

Continued solid postpaid growth to seal the year in line with 2018 guidance

Digi registered strong postpaid revenue growth of 15.0% year-on-year to end 2018 with a record postpaid growth of 14.8%, highest in last 5 years and significantly contributed to improved service revenue trajectory. EBITDA for the quarter strengthened 2.2% year-on-year to RM747 million while profit after tax surged 6.9% year-on-year to deliver solid shareholders return – dividend at 4.8 sen per share.

EXECUTIVE SUMMARY

RM million	3Q18	4Q18	Q-Q	Y-Y	FY 2017	FY 2018	Y-Y
Service revenue	1,475	1,482	0.5%	-2.0%	5,914	5,924	0.2%
Total revenue	1,572	1,679	6.8%	2.1%	6,341	6,436	1.5%
Gross profit	1,204	1,244	3.3%	1.1%	4,826	4,892	1.4%
EBITDA (boi)	725	747	3.0%	2.2%	2,886	2,956	2.4%
EBITDA margin	46%	45%	-1.6pp	0.1pp	46%	46%	0.4pp
Profit before tax	504	525	4.2%	9.4%	1,984	2,002	0.9%
Profit after tax	368	385	4.6%	6.9%	1,477	1,464	-0.9%
Capex	127	230	81.1%	35.3%	748	685	-8.4%
Ops cash flow	598	517	-13.5%	-7.8%	2,138	2,271	6.2%
Ops cash flow margin	38%	31%	-7.2pp	-3.3pp	34%	35%	1.6pp

All analysis and comparisons are made based on old accounting principles.

2018 marked an important milestone for Digi with best performing postpaid revenue growth of 14.8% and solid prepaid internet revenue growth of 12.2%, putting an end to its 2 years of service revenue decline to sustain flat service revenue year-on-year.

Our internet subscriber base strengthened to 9.2 million from 8.7 million a year ago while data traffic volumes for the year surged 70% year-on-year and monthly data usage amongst our subscribers soared to 9.9GB from 6.8GB last year.

During the final quarter, we continued to make good progress in the execution of our efficiency agenda to deliver 0.8% Opex reduction year-on-year while delivering nationwide 4G LTE upgrades, LTE-A network coverage expansion to 65% of population and 8,400KM of fibre network. Our 4G subscriber base rose to over 7.9 million or 86% of our smartphone users.

With the introduction of Digi Rewards, our MyDigi monthly active users climbed to 3.0 million while upsell transactions on MyDigi and digital distribution channel for the quarter increased to 23.4 million to

reach a total of 85.9 million transactions for the year.

In line with the current quarter’s financial performance and after accounting for the financial effects from the adoption of MFRS 15 and MFRS 9, the Board declared 4th interim dividend of 4.8 sen or RM373 million for the quarter.

Summing up the year, Digi delivered 2018 financial performance in accordance to guidance alongside stronger net earnings and shareholders return.

- ✓ Flat service revenue
- ✓ 46% EBITDA margin
- ✓ 11.6% Capex to service revenue
- ✓ 4.3% uplift in dividend per share to 19.6 sen

OPERATIONAL AND FINANCIAL UPDATES

Continued solid postpaid growth fuelled by healthy acquisitions and plan upgrades

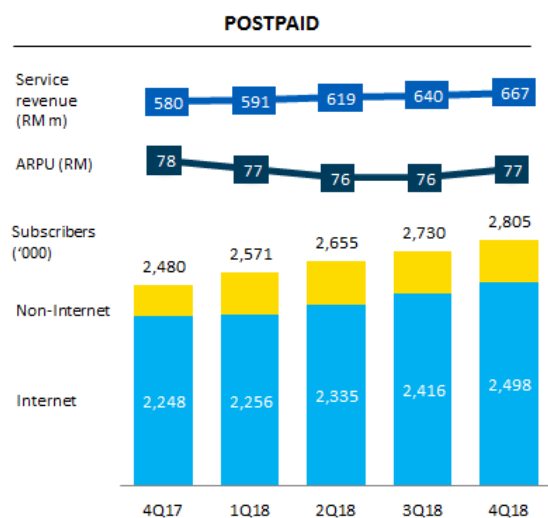
During the quarter, we registered solid postpaid acquisition with another 75,000 net adds to seal the year with 2.8 million postpaid subscribers.

Meanwhile, Digi also recorded favourable increase in plan upgrades and stronger retention rate, fuelled by the launch of our easy device ownership program - Digi Phone Freedom 365.

The increase in demand for Digi's high value postpaid plans and device bundles during the quarter contributed to an uplift in postpaid ARPU from RM76 to RM77.

