

## STRENGTH OF COURAGE

HAS NO LIMITATIONS



- 10.4% growth in postpaid revenue
- IMPROVED prepaid sustainability
  - HIGHEST EBITDA in last 4 quarters

**3Q 2016** 

**Key Highlights** 

# Robust performance with strong earnings growth

#### **SOLID POSTPAID REVENUE**

RM489m

#### **RESILIENT SERVICE REVENUE**

RM1,554m

#### **48% EBITDA MARGIN**

**RM775m** 

#### STRONG PAT GROWTH

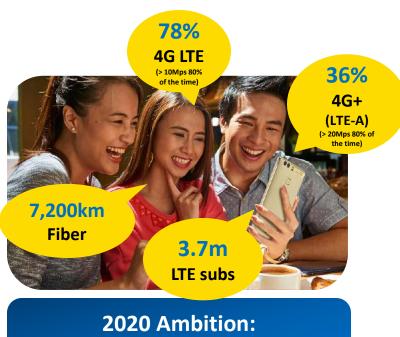
4.0% q-q and 10.3% y-y to RM438m

#### **HIGHER SHAREHOLDERS RETURN**

5.6 sen dividend per share equivalent to RM435m or almost 100% payout ratio

3Q 2016 Spectrum and Network

# Spectrum price for 900Mhz and 1800Mhz reasonable and within market's expectation



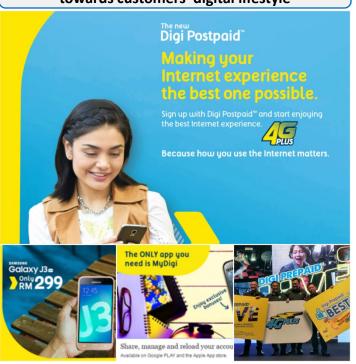
2020 Ambition: 95% 4G LTE coverage

- On 30 Aug 2016, MCMC announced the spectrum fees for 900MHz and 1800MHz
  - Upfront fee of RM598.5m and annual fees of RM51.5m for allocated 900Mhz and 1800Mhz spectrum bands
  - 15 years tenure beginning 1 July 2017
  - Acceptance of offer by 1 Nov 2016
- Spectrum optimisation approach fair and reasonable to enable network providers to deliver better network planning, efficient network deployment and quality indoor coverage
- Increasingly important that the remaining spectrum bands under review i.e. 700Mhz, 2100Mhz, 2300Mhz, and 2600Mhz be considered in similar fair and reasonable approach
  - To realise Malaysia's digital nation ambition in 2020
  - To cater for rising demand for quality digital services and experience

