

Stronger Q-Q trajectory led by internet and digital growth and operational continuity

Third Quarter 2020 (3Q 2020) service revenue improved 4.3% Quarter-on-Quarter (Q-Q) underscored Digi's focused delivery of all strategic priorities to strengthen internet and digital revenue portfolio and profitable operations. Our disciplined focus to drive sustainable growth through quality acquisition and enhance nationwide digital access enabled Digi to step up and drive a recovery momentum against growing industry competition. 3Q 2020 results was a testament of our sharp commitment to protect shareholder values and better serve customers with full range of quality connectivity services nationwide.

EXECUTIVE SUMMARY

RM million	3Q2019	2Q2020	3Q2020	Q-Q	Y-Y	9M2019	9M2020	9M-9M
Service revenue	1,414	1,317	1,374	4.3%	-2.8%	4,208	4,078	-3.1%
Service revenue excluding interconnect	1,377	1,297	1,352	4.2%	-1.8%	4,100	4,015	-2.1%
Total revenue	1,562	1,452	1,579	8.7%	1.1%	4,620	4,591	-0.6%
Gross profit	1,216	1,134	1,173	3.4%	-3.5%	3,663	3,470	-5.3%
EBITDA	834	770	786	2.1%	-5.8%	2,486	2,312	-7.0%
EBITDA margin	53%	53%	50%	-3.2pp	-3.6pp	54%	50%	-3.4pp
Profit before tax	489	377	432	14.6%	-11.7%	1,432	1,244	-13.1%
Profit after tax	356	288	321	11.5%	-9.8%	1,090	941	-13.7%
Capex ¹	119	225	134	-40.4%	12.6%	547	498	-9.0%
Ops cash flow	715	545	652	19.6%	-8.8%	1,939	1,814	-6.4%
Ops cash flow margin	46%	38%	41%	3.8pp	4.5pp	42%	40%	-2.5pp
Earnings per share (sen)	4.6	3.7	4.1	11.5%	-9.8%	14.0	12.1	-13.7%

All analysis and comparisons are based on post MFRS 16

¹ Included the recognition of Asset Retirement Obligations of RM46 million

During this period, our priorities were to secure consistent network quality, support essential services and nationwide digital adoption, whilst prioritising the health and safety of our customers and workforce first. Digi's recovering commercial momentum and business continuity were achieved by proactively responding to customers' demands in the new era brought by the Covid-19 pandemic, as demonstrated below:

- Maintained high availability of reliable network services at critical sites and high demand locations
- Accelerated digitalisation of customer touchpoints and reinforced online sales and marketing channels
- Simplified onboarding process for micro, small and medium enterprises by offering new digital bundles and assistance to the PENJANA digitalisation grant application
- Provided free 1GB data daily to education and productivity sites until end of 2020, a joint industry initiative
- Enhanced privacy internal controls and framework as part of Responsible Business culture
- Contributed medical face masks to hospitals and customer care kits under Yellow Heart initiatives
- Fortified business continuity management to continuously engage and motivate Digi's remote workforce

Financial Highlights for 3Q 2020 ended 30 September 2020

- Total revenue grew 8.7% Q-Q and 1.1% Year-on-Year (Y-Y) to RM1.58 billion on a wider range of innovative product launches and digital solutions calibrated to suit customers' connectivity needs
- Internet and digital revenue of RM1.00 billion, represented 73.1% of service revenue against 64.6% a year ago
- Sequential EBITDA improvement of 2.1% to RM786 million

Operational Highlights for 3Q 2020

- Data consumption momentum reduced Q-Q with total data traffic and monthly usage per user trimmed -3.9% and -3.3% respectively, despite remarkable Y-Y growth of 26.1% and 34.9% respectively
- Total subscriber base grew to 10.7 million led by enlarged prepaid subscriber development

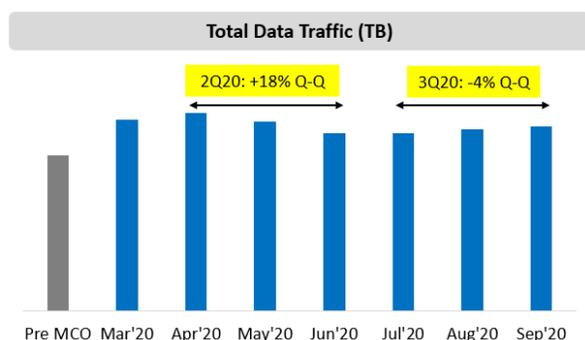


- Monthly active users for the MyDigi application sustained at 4.3 million anchored on seamless e-payment modes and personalised rewards

