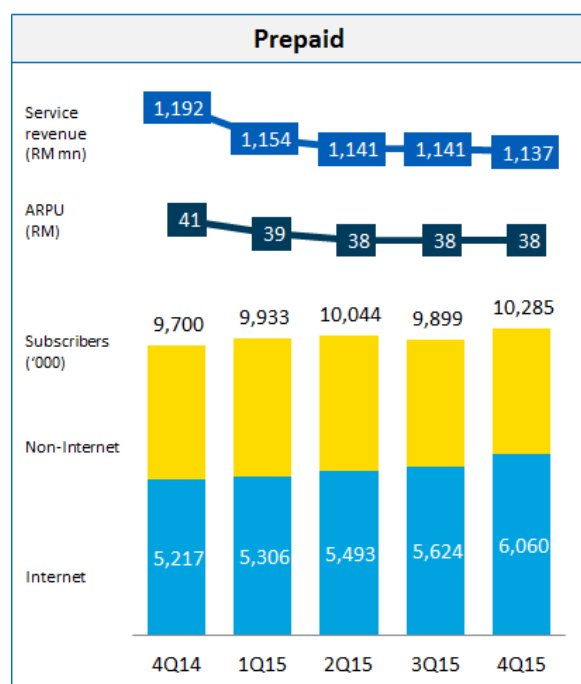


attractive postpaid packages and on-ground campaigns during the quarter. Postpaid subscriber base strengthened 6.9% year-on-year to 1,840K subscribers, a marked improvement from 1,721K subscribers a year ago.

Digi’s data network, attractive value proposition and stronger distribution channel continued to drive resilience and growth for postpaid.

Postpaid internet revenue increased 14.5% to RM197 million, from a year ago on the back of stronger postpaid internet subscribers at 1,442K.

New prepaid products fuelled subscriber growth with 385K net adds



Digi’s new prepaid packs continued to garner solid demand although adversely impacted by continued competition intensity and weak consumer market.

Prepaid service revenue remained resilient at RM1,137 million while prepaid internet revenue increased 9.7% year-on-year and 0.9% quarter-on-quarter to RM338 million on the back of higher prepaid internet penetration at 58.9%.

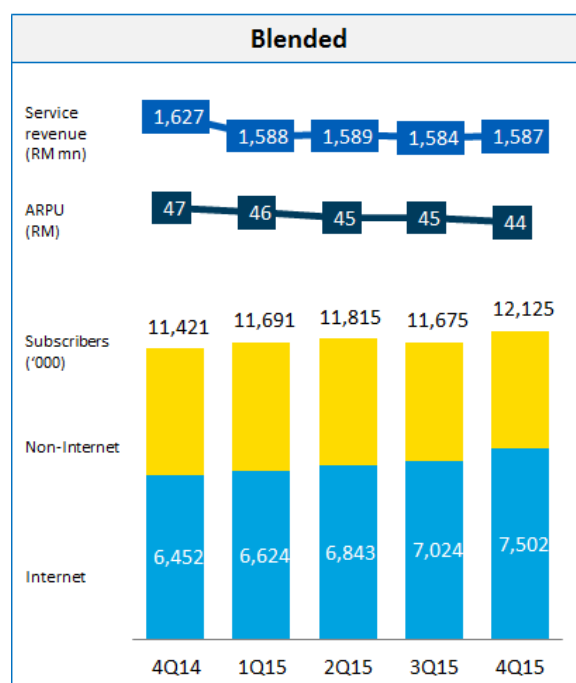
Data monetisation remained challenged by aggressive data offers in the market but revenue

growth opportunities prevailed on the back of growing demand for 4G-LTE services.

Digi’s increased market presence and stronger prepaid product portfolio stimulated solid acquisition and retention momentum against highly competitive pricing dynamics in the market.

At year end, prepaid subscriber base trended stronger to almost 10.3 million subscribers with ARPU maintained at RM38. Meanwhile, full year prepaid service revenue remained relatively steady at RM4,573 million although 0.7% marginally lower year-on-year.

