

Good start of the year with growth in core segments and EBITDA

- Postpaid revenue maintained its upward trend, up 2.6% Y-Y to RM633 million driven by subscriber net additions of 249K Y-Y and 42K Q-Q
- B2B and Fibre subscriber base continued to gain momentum, up 16.3% Y-Y and 489% Y-Y, respectively
- EBITDA (boi) growth Y-Y and Q-Q and margin at 48.7% thanks to continuous modernisation
- Digi's network leadership position as the fastest and most consistent network in Malaysia further strengthened, after recording an impressive download speed of 42.2Mbps, up 8% Q-Q
- First interim dividend of 2.9 sen per share, equivalent to RM225 million of dividend payout

1Q 2022 OPERATIONAL SUMMARY

Network performance

Digi continued to demonstrate strength in network quality and reliability in 1Q2022, confirming its #1 position in terms of consistency, video experiences and download speeds as measured by independent mobile analytics firms. Download speeds rose remarkably from 38.9 Mbps in 4Q2021 to 42.2 Mbps in the quarter under review, echoing our ability to provide the best connectivity and internet experiences to our customers. In addition, we further expanded 4G (LTE) and 4G Plus (LTE-A) network coverage now reaching 94.0% and 76.5% nationwide, respectively whilst fibre network enhanced to over 10,316 KM nationwide.

Subscriber development

The Postpaid segment sustained its growth momentum, expanding the subscriber base by 249K Y-Y and 42K Q-Q to 3.34 million users via quality acquisitions, low churn rate and a growing base opting for attractive smart bundles and entry-level plans. The ARPU declined by -0.5% Q-Q to RM61 partially due to higher mix of entry-level plans.

The Prepaid base narrowed by -258K Y-Y and -119K Q-Q to 6.90 million in a highly competitive market where Digi prioritised on acquiring higher value subscribers, attracted by our leading network position. Behind the decline, we see good development in segments such as youth and B40. ARPU for Prepaid shed -1.2% Q-Q or -RM1 to RM32 on overall weaker usages.

In the Business (B2B) segment, our efforts to support Malaysian businesses through a range of digitalisation solutions have enlarged the B2B subscriber base by 16.3% Y-Y and 8.7% Q-Q as we secured more deals in the SME and large enterprise segments reflecting stronger trust and brand appreciation.

In total, our subscriber base declined by -9k Y-Y and -77k Q-Q to 10.24 million mainly from the reduction of lower-value, non-internet subscribers as we focused on building and retaining quality subscriber development. Finally, our blended ARPU remained resilient at RM42 with continued growth in Postpaid and Fibre, coupled with quality improvement of the Prepaid base.

Our internet subscriber base totaled to 8.9 million, with smartphone penetration rate reaching 92.1% (1Q2021: 89.2%) as we continued to deliver reliable connectivity experiences at market leading download speeds whilst providing simplicity and better values to our customers. The acceleration of mobile internet adoption has also led to higher average data per user of 21.0GB (1Q2021: 19.7GB, 4Q2021: 20.7GB).

1Q 2022 FINANCIAL SUMMARY

Revenues

Service revenue declined by -2.2% Y-Y and -1.0% Q-Q to RM1,308 million largely resulted from softer commercial momentum in Prepaid and lower Digital contributions, overshadowing the growth in Postpaid, B2B and Fibre. Excluding the lower margin Digital segment, the decline in service revenue narrowed marginally by -0.7% Y-Y and -0.5% Q-Q, indicating steady progress towards the ambition of returning to service revenue growth in 2022.

Postpaid revenue strengthened by 2.6% Y-Y and 0.6% Q-Q to RM633 million driven by continued subscription growth and effective churn management. Similarly, B2B revenue continued its upward trajectory after registering 11.6% Y-Y and 5.0% Q-Q attributed to higher take-ups of mobile and digital services from SMEs and corporates.

Prepaid revenue declined by -3.9% Y-Y and -1.6% Q-Q to RM615 million as a result of weaker acquisition and demand for internet passes and lower non-internet usages. Digital revenue was down -25.0% Y-Y and -10.4% Q-Q to RM60 million as we reduced our focus in lower-margin segment.

Total revenue reached RM1,522 million, a reduction of -1.8% Y-Y and -3.9% Q-Q. The higher sequential decline was mainly due to normal seasonal patterns from high year-end device sales in 4Q2021.

Cost Of Goods and Services (COGS)

COGS declined by -8.9% Y-Y and -14.2% Q-Q to RM380 million mainly due to lower device and digital sales, strengthening our Gross Profit Margin to 75.0% in 1Q2022 as compared to 73.1% a year ago and 72.0% in the prior quarter.