OPERATIONAL AND FINANCIAL UPDATES

NETWORK PERFORMANCE: Ensuring widespread nationwide coverage and connectivity for all

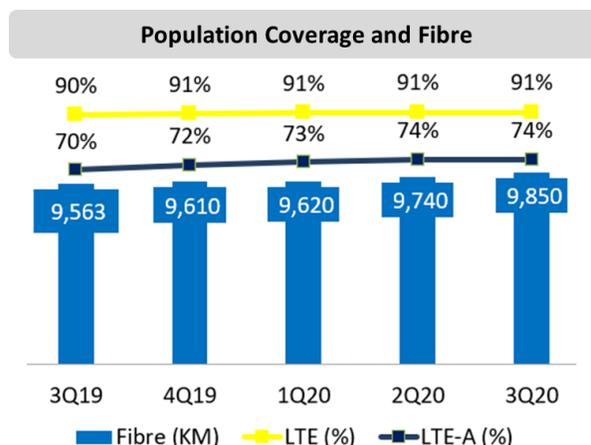
In 3Q 2020, data usage patterns gradually stabilised resulting in a marginal Q-Q contraction in total data traffic volume of -3.9%. We also observed a steady geographical shift of usage to commercial areas as economic sectors and commercial centers reopened in stages post the lockdown period.



Nonetheless, Digi continued to maintain high service quality via dynamic optimisation and traffic management at essential sites and high demand locations. Our commitment to maintain consistent user experiences reflected in our steady performance as #1 on network consistency and download throughput with minimal quality degradation as measured by third party data.

In addition, our dedicated network front liners worked tirelessly to efficiently deploy new and upgraded sites and boost network optimisation activities. As a result, we delivered an additional 44.0% Y-Y of new and upgraded sites in the first nine months of 2020.

Our robust 4G LTE and LTE-A network coverage grew to 91% and 74% of the population nationwide, respectively alongside 9,850 KM of extensive fibre network. This highlighted our strategic goal to expand 4G mobile coverage in rural and remote areas, improve in-door coverage for urban and suburban areas while connecting more homes with fixed broadband via fibre and other fit-for-purpose technologies.



Digi continues to play an important role in strengthening the nation's existing fixed and mobile networks to fulfil the aspirations of the National Digital Network (JENDELA) as announced in August 2020.

TOTAL REVENUE: Stronger Q-Q growth supported by improved underlying drivers and prepaid resilience

We registered higher mobile service revenue of RM1,374 million, up 4.3% sequentially steered by Digi's effective recovery plans alongside full resumption of all economic activities. The improved topline development was fueled by proliferated data monetisation opportunities and increased prepaid voice usages to offset softening postpaid revenue.