3Q 2016 Products and Marketing

# Executing on postpaid growth strategy alongside with stronger prepaid internet proposition

Unleashed "in-demand" value propositions towards customers' digital lifestyle



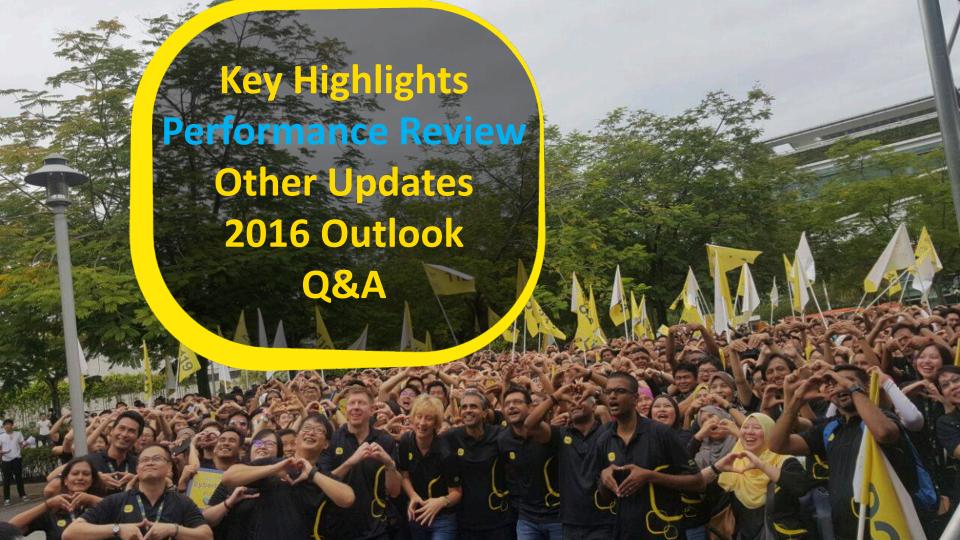
- Embraced customer-demand-led growth with stronger postpaid internet entry level proposition, affordable 4G bundles and strong 4G+ network position
  - Solid interest from new postpaid customers and prepaid to postpaid conversions
  - Close to 1 million active users on MyDigi and growing
- Launched 2 new prepaid plans anchored on customers digital lifestyle trends and best value
  - Digi Prepaid LiVE: Ultimate video and music streaming plan
  - Digi Prepaid Best: Best value internet starter pack for basic and light internet use
- Delivered better quality prepaid subscribers and stabilised IDD following the move away from irrational IDD price war
- Continued to optimize core commercial capabilities in sales, marketing, pricing, and customer experience with advanced analytics and agile insights techniques to spot opportunities

**3Q 2016** Post 3Q 2016 launch

#### Postpaid plans streamlined with enriched weekend 4G quotas and RoamBorder pass

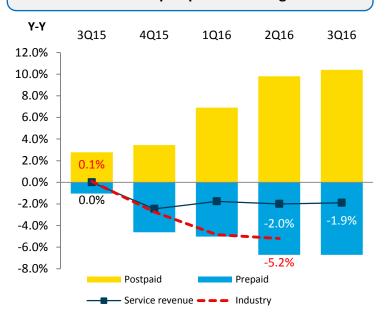


- On 12 Oct 2016, Digi enriched its postpaid propositions in line with customers' increasing digital lifestyle
  - 3 attractive and affordable postpaid choices with bundled data and voice calls for RM50/RM80/RM110
  - Free weekend 4G LTE high-speed internet quotas
  - Freedom of choice to use data quotas beyond video streaming
- Introduced Digi RoamBorder, an international roaming pass for constant connectivity when travelling to Singapore
  - Bundled internet roaming quota and calls at RM30 monthly
  - Affordable and convenient choice for customers to stay connected and enjoy their regular digital lifestyle when travelling to Singapore
- As part of the postpaid growth strategy, Digi will continue to innovate new value propositions and strive to deliver the best customer experience towards the ambition of becoming Customers' Favourite Partner in Digital Life

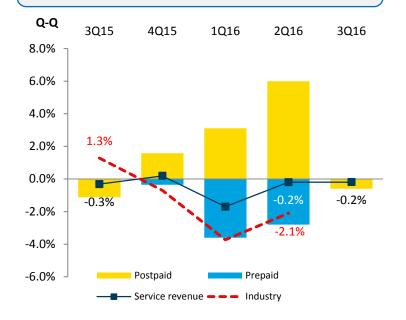


#### Steady service revenue development secured on improved earnings

## Resilient y-y service revenue development with continued solid postpaid revenue growth

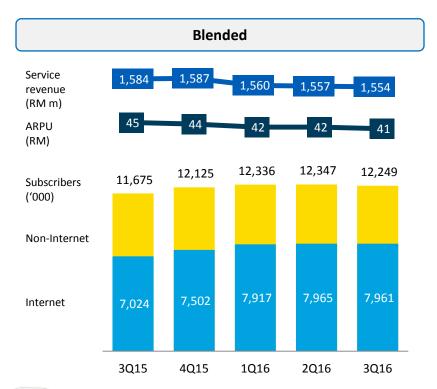


## Sustained sequential service revenue anchored on stable prepaid and postpaid revenue



<sup>•</sup> Industry refers to mobile service revenue from the 3 leading mobile operators in Malaysia