In 4Q 2018, postpaid revenue grew 15.0% year-on-year and 4.2% quarter-on-quarter to RM667 million while postpaid internet revenue rose 26.1% year-on-year and 5.3% quarter-on-quarter to RM440 million.

With the relentless focus on consistent solid acquisition and base management activities, Digi registered its best performing postpaid revenue growth of 14.8%, ahead of industry to close FY 2018 at RM2.52 billion, representing 42.5% of total service revenue.

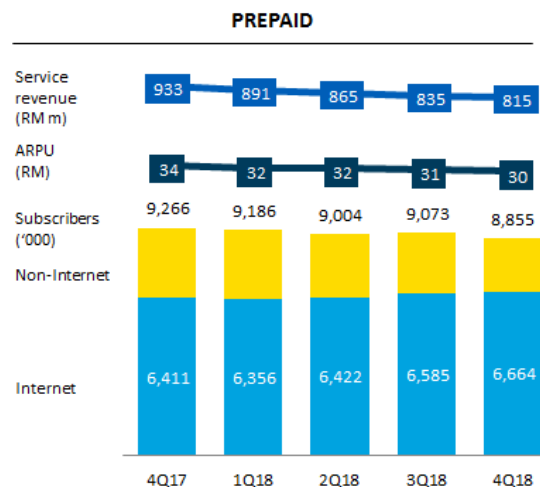


Higher prepaid internet subscribers and revenue amid steady conversions to postpaid

Our efforts to drive prepaid internet adoption and usage with affordable bite-sized internet passes and recurring internet subscriptions continued to track well.

Prepaid internet subscribers climbed up to 6.7 million while internet revenue increased 2.8% year-on-year and 2.5% quarter-on-quarter to RM409 million or 50.2% of prepaid revenue, although

challenged by intense data price competition and abundance data offers in the market.



Non-internet prepaid revenue traced lower due to a combination of moderating demand for legacy voice and messaging services coupled with steady conversions to postpaid.

Consequently, prepaid revenue fell 12.6% year-on-year and 2.4% quarter-on-quarter along with weaker non-internet prepaid subscriber base and moderated ARPU of RM30, with impact partially cushioned by stronger internet revenue.

Although 2018 remained a challenging year for prepaid, Digi delivered strong mitigation actions to narrow prepaid revenue decline to 8.5% for the year, an improvement from a decline of 12.9% a year ago, 12.2% higher prepaid internet revenue and steady conversions to postpaid during the year to deliver to RM3.41 billion prepaid revenue.

Resilient service revenue supported by solid postpaid growth

In the final quarter of 2018, service revenue steadied at RM1,482 million, up 0.5% from preceding quarter, underpinned by solid postpaid growth although challenged by continued decline in prepaid legacy services as well as data competition on both pricing and data allowances.

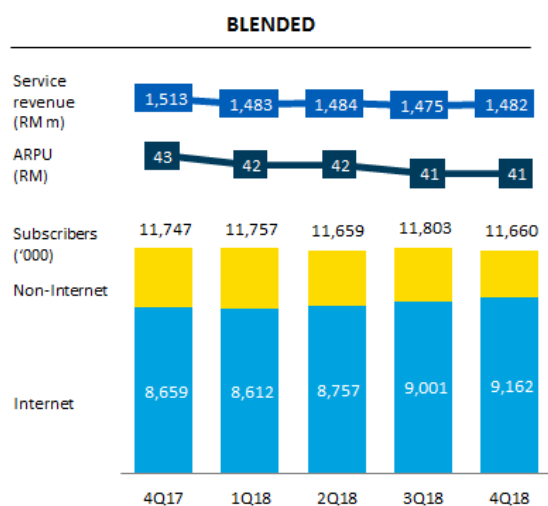
Internet revenue climbed 13.7% year-on-year and 3.9% quarter-on-quarter to RM849 million or 57.3% of service revenue backed by higher smartphone



adoption to 79.6% and encouraging increase in upsell transactions to 23.4 million on MyDigi and digital distribution channel.

My Digi Rewards personalized “Box of Surprise” contributed 10% of the total upsell transactions within MyDigi while MyDigi users’ monthly logons increased to 10.7 times.

Other than MyDigi, we have further strengthened our digital distribution channel with the launch of mobile data management feature on Android devices in partnership with Google to ease internet purchase for subscribers in the moment of need. By enabling customers to have the ability to update their data plan and easily purchase relevant offers directly within the Android user interface, customers can now look forward to a better Internet experience.



Overall subscriber base trimmed to 11.7 million as a flow through from sim contraction amongst legacy prepaid subscribers. However, internet subscribers continued to strengthen to 9.2 million or 78.6% of subscriber base while ARPU maintained steady at RM41.

