

**Stronger sequential performance with solid internet revenue growth**

Digi delivered 1.6% sequential service revenue growth backed by stabilised prepaid revenue and continued strong postpaid revenue uplifts. Our relentless focus to deliver robust internet experience for our customers’ digital needs fuelled internet revenue growth of 8.3% quarter-on-quarter and 15.6% year-on-year. Alongside efficient cost management and robust EBITDA margin of 46%, profit after tax (PAT) strengthened 7.2% quarter-on-quarter to RM385 million.

**EXECUTIVE SUMMARY**

RM million	3Q17	2Q17	Q-Q	Y-Y
Service revenue	1,476	1,453	1.6%	-5.0%
Total revenue	1,570	1,552	1.2%	-3.0%
EBITDA	727	717	1.4%	-6.2%
EBITDA margin	46%	46%	0.1pp	-1.6pp
Profit before tax	511	483	5.8%	-12.6%
Profit after tax	385	359	7.2%	-12.1%
Capex	152	229	-33.6%	-24.8%
Ops cash flow	575	488	17.8%	0.4%
Ops cash flow margin	37%	31%	5.2pp	1.2pp
EPS (sen)	5.0	4.6	8.7%	-10.7%
DPS (sen)	4.9	4.6	6.5%	-16.9%

Digi ended 3Q 2017 with higher service revenue quarter-on-quarter and solid internet revenue growth in the midst of challenging market conditions.

We continued to take leadership position on LTE-A network with coverage expanding to 49% of population nationwide. Our 4G LTE network alongside with new LTE 900Mhz capabilities reached 87% of population to deliver better indoor 4G coverage.

Focus on ‘Freedom To Internet’ propositions across our postpaid and prepaid offerings stimulated higher internet adoption and usage for the quarter. Active internet subscribers increased 227K to 8.5 million or 72.0% of total subscribers while smartphone penetration surged to 71.1%.

Prepaid revenue stabilised quarter-on-quarter while postpaid revenue growth momentum continued with an uplift of 3.9% quarter-on-quarter, anchored by a stronger postpaid subscriber base of 2.4 million.

EBITDA rose to RM727 million while EBITDA margin remained healthy at 46%. Ops cash flow margin strengthened to 37% with sequentially lower capex of RM152 million after accelerated network deployment activities in 1H 2017.

In line with stronger sequential earnings, the Board of Directors declared a 3rd interim dividend of 4.9 sen per share equivalent to RM381 million.

**OPERATIONAL AND FINANCIAL UPDATES**

**Advancing network coverage and quality with efficient capex spending**

Digi continued to register notable milestones, with our 4G Plus network being one of the fastest growing networks in Malaysia, capable of delivering consistent LTE speed around 10Mbps 80% of the time. Meanwhile, rapid LTE 2600Mhz and LTE 900Mhz deployments expanded Digi’s LTE-A coverage to 49% of the population, making us the frontrunner for widest LTE-A network coverage nationwide.

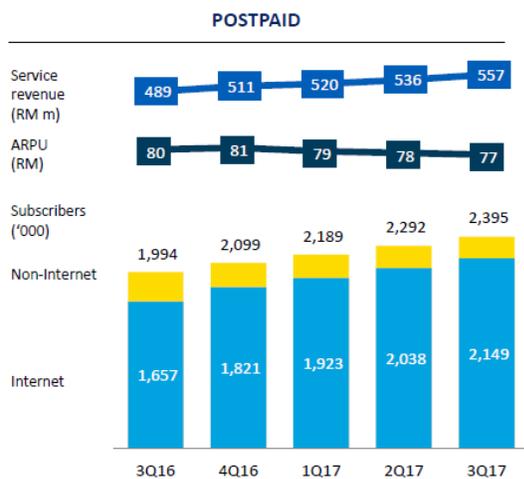
The solid development on 4G Plus network significantly improved market perception of Digi’s network while actively drove internet revenue growth, with subscribers’ average monthly data usage increasing almost 2 times to 6.0GB from a year ago.

We continued to demonstrate efficient capex management through our leverage on global sourcing synergies, focus on operational efficiencies and digitisation of our core business to deliver competitive network and infrastructure capabilities.

Capex ex-spectrum for 9M 2017 is managed efficiently at RM578 million or 13.1% of service revenue.



**Solid postpaid growth momentum with close to 2.4 million postpaid subscribers**



Digi's expanding 4G Plus network alongside 'Freedom to Internet' propositions, as well as exclusive online deals continued to fuel solid postpaid acquisitions, internet usage and subscriptions.