Operating Expenditures (OPEX) excluded other items

OPEX to service revenue remained healthy at 30.7%, as sequential OPEX sustained at RM401 million following cost reduction from continuous modernisation initiatives and prudent cost management to fully offset the underlying inflation effects and investments in expanding our leading network. Increment of 1.5% Y-Y was mainly due to higher operation & maintenance costs, partly offset by lower advertising and promotion spend timing.

Credit loss allowances declined to RM11 million Q-Q (4Q2021:RM14 million) supported by a diverse digital payment ecosystem in addition to robust collection management during the quarter.

EBITDA Before Other Items (boi)

Softer topline development and disciplined cost allocation yielded a steady EBITDA (boi) of RM741 million or margin of 48.7%, representing a marginal growth both Y-Y and Q-Q. Excluding non-recurring effects, the normalised EBITDA (boi) further strengthened by 0.1% Y-Y and 0.5% Q-Q to RM744 million, with a resilient margin of 48.9%.

Profit After Tax (PAT)

Sequential PAT was down -22.4% to RM236 million, still at a healthy 15.5% PAT margin, mainly attributed to the temporary tax rate increase from 24.0% to 33.0% for the implementation of Cukai Makmur in FY2022. Depreciation and amortisation declined by -3.6% Y-Y and -2.9% Q-Q due to higher depreciation charges for 3G network shutdown in the last quarter.

Capex And Operations Cash Flow (OCF)

Capex spend in 1Q2022 ended at RM86 million, a capex-to-sales ratio of 5.7%, mainly due to timing of investments and project deferrals to later quarters. We continue to prioritise modernising and expanding network capabilities and reach to support national digitalisation plans whilst enhancing our in-house digital capabilities. OCF rose to RM655 million given the low capex, or a strong OCF margin of 43.0%.

Shareholder Returns

Earnings for the quarter declined by -0.4 sen Y-Y and -0.9 sen Q-Q to 3.0 sen per share. In addition to a strong balance sheet and low leverage, the Board of Directors maintained its commitment to pay more than 80% of profit after tax as guided to the market, declaring the first interim dividend of 2.9 sen per share equivalent to RM225 million or 95.5% payout, payable to shareholders on 24 June 2022.

Proposed Merger between Celcom Axiata Berhad (“Celcom”) and Digi Telecommunications Sdn Bhd (“Digi Tel”)

The proposed transaction is still progressing as planned and its completion is subject to receipt of regulatory approvals, approval by all shareholders, and other customary terms and conditions. On 1 April 2022, Malaysian Communications and Multimedia Commission (“MCMC”) has issued to both Digi Tel and Celcom a Statement of Issue (“SOI”) as part of the merger assessment process in accordance with MCMC’s Guidelines on Mergers and Acquisitions. Digi will continue to engage with MCMC to provide a comprehensive response to the SOI for MCMC’s considerations prior to their final decision. Lastly, we are hopeful of receiving all final approvals and expect full completion of the transaction within the second half of 2022.

Prospects For The Financial Year Ending 31 December 2022

In 1Q2022, overall macroeconomic development improved with signs of recovery in retail and commercial activities, supported by the opening of international borders. Digi remains focused in executing our strategic priorities to deliver on our 2022 guidance of returning to service revenue growth and sustained EBITDA while continuing to innovate and accelerate modernisation, expand our network and deepen responsible business commitments.

Our 2022 financial guidance is summarised as follows:

Drivers	Guidance
Service revenue	Return to growth
Normalised EBITDA	Around FY2021 level (RM3,009 million)
Capex-to-sales ratio	Around FY2021 level (12.8%)