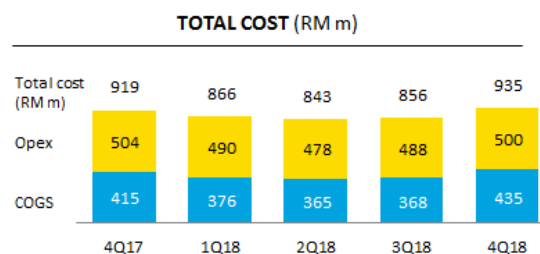
For the full year 2018, Digi delivered RM5.92 billion service revenue, consistent with prior year and in line with 2018 guidance, although adversely impacted by mobile termination rate revision. Meanwhile, internet revenue for the year summed up to RM3.23 billion, 19.9% higher than prior year.

Device and other revenue sharply rose 49.2% year-on-year to RM197 million underpinned by a surge in demand for contracted device bundles and new Phone Freedom 365 program in the final quarter of 2018. This led to an overall increase of 19.9% in device and other revenue for the year to RM512 million.

Solid operational efficiency to support sustainable growth and network upgrades

Cost of goods sold (COGS) increased 4.8% year-on-year and 18.2% quarter-on-quarter mainly due to higher device cost arising from the surge in contracted device bundles and new Phone Freedom 365 program.

Despite the higher device cost, gross profit remained solid with 1.1% year-on-year and 3.3% quarter-on-quarter improvement to RM1,244 million.



Our continued focus on operational efficiencies across sales and marketing activities and network operations contributed to opex reduction of 0.8% year-on-year.

The higher sequential opex of 2.5% was mainly due to additional staff cost provision and professional services rendered to strengthen digital marketing and distribution capabilities in addition to improved efficiencies. Opex to service revenue remained healthy at 33.7%.

Opex for the year closed at RM1.96 billion, similar to prior year while Digi continued investments in network capacity upgrades and expansion nationwide to support our customers’ growing data demand.

The solid execution of OE initiatives across sales and marketing activities, network operations along with development of new digital capabilities have been



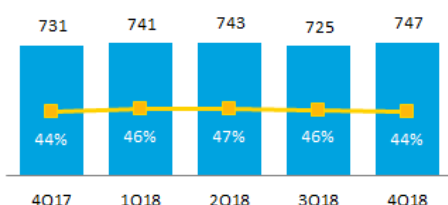
instrumental in delivering efficient operations and improved customer satisfaction.

Stronger Y-Y EBITDA and PAT underlined by solid postpaid growth and efficient operations

EBITDA rose 2.2% year-on-year and 3.0% quarter-on-quarter to RM747 million or 44% margin, underpinned by solid postpaid growth and efficient cost management.

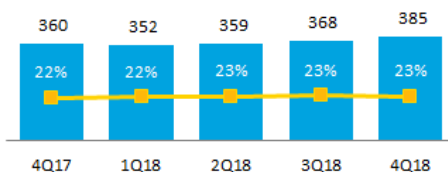
Digi sealed the year with 2.4% uplift in EBITDA to RM2.96 billion or 46% margin.

EBITDA AND MARGIN (RM m and %)



Profit before tax (PBT) strengthened 9.4% year-on-year and 4.2% quarter-on-quarter to RM525 million mainly due to a flow through from stronger EBITDA coupled with modest depreciation cost at RM197 million (4Q 2017: RM210 million) and finance cost at RM25 million.

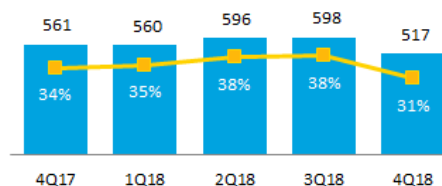
PAT AND MARGIN (RM m and %)



Profit after tax (PAT) remained steady at 23% margin, up 6.9% year-on-year and 4.6% quarter-on-quarter to deliver RM1.46 billion PAT for the year.

During the final quarter, Digi invested RM230 million Capex or 15.5% of service revenue, summing up to a total of RM685 million capex investment (excluding spectrum assets) for the year to accelerate Digi's LTE-A network coverage expansion to 65% of population, in addition to nationwide network and IT capacity upgrades and fibre network expansion.

OPS CASH FLOW AND MARGIN (RM m and %)



Higher capex spend for the quarter resulted in ops cashflow decline of 7.8% year-on-year and 13.5% quarter-on-quarter to RM517m or 31% margin although supported by stronger EBITDA during the quarter.

Ops cashflow for the year increased 6.2% to RM2.27 billion.