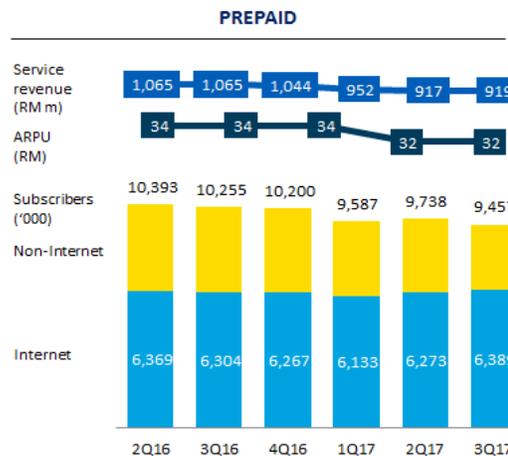
Digi recorded consecutive quarters of solid postpaid growth momentum with favourable take-ups of Digi's new postpaid plans to deliver net adds of 103K to 2.4 million postpaid subscribers. Meanwhile, internet users surged 5.4% quarter-on-quarter to make up 89.7% of our postpaid subscriber base.

Postpaid revenue reached RM557 million, 3.9% higher from the preceding quarter, and 13.9% increase from a year ago. Meanwhile, postpaid internet revenue rose 7.9% quarter-on-quarter and 30.9% year-on-year to RM326 million.

Postpaid ARPU levelled to RM77 on the back of a larger postpaid subscriber base supported by sturdy demand for our new postpaid plans.

Leveraging on our robust network infrastructure, Digi remains well-positioned to unlock opportunities for continued postpaid growth.

**Stabilised quarter-on-quarter prepaid revenue with stronger prepaid internet revenue growth**



Digi Prepaid LIVE's strong internet offers spurred higher take up among the Malaysian prepaid subscribers.

Our efforts to simplify the prepaid internet portfolio with robust offers to drive stronger monetisation and recurring internet revenue via affordable weekly and monthly internet passes with time or app based freebies as well as easy, worry-free one time internet passes led to higher prepaid internet adoption and subscriptions.

Consequently, prepaid internet subscribers climbed 116K to 6.4 million or 67.6% of our prepaid subscriber base.

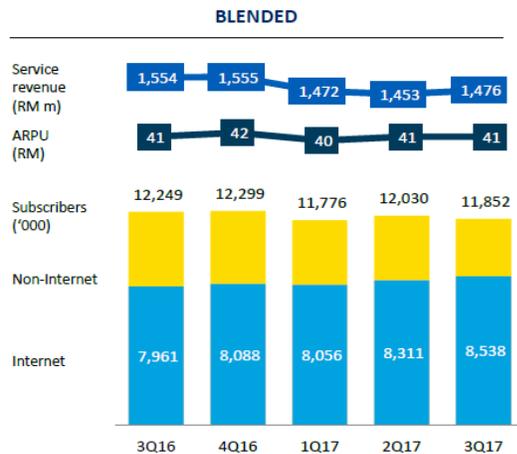
While prepaid market conditions remained challenging, exacerbated by declining legacy prepaid voice and messaging services, our focus on accelerating prepaid internet growth and solidifying our Malaysian subscriber base resulted in stabilised prepaid revenue quarter-on-quarter at RM919 million while year-on-year decline narrowed.

Festive and public holidays during the quarter also boosted higher internet usage, with prepaid internet revenue reaching record increments of 8.7% quarter-on-quarter and 4.6% year-on-year to RM364 million or 39.6% of prepaid revenue.

Prepaid ARPU steadied at RM32, with higher contribution from prepaid internet revenue.



**Higher quarter-on-quarter service revenue backed by solid internet revenue growth**



Our diverse internet and digital-based offerings supported better monetisation and internet revenue growth, paving the way for 1.6% higher sequential service revenue with all-time high postpaid revenue and stabilised sequential prepaid revenue. Meanwhile, year-on-year service revenue decline narrowed to 5.0%.

Internet revenue surged 8.3% quarter-on-quarter and 15.6% year-on-year to RM690 million or 46.7% of service revenue.

Internet subscribers rose to 8.5 million or 72.0% while smartphone users surged to 71.1% of total subscribers. 4G subscribers reached 5.7 million, or 69% of total smartphone users.

Overall subscriber base trimmed to 11.9 million as a result of higher prepaid rotational churn while partially mitigated by stronger composition of recurring Malaysian and internet users within the subscriber base. ARPU remained stable on the back of healthy margins.