SUMMARISED PROFIT & LOSS STATEMENT

Financial Summary

Income Statement (RM'm)	1Q2021	4Q2021	1Q2022	Q-Q	Y-Y
Postpaid revenue	617	629	633	0.6%	2.6%
Prepaid revenue	640	625	615	-1.6%	-3.9%
Digital revenue	80	67	60	-10.4%	-25.0%
Service revenue	1,337	1,321	1,308	-1.0%	-2.2%
Devices and other revenue	213	263	214	-18.6%	0.5%
Total revenue	1,550	1,584	1,522	-3.9%	-1.8%
Cost of goods and services (COGS)	(417)	(443)	(380)	-14.2%	-8.9%
<i>Cost of materials</i>	(230)	(284)	(216)	-23.9%	-6.1%
<i>Traffic charges</i>	(187)	(159)	(164)	3.1%	-12.3%
Gross profit	1,133	1,141	1,142	0.1%	0.8%
<i>GP margin</i>	<i>73.1%</i>	<i>72.0%</i>	<i>75.0%</i>	<i>3.0%</i>	<i>1.9%</i>
Operating expenditures (OPEX)	(395)	(401)	(401)	0.0%	1.5%
<i>Sales & marketing</i>	(102)	(97)	(96)	-1.0%	-5.9%
<i>Staff costs</i>	(62)	(61)	(65)	6.6%	4.8%
<i>Operations & maintenance</i>	(59)	(66)	(66)	0.0%	11.9%
<i>USP fund and license fees</i>	(81)	(83)	(82)	-1.2%	1.2%
<i>Other expenses</i>	(81)	(80)	(81)	1.3%	0.0%
<i>Credit loss allowances</i>	(10)	(14)	(11)	-21.4%	10.0%
EBITDA (boi)	738	740	741	0.1%	0.4%
<i>EBITDA (boi) margin</i>	<i>47.6%</i>	<i>46.7%</i>	<i>48.7%</i>	<i>2.0%</i>	<i>1.1%</i>
Normalised EBITDA excl. cost one-offs	743	740	744	0.5%	0.1%
<i>Normalised EBITDA (boi) margin</i>	<i>47.9%</i>	<i>46.5%</i>	<i>48.9%</i>	<i>2.4%</i>	<i>1.0%</i>
Depreciation, amortisation and impairment	(309)	(307)	(298)	-2.9%	-3.6%
Other items	(1)	(14)	(14)	0.0%	1300.0%
Profits before interests and tax (PBIT)	428	419	429	2.4%	0.2%
Net finance costs	(69)	(54)	(55)	1.9%	-20.3%
Profit before tax (PBT)	359	365	374	2.5%	4.2%
Taxation	(94)	(61)	(138)	126.2%	46.8%
Profit after tax (PAT)	265	304	236	-22.4%	-10.9%
<i>PAT margin</i>	<i>17.1%</i>	<i>19.2%</i>	<i>15.5%</i>	<i>-3.7%</i>	<i>-1.6%</i>
Normalised profit after tax (PAT)	270	253	248	-2.0%	-8.1%
<i>Normalised PAT margin</i>	<i>17.4%</i>	<i>15.9%</i>	<i>16.3%</i>	<i>0.4%</i>	<i>-1.1%</i>
Capex	157	291	86	-70.4%	-45.2%
<i>Capex / Revenue %</i>	<i>10.1%</i>	<i>18.4%</i>	<i>5.7%</i>	<i>-12.7%</i>	<i>-4.4%</i>
Operations cash flow	581	449	655	45.9%	12.7%

OPERATIONAL STATISTICS AND KEY FINANCIAL RATIOS

Operational Statistics	1Q2021	4Q2021	1Q2022	Q-Q	Y-Y
Postpaid ('000)	3,090	3,297	3,339	1.3%	8.1%
Prepaid ('000)	7,160	7,021	6,902	-1.7%	-3.6%
Total subscribers ('000)	10,250	10,318	10,241	-0.7%	-0.1%
Postpaid ARPU (RM)	65	62	61	-0.5%	-5.1%
Prepaid ARPU (RM)	33	33	32	-1.2%	-2.4%
Blended ARPU (RM)	43	42	42	-0.2%	-3.0%
Monthly active users for MyDigi ('mil)	4.5	4.7	4.9	4.3%	9.4%
Monthly average data per user (GB)	19.7	20.7	21.0	1.4%	6.6%
Internet subscribers	85.9%	87.3%	86.9%	-0.4%	1.0%
Smartphone penetration rate	89.2%	92.0%	92.1%	0.1%	2.9%
Device sold ('000 units)	138	155	112	-27.3%	-18.4%
Population Coverage (%)					
4G (LTE)	91.7%	93.1%	94.0%	0.9%	2.3%
4G Plus (LTE-A)	75.0%	75.9%	76.5%	0.6%	1.6%
Fibre Network (km)	10,052	10,176	10,316	1.4%	2.6%

Key Financial Ratios	1Q2021	4Q2021	1Q2022
Earnings per share (sen)	3.4	3.9	3.0
Dividend per share (sen)	3.4	3.9	2.9
CAPEX to total revenue (%)	10.1%	18.4%	5.7%
Operations cash flow margin (%)	37.5%	28.3%	43.0%
Conventional debt over total asset (%)	6.2%	4.2%	5.1%
Net debt to EBITDA (times)	1.7	1.6	1.6

Summary of Financial Position (RM'm)	1Q2021	4Q2021	1Q2022
Cash and short-term deposits	217	205	182
Other assets	7,759	7,635	7,581
TOTAL ASSETS	7,976	7,840	7,763
Conventional borrowings	493	333	396
Islamic borrowings	2,242	2,168	2,118
Lease liabilities	2,586	2,459	2,464
Other liabilities	2,064	2,247	2,219
Total liabilities	7,385	7,207	7,197
Total equity	591	633	566
TOTAL LIABILITIES AND EQUITY	7,976	7,840	7,763