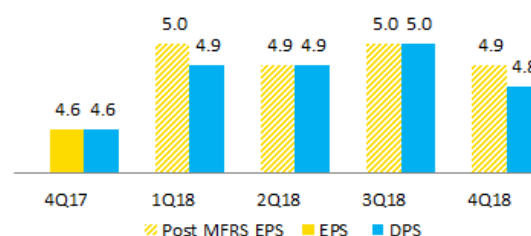
Healthy shareholders return and strong balance sheet

Earnings for the quarter after accounting for impact from MFRS 15 and 9 summed up to RM378 million or earnings per share (EPS) of 4.9 sen.

Consistent with current quarter's financial performance, the Board of Directors declared 4th interim dividend of 4.8 sen per share equivalent to RM373 million, payable to shareholders on 29 March 2019.

This summed up to a total of 19.6 sen dividend per share for the full year, equivalent to RM1,524 million dividend for shareholders.

EPS AND DPS (sen)



Total assets strengthened to RM6.21 billion, up 6.5% year-on-year and 0.2% quarter-on-quarter underpinned by stronger spectrum portfolio and infrastructure assets, recognition of MFRS 15 contract assets and higher receivables from Phone Freedom 365 program.



BALANCE SHEET (RM m)

	4Q17	1Q18	2Q18	3Q18	4Q18
Total Assets	5,834	6,027	6,035	6,202	6,212
Total Equity	519	669	673	684	673
Interest-bearing debts	1,305	1,302	1,300	1,297	1,297
Islamic debts	1,399	1,398	1,397	1,398	1,397
Cash & cash equivalents	575	461	428	565	433

Balance sheet remained robust with strong financial capability and flexibility to fund investments and operational commitments backed by AAA rated RM5.0 billion Sukuk Programmes established in 2017 along with diverse bilateral loan facilities.

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.

OTHER UPDATES

Impact of MFRS changes on 4Q 2018

With effect from 1 January 2018, Digi adopted *MFRS 15 Revenue From Contract With Customers* using a modified retrospective approach.

In 4Q 2018, the accounting of MFRS 15 provided a decline of RM7 million to the PAT via:

- Reduction in service revenue – RM45 million
- Increase in device revenue – RM40 million
- Increase in opex – RM2 million

RM m	4Q 2018			
	(Pre-MFRS Δ)	(Post-MFRS Δ)	Delta	%
Service revenue	1,482	1,437	(45)	-3.0%
Total revenue	1,679	1,674	(5)	-0.3%
Opex	500	502	2	0.4%
EBITDA	747	740	(7)	-0.9%
Margin	44.5%	44.2%	-0.3pp	
Profit before tax	525	518	(7)	-1.3%
Profit after tax	385	378	(7)	-1.8%
Capex	230	230	-	0.0%
Ops cash flow	517	510	(7)	-1.4%
Margin	30.8%	30.5%	-0.3pp	
EPS (sen)	5.0	4.9	(0.1)	-2.0%
DPS (sen)	4.8			

FY 2018 impact on income statement post MFRS 15 adoption can be summarised as follows:

- Reduction in service revenue – RM134 million
- Increase in device revenue – RM225 million
- Increase in Opex – RM13 million

Adoption of MFRS 16: Leases and mobile termination rates revision in 2019

Effective 1 January 2019, Digi will be adopting *MFRS 16: Leases* that applies a “right-of-use” approach which requires a lessee to recognise assets and liabilities for the rights and obligations created by lease contracts.

There will also be further revision to the mobile termination rates as prescribed in MCMC's Determination 1, 2017 of Mandatory Standard on Access Pricing made in 20 December 2017 as follows:

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

2019 OUTLOOK AND PRIORITIES

All in all, Digi delivered a solid performance in 2018 in line with guidance. Although market conditions remain challenging, we believe our solid foundation in 2018 alongside with persistent drive for solid execution and digital transformation will support Digi’s ambition in 2019.

Looking ahead, the key priorities will be 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

Consistent with our strategic ambition, we aspire to deliver sustainable revenue growth and efficient operations to connect customers to what matters by empowering more Malaysians to enjoy affordable and quality internet services and the benefits of digital connectivity.

In this respect, we are confident we have the right strategies, network and resources in place to support this ambition and continuously drive value creation for our stakeholders.

The 2019 guidance is summarised as follows:

2019				
	PRE MFRS 15 & 9		POST MFRS 15 & 9	
	FY 2018	2019 Guidance	FY 2018	2019 Guidance
Service revenue	RM5,924m	Around 2018 level	RM5,790m	Around 2018 level
EBITDA	RM2,956m	Low single digit growth	RM3,033m	Low single digit growth
Capex to service revenue ratio	11.60%	11% - 12%	11.80%	11% - 12%

¹ Guidance above excludes impact of MFRS 16: Leases

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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, 2018 result.

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