The improved growth momentum across postpaid and prepaid into 2H 2017 narrowed y-y decline for 9M 2017 service revenue to 5.7%.

**Efficient cost management with improved 9M 2017 opex**

During the quarter, Digi continued to keep costs in check through discipline cost management to support sustainable margins.

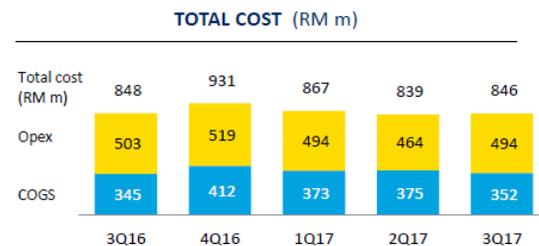
Cost of goods sold (COGS) trimmed 6.1% quarter-on-quarter as a result of lower device bundled sales, and decrease in domestic and international voice traffic.

Opex climbed 6.5% higher quarter-on-quarter to RM846 million due to absence of one-off saving on network related cost included in 2Q 2017.

Opex to service revenue remained steady at 33.5% amid aggressive delivery of network coverage and capacity expansion.

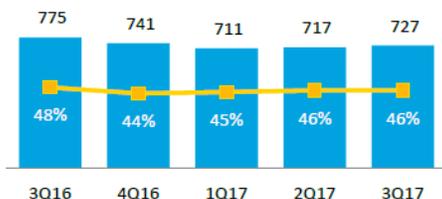
Year to date opex decline altered historical year-on-year increasing opex trend, in line with opex ambition of 1.3% improvement year-on-year.

Our relentless focus on operational efficiencies supports Digi's commitment to provide affordable and reliable services to customers while maximizing returns to shareholders.



**Stronger quarter-on-quarter EBITDA with 46% margin, higher PAT and healthy ops cash flow**

**EBITDA AND MARGIN (RM m and %)**



EBITDA strengthened 1.4% quarter-on-quarter to RM727 million, supported by stronger service revenue and efficient cost management.

Meanwhile, EBITDA margin remained strong at 46%, although 1.6pp lower than a year ago due to relatively weaker IDD margin and higher device revenue.

Profit before tax climbed 5.8% quarter-on-quarter to RM511 million on the back of higher service revenue, stronger EBITDA and improved finance costs from lower debt exposure as well as gains from interest rate swap.

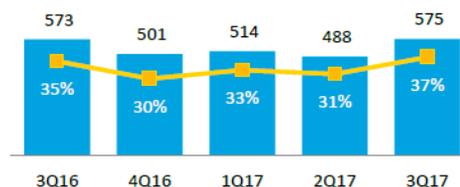
Depreciation for the quarter climbed 6.2% higher quarter-on-quarter to RM206 million, partially contributed by commencement of 900Mhz and 1800Mhz spectrum amortisation beginning 1 July 2017.

**PAT AND MARGIN (RM m and %)**



As a flow-through of stronger quarter-on-quarter EBITDA and improved finance cost, PAT strengthened 7.2% sequentially to RM385 million while PAT margin stood healthy at 25%.

**OPS CASH FLOW AND MARGIN (RM m and %)**



Ops cash flow ended 17.8% higher quarter-on-quarter at RM575 million or 37% margin.

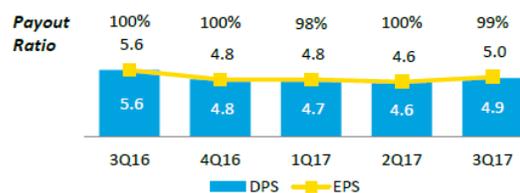
After accelerating network deployment efforts in 1H 2017, capex spend for current quarter trimmed to RM152 million as planned, with continued on-going network expansion.

9M cumulative capex investments in 2017 amounted to RM 578 million or 13.1% of service revenue, on track to stay within indicative spend.

4G LTE coverage	LTE-A coverage	Fiber network
87%	49%	8,000 KM

**Healthy shareholders return and strong balance sheet**

**EPS AND DPS (sen)**



Earnings per share (EPS) tracked 8.7% higher quarter-on-quarter to 5.0 sen with cumulative EPS for the financial year at 14.4 sen.

The Board of Directors declared 3<sup>rd</sup> interim dividend of 4.9 sen per share equivalent to RM 381 million or almost 100% dividend payout, payable to shareholders on 22 December 2017.