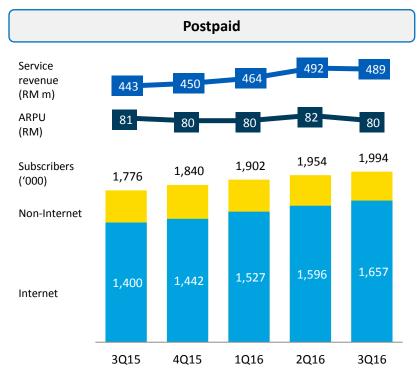
#### Steady sequential service revenue with sharper focus on sustainable growth



- Sequential service revenue sustained at RM1.55b on the back of resilient y-y performance
  - Anchored on continued growth strategy on postpaid coupled with stabilised prepaid performance
  - Substantiated by improved subscriber quality and margins
  - Internet revenue surged 6.2% q-q and 12.6% y-y to 38.4% of total service revenue
- YTD service revenue relatively resilient when compared against industry's development, with 1.9% decline to RM4.67b following sharp contraction in prepaid revenue during the year
- Subscriber base grew 4.9% y-y and remained strong at 12.2m with slightly lower ARPU of RM41
  - Internet subscribers strengthened to 65.0%
  - Smartphone penetration rose to 63.7%
- Continued focus on sustainable growth supported by better subscriber quality and margins



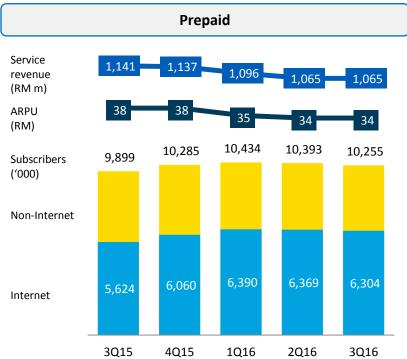
#### Solid y-y postpaid revenue growth backed by stronger subscriber base



digi LET'S INSPIRE

- Continued robust y-y postpaid revenue growth at 10.4% with sustained sequential performance on a seasonally soft quarter
  - Postpaid internet revenue rose 4.2% q-q and 27.7% y-y to RM249 million
  - YTD postpaid revenue strengthened 9.1% to RM1.45b
- Favourable acquisitions on entry level postpaid plans, affordable 4G bundles and progressive prepaid to postpaid conversions led to
  - 40K postpaid net adds and stronger postpaid subscriber base of almost 2.0 million
  - Postpaid internet subscribers climbed steadily to 1.7m or 83.1%
  - Postpaid ARPU moderated marginally to RM80 over a larger subscriber base
- Relentlessly unlock further postpaid growth opportunities, now fortified with new propositions and solid 4G+ network

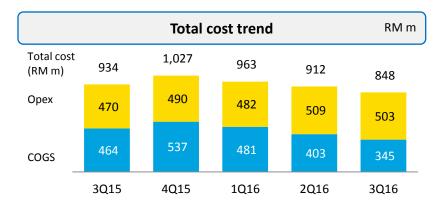
#### Sustained prepaid revenue with better subscriber quality and margins

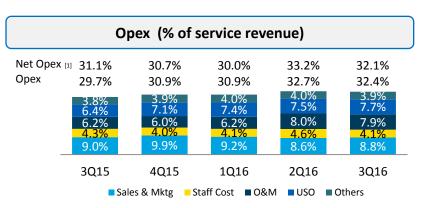


- Prepaid revenue remained steady q-q at RM1.07b
  - Supported by better subscriber quality and margins despite challenged by increasing demand for prepaid to postpaid conversions
- Stabilised y-y decline on prepaid and IDD price, with stronger focus on sustainable growth and away from irrational IDD price war
- Favourable trajectory on new prepaid plans and rationalisation efforts
  - 7.7% q-q and 3.9% y-y stronger prepaid internet revenue to RM348m
- YTD prepaid revenue moderated 6.1% to RM3.23b amid challenging market conditions but balanced with more sustainable underlying margins
- Modest prepaid subscriber development to 10.3m with 61.5% active internet subscribers and steady prepaid ARPU of RM34