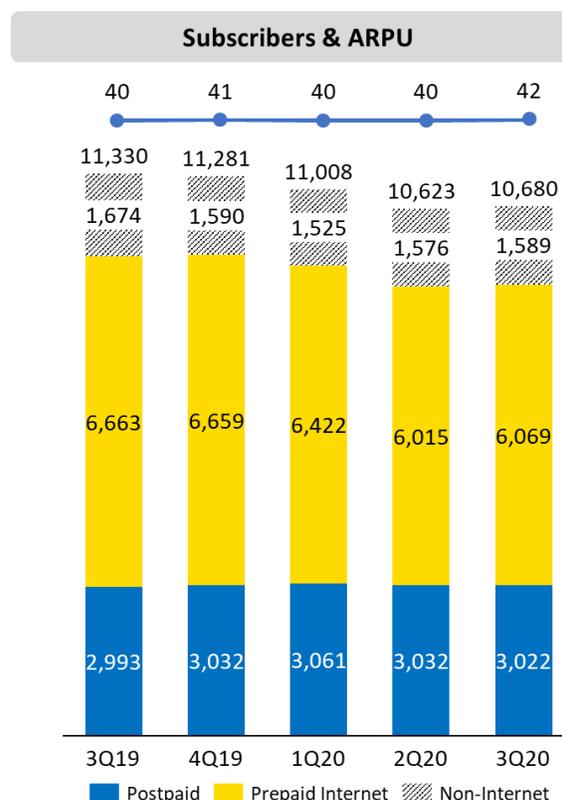
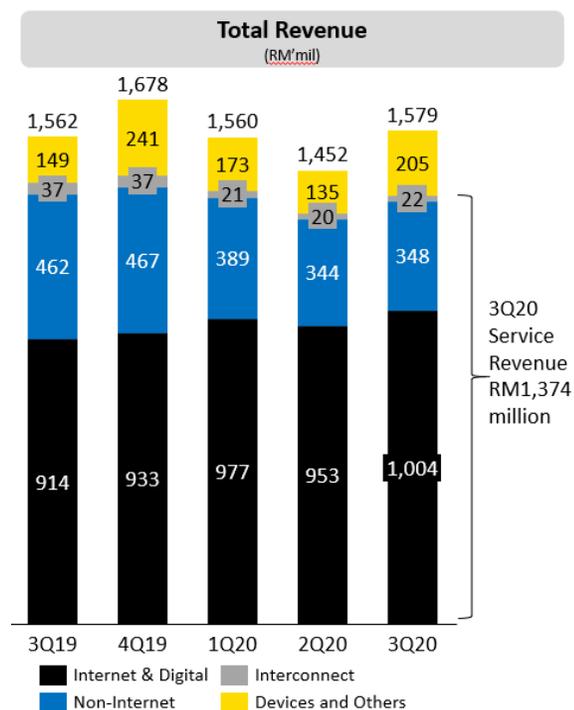
As such, Y-Y decline was substantially cushioned and narrowed to -2.8% (2Q20: -6.1%) despite diminished roaming contributions on closed international borders, overall weaker consumer spend due to Covid-19 effects and lower regulated interconnect contribution. Excluding interconnect contribution of RM22 million (3Q19: RM37 million), Y-Y mobile service revenue would have been better at -1.8%.

Internet and digital revenue jumped 5.4% Q-Q and 9.8% Y-Y due to higher overall data consumption, continued traction from gaming activities and high take-ups on digital solutions from our B2B customers. Consequently, total internet subscribers increased by 71k Q-Q to 8.8 million or 82.2% of subscriber base, albeit a Y-Y contraction of -6.2%. Monthly data usage



amongst our subscribers surged to 17.4GB from 12.9GB a year ago.

materialised as the Malaysian base enlarged 5.9% as compared to pre-lockdown levels to offset the shrinking migrant base.



On postpaid development, we stepped up our acquisition and renewal activities via our value-accretive Digi Postpaid Start, refreshed Digi PhoneFreedom 365 (PF365) and attractive Family bundle offers. These were our tactical efforts to improve customer loyalty and retain long tenure subs, as well as solidifying our market position against intense competition in the entry level postpaid segment.

Therefore, total subscriber base improved by 57k users to 10.7 million whilst blended ARPU escalated RM2 to RM42, underpinned by our prepaid resilience and innovative postpaid offerings that drove quality and loyal subscribers.

As such, postpaid base sustained its Q-Q momentum, or 1.0% Y-Y growth to 3.0 million despite being challenged by involuntary churns and plan downgrades due to softer affordability. Postpaid ARPU trimmed marginally to RM67 on the back of lower roaming and interconnect ARPU.

Lastly, device and other revenues chalked up 51.9% Q-Q and 37.6% Y-Y on encouraging take-ups for renewed PF365 plans built in with greater savings and flexibility.

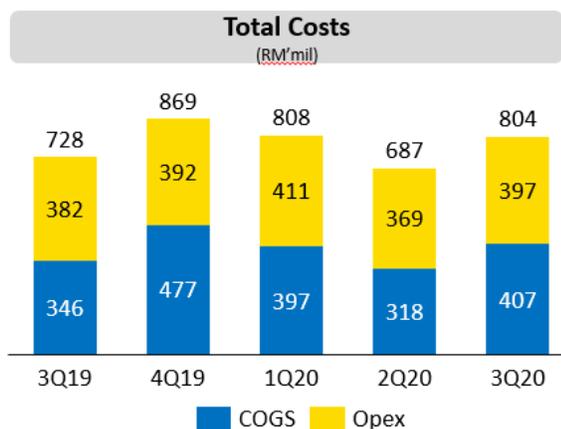
On the contrary, our prepaid subscriber base improved for the first time since 3Q 2019 reinforced by our segmentised approach to meet consumer sentiments. Prepaid ARPU uplifted by RM4 Q-Q to RM33 alongside prepaid subscriber base expansion of 67k amidst heightened data competition. Our recent product launches namely Digi Abadi and Digi Prepaid NEXT enabled price-conscious consumers the access to high speed internet connectivity via bite-size data passes. Our efforts to grow Digi's active Malaysian base also

Digi is committed to expand its leadership position as the trusted total connectivity provider, with the recent expansion of Digi Fibre Broadband service to serve 3.7 million households. The newly launched Digi Home Fibre plans will enable us to deliver a full range of quality services in and outside the home while delivering the best internet experience to customers.