Stronger subscriber base and improved sequential service revenue

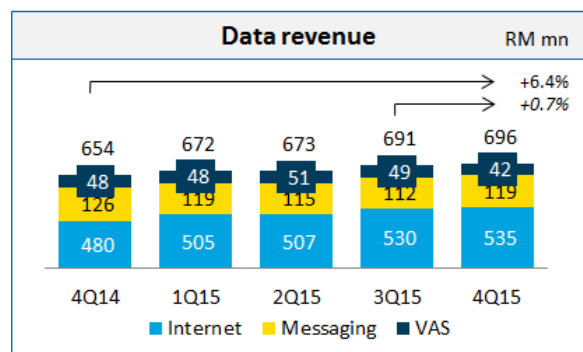


Service revenue improved marginally to RM1,587 million for the quarter, although 2.5% weaker than same quarter last year after adversely impacted by significant shift in market conditions on prepaid in 2015.

Internet revenue remained a solid growth platform with the continued increase in smartphone adoption to 59.2% and active internet subscribers to 61.9% of total subscriber base.



Internet revenue for the quarter stood at RM535 million while full year internet revenue summed up to RM2,077 million or 21.3% growth year-on-year.



The strong acquisition momentum in the final quarter contributed from stronger prepaid and postpaid campaigns and network expansion opportunities led to higher subscriber base at 12.1 million, up 6.2% from a year ago.

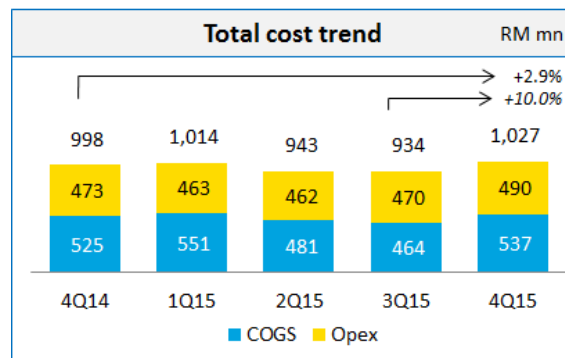
ARPU moderated marginally to RM44 over a larger subscriber base and against impact from competition intensity.

Device and other revenue for the quarter increased 51.6% sequentially to RM138 million to strategically capture service revenue opportunities and commitments in tandem with seasonally higher demand from new smartphone launches and extensive 4G-LTE campaigns.

Full year device and other revenue moderated by 17.5% to RM566 million, as part of the plan to gradually shift focus on smartphones sales to service revenue.

Cost base driven by higher smartphones demand and traffic cost hike from weaker of MYR currency

Cost of Goods Sold (COGS) increased 2.3% year-on-year and 15.7% quarter-on-quarter mainly as a flow through from higher device cost consequential from seasonally stronger demand for smartphones.



Traffic cost remained elevated on the back of continued cost hike from weaker foreign exchange with incremental cost in excess of RM100 million for the year if benchmarked against constant exchange rate at 2014 year-end.

Sales and marketing cost trended higher to 9.9% of service revenue to support new phone launches and aggressive on-ground 4G-LTE campaigns.

Opex to service revenue ratio remained fairly resilient at 30.9%, on the back of competition intensity and rapid expansion of data network.

Operational excellence remained a core priority for Digi to drive resilience amid challenging market conditions to deliver reliable and affordable services to its customers.

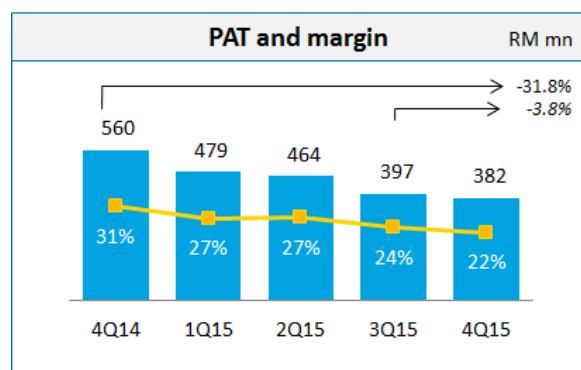
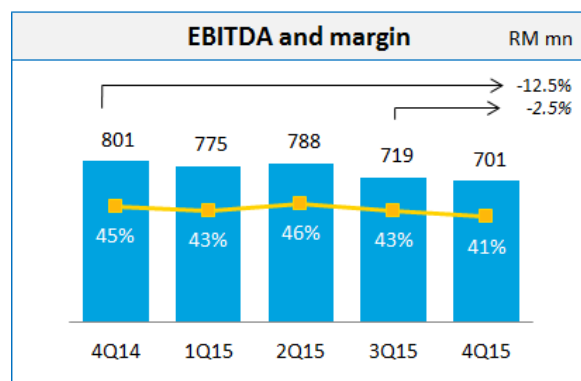
Underlying EBITDA and PAT moderated from continued competition intensity and adverse foreign exchange impact

As a flow through effect from progressively higher operational and maintenance (O&M) cost from network expansion, increased market activities, intensified competition, and compounded by elevated cost from weak MYR currency, EBITDA trended lower to RM701 million or 41% margin.