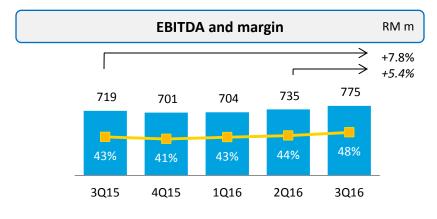
#### Well-managed cost structure to deliver earnings growth

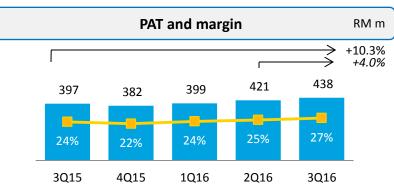




- Cost of goods sold (COGS) improved 14.4% q-q and 25.6% y-y contributed by lower traffic cost and decline in device sales volumes
- Traffic cost trimmed 12.5% q-q and 25.4% y-y to RM273m
  - Lower IDD traffic cost despite pinned down by weaker MYR currency (Average MYR-USD exchange rate: 3Q 2016: 4.053, 2Q 2016: 4.011)
- Opex to service revenue ratio remained healthy at 32.4% amid rapid expansion of 4G+ network nationwide
- Operational excellence remained a core priority for Digi and well-supported by strong governance structure including innovative platforms to ideate, brainstorm and crowd source value accretive ideas

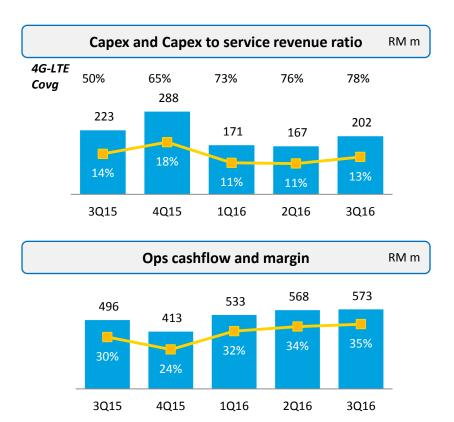
#### Solid earnings growth and margins delivered on the back of resilient service revenue





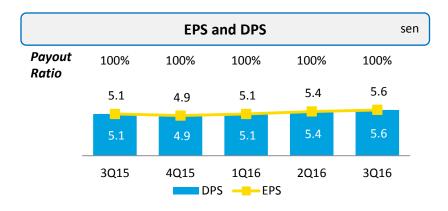
- EBITDA strengthened 5.4% q-q and 7.8% y-y to RM775m or 48% margin
  - Anchored by better IDD margins, stronger internet revenue contribution alongside with well-managed cost structure
- Depreciation for the quarter resumed to normal run-rate at RM174m, consistent with progressive capex investments made during the year
  - 2Q 2016 depreciation included RM20m reversal of over-accrued depreciation relating to prior years
- PAT registered solid growth of 4.0% q-q and 10.3% y-y to RM438m, as a flow through from stronger EBITDA although trimmed by higher depreciation for the quarter