COST: Efficient operations to drive higher digital and network capabilities

Cost of goods sold (COGS) increased by 28.0% Q-Q and 17.6% Y-Y on higher expenses related to devices and digital services to fuel rising demands for use of technology and digital adoption. This was offset by lower traffic cost particularly on weaker international roaming and reduction in regulated interconnect rate, coupled with a non-recurring reversal of traffic cost that amounted to RM17 million.



Opex registered an increase of 7.6% Q-Q attributed to higher advertising and promotion spend and sales cost as sales efforts recovered after the lockdown, along with higher staff costs.

Y-Y movement grew 3.9% as previous year included a non-recurring cost of RM17 million. Notwithstanding these, 3Q 2020 opex was partially aided by non-recurring items of RM20 million attributed to site rentals as well as network and IT maintenance cost benefits.

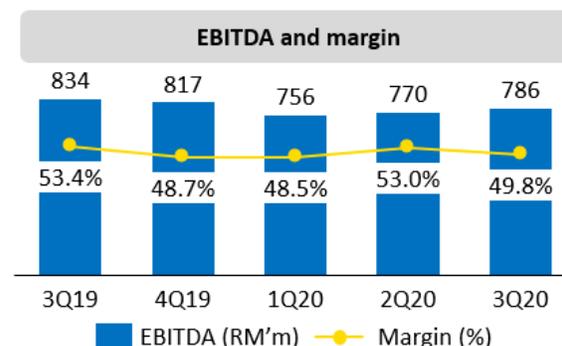
We continued to prioritise network expansions to support higher data consumption; along with improved sales and marketing cost Y-Y yielded by channel transformation efforts.

Moreover, an additional RM12 million provision for doubtful debt (PFDD) for the PF365 programme was added to sum PFDD for the company to RM30 million. Digi remains committed to manage bad debt risks via implementation of stringent credit score assessments and rightsizing customers' existing plans to meet desired commitment levels.

EBITDA and PAT: Relatively resilient underlying Q-Q earnings on strategic execution

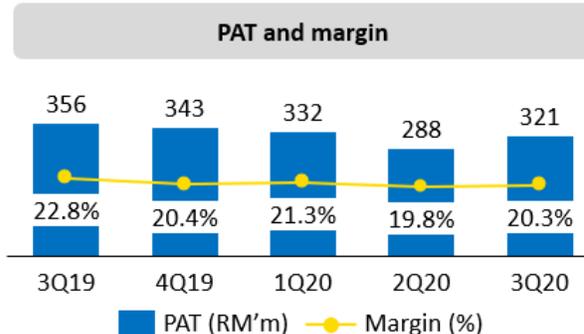
Sequential EBITDA strengthened to RM786 million, or EBITDA margin of 49.8% by 2.1% on the back of Q-Q topline improvement. This further manifested our strength to protect margins in a challenging operating environment. However, Y-Y development was challenged with -5.8% contraction due to the slowdown compounded by Covid-19.

EBITDA excluding PF365 PFDD totaled to RM798 million, or EBITDA margin of 50.5%.



Depreciation and amortisation cost reduced by -4.6% Q-Q to RM313 million notwithstanding the Y-Y increase of 6.8% as previous quarter included the effects of MFRS 16 adjustment to site rentals and recognition of Asset Retirement Obligations.

Consequently, profit before tax (PBT) of RM432 million was recorded, a commendable progress of 14.6% Q-Q against the Y-Y reduction of 11.7% after accounting for net finance cost of RM41 million.