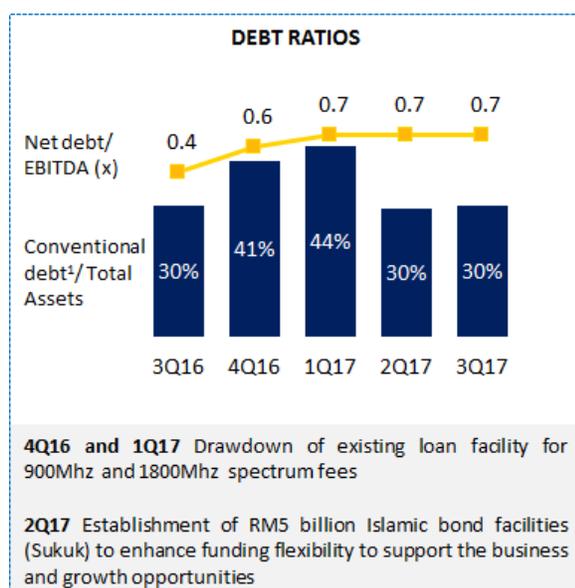


**BALANCE SHEET (RM m)**

	3Q16	4Q16	1Q17	2Q17	3Q17
Total Assets	4,739	5,498	5,729	5,996	5,869
Total Equity	580	519	519	513	540
Interest-bearing debts	1,461	2,282	2,558	1,810	1,802
Islamic debts	0	0	0	899	899
Cash & cash equivalents	331	377	479	628	661

Lower receivables at end 3Q 2017 trimmed total assets 2.1% quarter-on-quarter while the inclusion of RM598.5 million spectrum cost for 900Mhz and 1800Mhz spectrum and continued investments to support Digi's 4G Plus network expansion drove year-on-year increase by 23.8%.

Net debt to EBITDA ratio remained at 0.7 times, with solid financial strength and funding flexibility to fund investment opportunities and operational commitments.

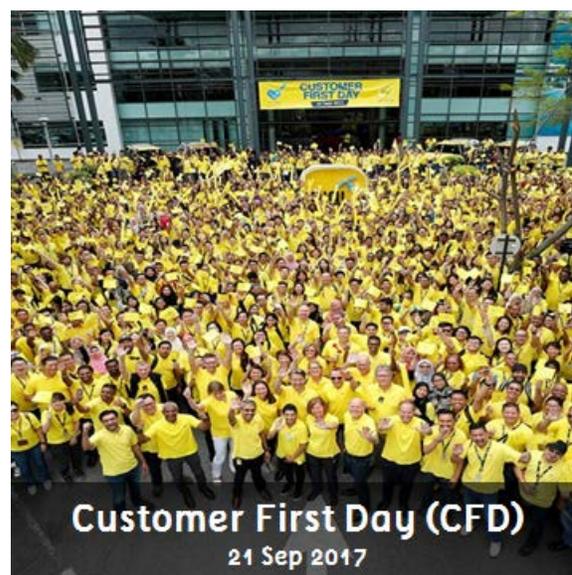


<sup>1</sup>Exclude finance lease

**Customer First Day celebration with 1,200 Digizens on nationwide customer engagement**

This year, members of Telenor Board of Directors and senior management joined more than 1,200 Digizens on the streets to engage with our customers across six major cities.

Our annual Customer First Day serves as a strong reminder of what's truly important to our business – our customers, and the need to bring the best of the internet to them.



### Setting the path towards solid internet growth and stabilising prepaid revenue

In 3Q 2017, we made promising headway into growing our internet revenue and stabilising prepaid revenue to deliver stronger sequential financial performance.

In the remaining quarter of 2017, we aim to ride on the on-going postpaid and internet growth momentum as well as drive stronger prepaid internet subscriptions and monetisation.

We will continue to focus on operational efficiencies with the aim to deliver EBITDA margin around 2016 level and capex within 11-13% to service revenue.

We will leverage on our robust 4G Plus network to strengthen the delivery of our services, innovate new products, and support new business opportunities in enterprise business and provision of digital solutioning services with the end-goal of delivering value for our customers and shareholders.

We remained committed to driving sustainable growth and innovating to stay ahead of the game in anticipating the evolving needs of customers' digital lifestyle.

The 2017 financial guidance is summarised as follows:

	Updated 2017 Guidance	FY2016
Service revenue growth	Low - mid single digit decline	-1.9%
EBITDA margin	Around 2016 level	45%
Capex to service revenue ratio	11% - 13%	12.5%

*These are internal management targets which will be reviewed periodically by the Board of Directors. 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 3rd Quarter, 2017 result.*

#### Disclaimer

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