#### Robust ops cashflow with stronger network proposition and infrastructure capability



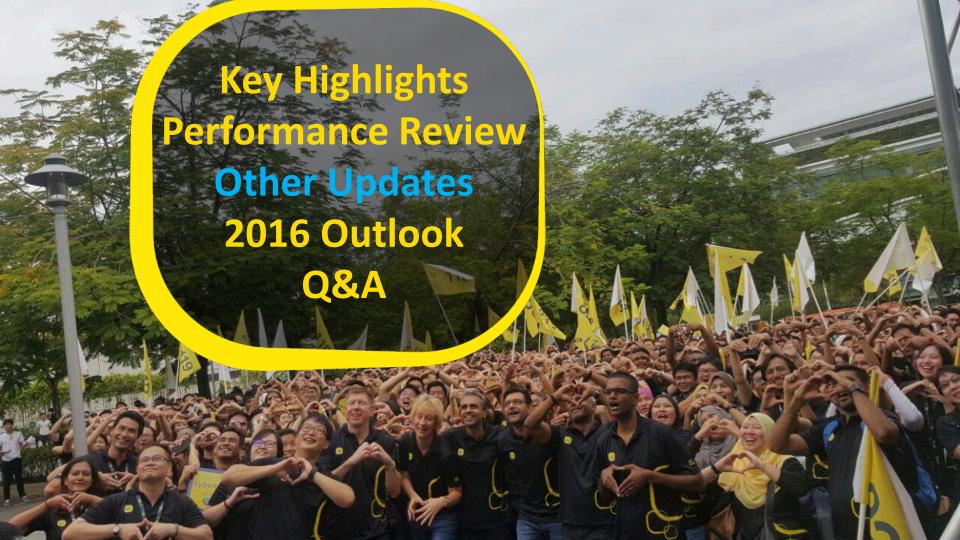
- Digi invested another RM202m capex, as planned, with YTD cumulative investment at RM540m or 11.6% of service revenue
  - Predominantly to support Digi's rapid 4G+ and fiber network expansion nationwide
- Digi's 4G LTE and LTE-A network reached 78% and 36% population coverage nationwide while fiber network steadily expanded to 7,200km
  - Actively supported growing 4G LTE subscribers to 3.7 million, from 1.6m a year ago
  - Significant improvement in high-speed internet experience on 4G+ network
- Consequential from the stronger EBITDA, ops cashflow increased 0.9% q-q and 15.5% y-y to RM573m or 35% margin
  - The strongest level in the last 4 quarters

#### Healthy shareholders' returns amid challenging market conditions



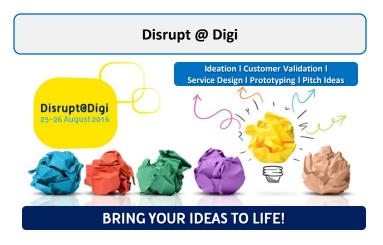
Balance sheet											
	3Q15	3Q15 4Q15 1Q16 2Q16									
Total Assets	4,449	4,662	4,922	4,708	4,739						
Total Equity	534	519	537	562	580						
Interest-bearing debts	1,296	1,294	1,631	1,424	1,461						
Cash & cash equivalents	306	234	503	366	331						

- Earnings per share (EPS) improved to 5.6 sen, up 3.7% q-q and 9.8% y-y
- 3<sup>rd</sup> interim dividend at 5.6 sen per share (net) equivalent to RM435m or almost 100% payout, payable to shareholders on 30 December 2016
  - YTD dividend amounted to 16.1 sen per share equivalent to RM1,252m
  - 4.3% dividend yield on average share price of RM4.85
- Total assets strengthened to RM4,739m from progressive capex investments while cash balances reflected efficient working capital management for timely payment obligations
- With relatively low net debt/EBITDA level of 0.4x and strong balance sheet, Digi has solid financial capability and flexibility to fund its investments, operational commitments and any spectrum obligations arising



3Q 2016 Digital Innovation

#### Relentless drive in enabling digital innovation opportunities and culture





- Enabled digital innovation through Disrupt@Digi challenge to explore new ideas for products and services
  - 30-hour challenge included ideation, customer validation, service design, prototyping and pitching digital innovation ideas
- Infused mindset shifts through a series of "Digital Day" showcase
  - Key transformation programmes deep-dives
  - New digital ways of learning and working
  - Forefront technologies to drive transformation culture
- On the community level, Digi through its Challenge For Change (CFC) initiative partnered with MDec, MaGIC, Unicef, Google, Microsoft, Facebook
  - To challenge ideators and developers to unlock revolutionary mobile app ideas that can address current issues surrounding three main target groups, namely children, youth and women