Full year EBITDA summed up to RM2,983 million or 43% margin. If foreign exchange rate is kept constant at RM3.50/USD (2014 year end rate), normalized EBITDA would be RM3,105 million or 45% margin.

Consequentially, PAT trended lower to RM382 million.





During the quarter, Digi invested RM288 million capex with cumulative investment for the year at RM904 million, as planned, to support rapid 4G-LTE network deployment nationwide.

Digi's 4G-LTE network reached 65% population coverage nationwide, while fibre network expanded to 6,600 km.

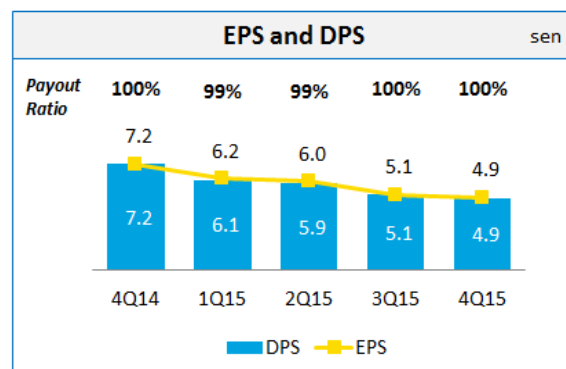
Ops Cash-Flow for the quarter leveled to RM413 million or 24% margin as a flow through from moderated EBITDA and relatively higher capex for the quarter.

Resilient annual dividend yield at 4.2%

Earnings per share (EPS) for the quarter dipped slightly to 4.9 sen with cumulative EPS for the year at 22.2 sen, after accounting for dilutive effects from intense competition and weaker MYR currency.

Nonetheless, Digi remained committed on its dividend payout and declared 4th interim dividend of 4.9 sen per share (net) equivalent to RM381 million, payable to shareholders on 25 March 2016.

This summed up to a total of 22.0 sen dividend per share for the full year, equivalent to RM1,711 million.



Balance sheet RM mn

	4Q14	1Q15	2Q15	3Q15	4Q15
Total Assets	4,303	4,143	4,441	4,449	4,662
Total Equity	686	606	596	534	519
Interest-bearing debts	1,048	1,048	1,246	1,296	1,294
Cash & cash equivalents	526	357	303	306	234

Total assets at end of final quarter stood at RM4,662 million, 8.3% higher than a year ago following Digi's continued investment in network expansion and IT infrastructure capabilities.

Balance sheet remained robust and substantiated by stronger investments on the back of prudent net debt to EBITDA ratio at 0.3x-0.4x level.

Aspire to be customers' favourite partner in digital life

Digi will continue its focus on fortifying its network, driving customer focused innovative products and leveraging on digital services as part of its key value propositions.

Further to that, Digi will step up on its agility and capability to drive the business forward towards realising its digital services ambition as well as deliver best customer experience that supports customers' digital lifestyle.



An exciting year ahead from evolving customer expectation, competition and technological change

Although, 2015 has been a relatively rough year with unprecedented impact seen from GST, competition intensity, weak currency development and economic pressure on consumers' disposable income, Digi delivered within the lower end of the financial guidance albeit with marginal service revenue growth and normalized EBITDA margin of 45%.

Recognising these challenges into 2016 and current economic outlook, Digi remains highly committed on delivering greater network presence and capabilities to enable quality internet and digital services innovation for better efficiency and conveniences to its customers.

Digi believes more Malaysians can be empowered with affordable quality internet access through efficient use of network and spectrum with potentially more sustainable value creation approach and opportunity from increasing use of digital services.

Digi will continue to intensify its focus, consistency and quality of execution in driving growth and best customer experience.

In 2016, Digi aspires to continue to build solid foundations and transform itself to be customers' favourite partner in digital life whilst sustaining service revenue, EBITDA and Capex at 2015 level.

The 2016 financial guidance is summarised as follows:

	2016 Guidance
Service revenue	Sustain at 2015 level
EBITDA	
Capex	

These are internal management targets which will be reviewed periodically by the Board. Hence, these internal targets have not been reviewed by our external auditors.

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This report is to be read in conjunction with the announcement to Bursa Malaysia and all other disclosures related to our 4th Quarter, 2015 result.

Disclaimer

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