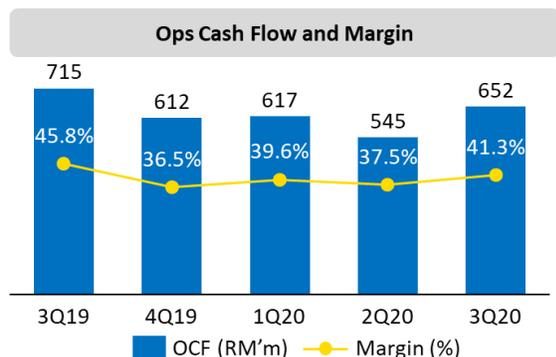


As a flow through of solid Q-Q trajectory, profit after tax (PAT) rose 11.5% Q-Q to RM321 million; or 20.3% margin after accounting for RM111 million of taxation. Y-Y PAT decline also narrowed to -9.8% (2Q20: -26.5% Y-Y) underlining our comprehensive recovery plans and nimble execution of strategic priorities to respond to unprecedented challenges.



CAPEX AND OPS CASH FLOW: Prioritisation of network investments to support data growth

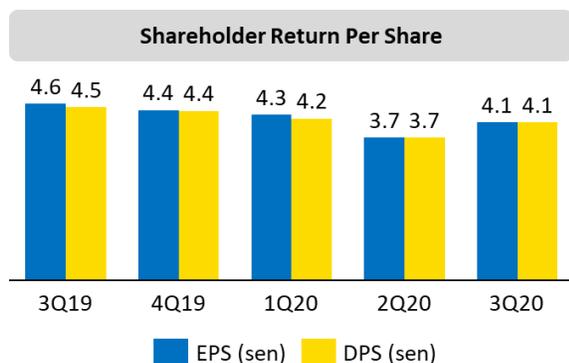
3Q 2020 capex of RM134 million or 9.8% of service revenue was invested to secure a faster and better 4G network. This was achieved through capacity upgrades and fibre network expansion, as well as strategic new and upgraded LTE-A site deployments.



Ops cashflow strengthened 19.6% Q-Q to RM652 million or 41.3% margin following a relatively lower Capex, as planned. Nevertheless, Y-Y ops cashflow development of -8.8% was largely due to smaller capex spend of RM119 million versus a year ago.

SHAREHOLDER RETURN: Sustainable shareholder value with year-to-date cumulative dividend of 12.0 sen

Earnings Per Share (EPS) for the quarter rose to 4.1 sen, up 0.4 sen Q-Q despite a contraction of 0.5 sen Y-Y.



Moreover, the Board of Directors declared third interim dividend of 4.1 sen per share equivalent to RM319 million, payable to shareholders on 17 December 2020.

SUMMARISED BALANCE SHEET: Robust financial position anchored on strong financial flexibility

Total Assets as at 30 September 2020 contracted to RM8.04 billion on utilisation of internally generated funds for loan repayments. As a result, total borrowings trimmed to RM2.77 billion, of which 78.1% comprised of Islamic borrowings.

	3Q19	4Q19	1Q20	2Q20	3Q20
Total Assets	8,483	8,149	7,997	8,169	8,036
Total Equity	667	660	650	611	644
Borrowings	3,152	3,102	2,965	2,907	2,770
Finance lease	2,154	2,048	2,062	2,251	2,250
Cash & cash equivalents	749	458	307	519	365

The net debt to EBITDA ratio remained healthy at 1.5 times while conventional debt over total assets of 7.5% was well-within the Shariah threshold.

2020 OUTLOOK AND PRIORITIES

Whilst we managed to deliver Q-Q recovery momentum, the industry continues to face unmatched headwinds due to the third wave of Covid-19 in Malaysia and its uncertain effect on the economy. As such, we are adjusting 2020 guidance to reflect this uncertain period considering the ongoing enhanced or conditional Movement Control Order in certain states and districts, and its impact to our physical stores and channels.

Nevertheless, Digi's near-term commitments to sustain industry leading levels of efficiency alongside our responsible business promise are outlined below:

- Accelerate growth efforts through targeted offerings of total connectivity services
- Enhance network and IT modernisation initiatives to secure reliable and consistent service quality
- Optimise cost structure and cash management to secure resilient cash flow

The revised guidance is summarised as follows:

	2020 Guidance ¹	9M 2020
Service Revenue	Low-to-medium single digit percentage decline	-3.1%
EBITDA	Medium-to-high single digit percentage decline	-7.0%
Capex	Similar to 2019 level	RM450m ²

¹Included the impact of MFRS 16 adoption

²Excluded the one-off adjustment for ARO which was a non-cash item