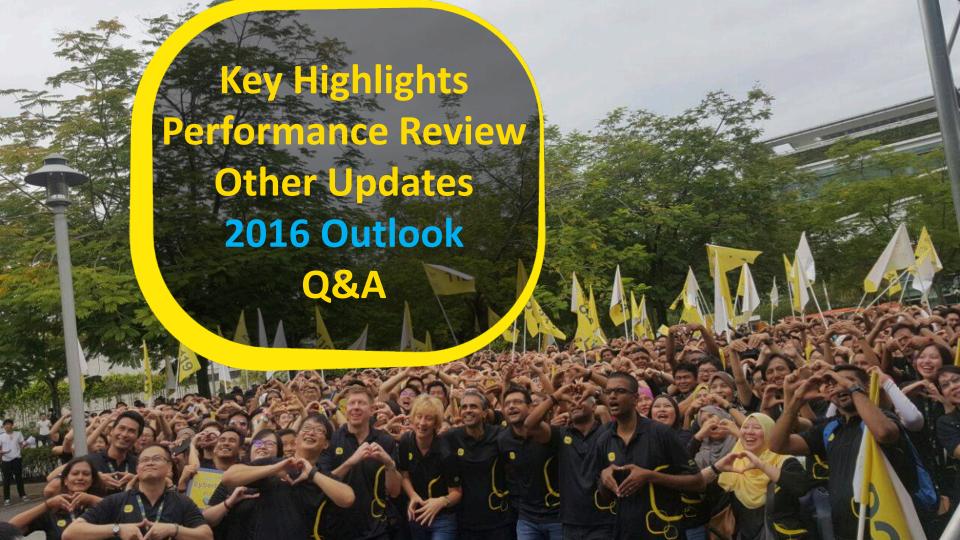
3Q 2016 2016 Customer First Day

#### 2016 CFD celebrated to nurture digital resilience and awareness for safer internet

Digi Customer First Day and "Us vs Cyberbulling" campaign



- Digi Customer First Day (CFD) marked a special day with more than 1,400 Digizens mobilised in six major cities to learn, share and interact with customers
  - Valuable customers' feedback gathered to deliver better customer experiences towards becoming their favourite partner in digital life
- Raised awareness on cyberbullying and the importance of making wise online choices while enjoying the benefits of the internet
- Followed up with "Us vs. Cyberbullying" event which included edu-tainment activities and performances in partnership with Astro, regulatory bodies, UNICEF and several non-government organisations
  - Useful information and tools to help children and parents cope with cyberbullying, how to stay safe online and how to keep a mobile device secure



**3Q 2016** 2016 Outlook

# Paving the future with sustainable growth towards becoming Customers' Favourite Partner in Digital Life

	2016 Guidance (revised)	YTD 3Q 2016
Service revenue growth	Low single digit decline	-1.9%
EBITDA margin	Slightly below 45%	44.9%
Capex	Around 13% of service revenue	11.6%



- Fairly resilient performance against the backdrop of sharp industry service revenue decline in 1H 2016
  - Sustained sequential service revenue in 3Q 2016 with stronger margins and earnings
- Service revenue growth guidance for 2016 revised to low single digit decline, consistent with YTD 3Q 2016 performance
- Aims to deliver EBITDA margin slightly below 45% level, an improvement to 2015's EBITDA margin of 43%, while continuously generate innovative value propositions and healthy shareholders return
- Remains committed to 2016 investment plans with greater focus on delivery efficiency to deliver capex at around 13% of service revenue
- Remaining final quarter will be exciting with the stepping up of postpaid growth engine, now fortified with new proposition and solid 4G+ network to unlock further growth opportunities

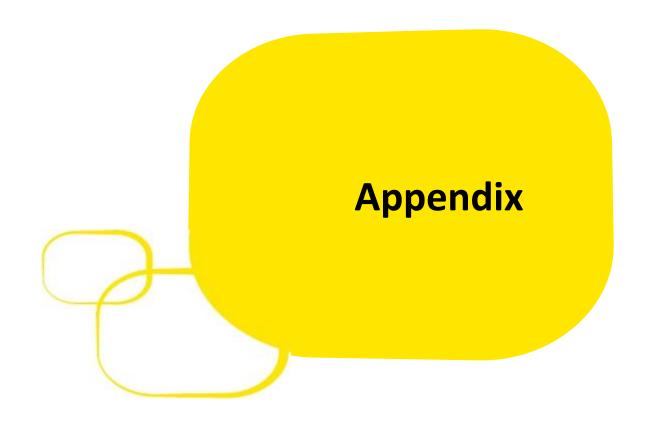
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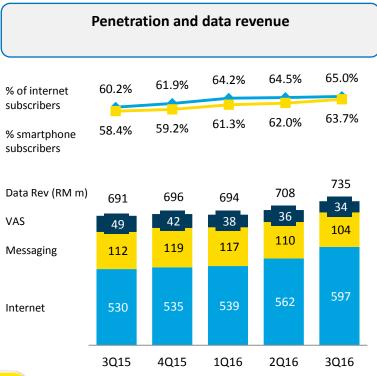
# THANK YOU See you next quarter!

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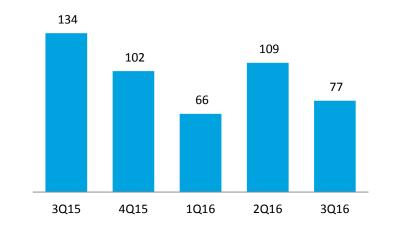




#### Solid internet revenue growth of 6.2% q-q and 12.6% y-y









## **Key operating performance KPIs**

(RM m)	3Q16	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14	3Q14	Q-o-Q	Y-o-Y
Subscribers ('000)	12,249	12,347	12,336	12,125	11,675	11,815	11,691	11,421	11,345	-0.8%	4.9%
Internet subscribers ('000)	7,961	7,965	7,917	7,502	7,024	6,843	6,624	6,452	6,011	-0.1%	13.3%
MOU	182	203	217	221	226	240	235	248	252	-10.3%	-19.5%
Revenue	1,619	1,655	1,653	1,725	1,675	1,723	1,791	1,799	1,756	-2.2%	-3.3%
Service revenue	1,554	1,557	1,560	1,587	1,584	1,589	1,588	1,627	1,584	-0.2%	-1.9%
EBITDA	775	735	704	701	719	788	775	801	789	5.4%	7.8%
EBITDA margin	48%	44%	43%	41%	43%	46%	43%	45%	45%	3.5pp	4.9pp
Depreciation & Amortisation	(174)	(143)	(156)	(169)	(170)	(150)	(140)	(132)	(127)	21.7%	2.4%
EBIT	601	592	548	532	549	638	635	669	662	1.5%	9.5%
Net finance (costs)/income	(16)	(16)	(14)	(13)	(12)	(12)	(9)	(9)	(5)	0.0%	33.3%
Profit Before Tax	585	576	534	519	537	626	626	660	657	1.6%	8.9%
Taxation	147	155	135	137	140	162	147	100	170	-5.2%	5.0%
Profit After Tax	438	421	399	382	397	464	479	560	487	4.0%	10.3%
EPS (sen)	5.6	5.4	5.1	4.9	5.1	6.0	6.2	7.2	6.3	3.7%	9.8%
Prepaid ARPU (RM)	34	34	35	38	38	38	39	41	41	0.0%	-10.5%
Postpaid ARPU (RM)	80	82	80	80	81	82	81	83	82	-2.4%	-1.2%
Blended ARPU (RM)	41	42	42	44	45	45	46	47	47	-2.4%	-8.9%

## **Revenue composition**

(RM m)	3Q16	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14	3Q14	Q-o-Q	Y-o-Y
REVENUE	1,619	1,655	1,653	1,725	1,675	1,723	1,791	1,799	1,756	-2.2%	-3.3%
Service Revenue	1,554	1,557	1,560	1,587	1,584	1,589	1,588	1,627	1,584	-0.2%	-1.9%
Voice revenue	819	849	866	891	893	916	916	973	957	-3.5%	-8.3%
Data revenue	735	708	694	696	691	673	672	654	627	3.8%	6.4%
Internet	597	562	539	535	530	507	505	480	449	6.2%	12.6%
Messaging	104	110	117	119	112	115	119	126	131	-5.5%	-7.1%
VAS	34	36	38	42	49	51	48	48	47	-5.6%	-30.6%
Device and other revenue	65	98	93	138	91	134	203	172	172	-33.7%	-28.6%
Prepaid Revenue	1,065	1,065	1,096	1,137	1,141	1,141	1,154	1,192	1,153	0.0%	-6.7%
Voice revenue	631	655	680	708	713	728	731	777	763	-3.7%	-11.5%
Data revenue	434	410	416	429	428	413	423	415	390	5.9%	1.4%
Postpaid Revenue	489	492	464	450	443	448	434	435	431	-0.6%	10.4%
Voice revenue	188	194	186	183	180	188	185	196	194	-3.1%	4.4%
Data revenue	301	298	278	267	263	260	249	239	237	1.0%	14.4%

### **COGS and OPEX**

(RM m)	3Q16	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14	3Q14	Q-o-Q	Y-o-Y
cogs	345	403	481	537	464	481	551	525	536	-14.4%	-25.6%
Cost of materials	72	91	103	156	98	157	228	197	177	-20.9%	-26.5%
Traffic charges	273	312	378	381	366	324	323	328	359	-12.5%	-25.4%
ОРЕХ	503	509	482	490	470	462	463	473	428	-1.2%	7.0%
Sales & marketing	137	134	144	157	142	135	145	140	133	2.2%	-3.5%
Staff costs	64	72	64	63	68	67	64	72	58	-11.1%	-5.9%
Operations & maintenance	122	124	96	96	98	85	86	85	76	-1.6%	24.5%
Other expenses	180	179	178	174	162	175	168	176	161	0.6%	11.1%
USP fund and license fees	120	116	116	112	102	115	113	112	107	3.4%	17.6%
Credit loss allowances	12	13	14	14	12	8	8	9	10	-7.7%	0.0%
Others	48	50	48	48	48	52	47	55	44	-4.0%	0.0%
TOTAL	848	912	963	1,027	934	943	1,014	998	964	-7.0%	-9.2%



## Cashflow

(RM m)	3Q16	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14	3Q14	Q-o-Q	Y-o-Y
Cash at start	366	503	234	306	303	357	526	259	403	-27.2%	20.8%
Cashflow from operations	738	728	546	535	523	744	551	524	780	1.4%	41.1%
Changes in working capital	(190)	(103)	(77)	72	98	(327)	29	1	93	84.5%	-293.9%
Cashflow used in investing activities	(199)	(162)	(168)	(280)	(218)	(198)	(189)	(226)	(271)	22.8%	-8.7%
Cashflow used in financing activities	(384)	(599)	(31)	(396)	(409)	(277)	(561)	(37)	(746)	-35.9%	-6.1%
Net change in cash	(35)	(136)	270	(69)	(6)	(58)	(170)	262	(144)	-74.3%	483.3%
Effect of exchange rate changes on cash and cash equivalents	0	(1)	(1)	(3)	9	4	1	5	0	-100.0%	-100.0%
Cash at end	331	366	503	234	306	303	357	526	259	-9.6%	8.2%
Capex Ops cashflow (EBITDA – Capex)	202 573	167 568	171 533	288 413	223 496	200 588	193 582	233 568	276 513	21.0% 0.9%	-9.4% 15.5%
Ops cashflow margin	35%	34%	32%	24%	30%	34%	32%	32%	29%	1.1pp	5.8pp