

Solid internet growth continued to drive performance resilience

Digi continued to turn in strong postpaid revenue growth of 14.9% and prepaid internet revenue growth of 9.6% with improved gross profit from higher internet contribution re-invested to capture increased demand for postpaid device bundles. EBITDA margin stayed robust at 46% and alongside with efficient capex investment, ops cash flow stood healthy at RM598 million.

EXECUTIVE SUMMARY

RM million	2Q18	3Q18	Q-Q	Y-Y
Service revenue	1,484	1,475	-0.6%	-0.1%
Total revenue	1,586	1,572	-0.9%	0.1%
Gross profit	1,221	1,204	-1.4%	-1.1%
EBITDA (boi)	743	725	-2.4%	-0.3%
EBITDA margin	47%	46%	-0.7pp	-0.2pp
Profit before tax	492	504	2.4%	-1.4%
Profit after tax	359	368	2.5%	-4.4%
Capex	147	127	-13.6%	-16.4%
Ops cash flow	596	598	0.3%	4.0%
Ops cash flow margin	38%	38%	0.5pp	1.4pp
EPS (sen)	4.6	4.7	-2.2%	-6.0%
DPS (sen)	4.9	5.0	2.0%	2.0%

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

In 3Q 2018, Digi continued to thrive on adversity with solid internet growth across postpaid and prepaid to deliver resilient service revenue although challenged by intense data price competition and persistent decline in legacy prepaid services.

Our internet subscriber base strengthened 244,000 to 9.0 million with data traffic volumes surged 60% year-on-year and 14% quarter-on-quarter while average monthly data usage amongst our subscribers soared to a record high of 9.1GB from 8.2GB in the preceding quarter.

We made good progress in the execution of our efficiency agenda to deliver 1.2% Opex reduction Y-Y while driving nationwide 4G LTE upgrades and expanding 4G LTE-A coverage to 61% of population or 170 cities and towns to serve our growing 4G subscriber base of 7.5 million or 83% of our smartphone users.

Our commitment to connect customers to what matters most reached another new milestone with the launch of the all-new My Digi Rewards and Box of Surprise which will enable personalized rewards and offers for our customers from over 500 brands at 7,000 locations. Beyond that, MyDigi digital platform will serve as an important enabler in customizing relevant services and offers, unlocking upsell opportunities and accelerating internet adoption amongst our customers.

Consistent with prior quarters, we continued to secure steady increase in upsell transactions on MyDigi to 21.9 million along with increasing monthly active MyDigi users to 2.8 million.

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 3rd interim dividend of 5.0 sen or RM389 million for the quarter.

OPERATIONAL AND FINANCIAL UPDATES

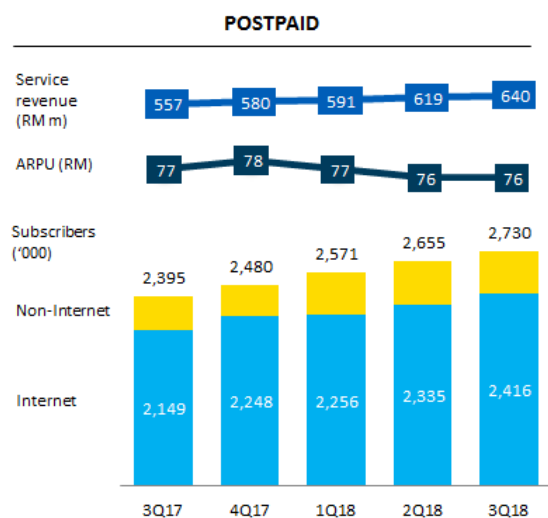
Solid postpaid growth with stronger subscribers and healthy ARPU

During the quarter, we registered strong take-up and plan upgrades to Digi's new high value postpaid plans RM120/RM160/RM190 with device bundle and Borderless Roaming proposition.

The increased demand for Digi's high value postpaid plans as well as continued acquisition momentum in our entry level postpaid plans contributed 75,000 net adds to reach 2.7 million postpaid subscribers along with healthy ARPU at RM76.

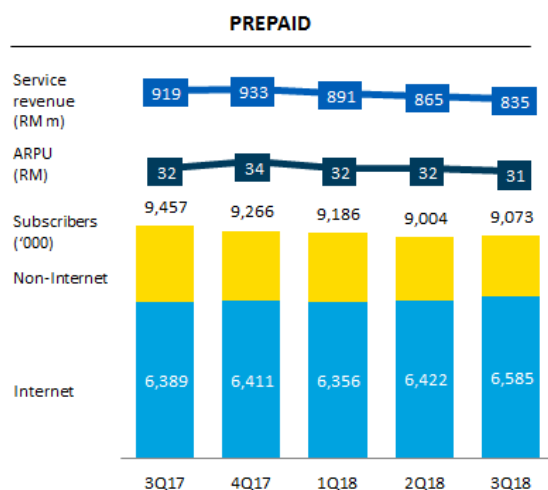
Postpaid recorded a revenue growth of 14.9% year-on-year and 3.4% quarter-on-quarter to RM640 million while postpaid internet revenue rose 28.2% year-on-year and 4.5% quarter-on-quarter to RM418 million.





Prepaid resilience fuelled by 9.6% year-on-year internet revenue growth

We continued to drive internet adoption and usage amongst the prepaid subscribers with affordable bite-sized internet passes, one-time Internet Cili Padi passes and recurring internet access through biGBonus and Super Tererrr plans.



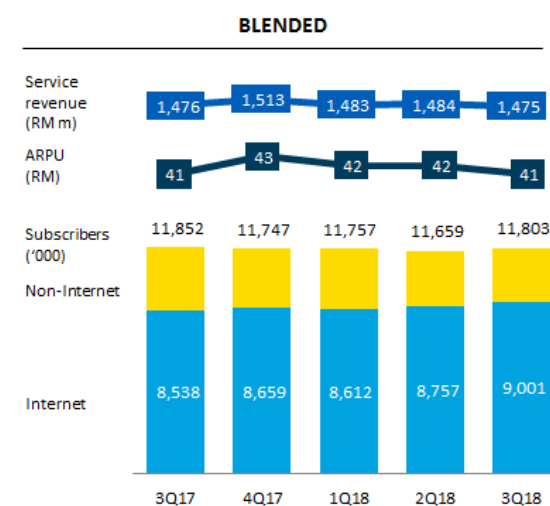
Prepaid internet subscribers climbed up to almost 6.6 million while internet revenue surged 9.6% year-on-year to RM399 million or 47.8% of prepaid revenue, although marginally lower quarter-on-quarter due to weaker data monetisation as a result from intense data price competition and abundance data offers in the market.

Consistent to prior quarters, non-internet prepaid revenue continued to trace lower due to a combination of moderating demand for legacy voice and messaging services coupled with progressive migration of prepaid subscribers to postpaid.

Consequentially, prepaid revenue fell 9.1% year-on-year and 3.5% quarter-on-quarter although prepaid subscriber base stabilised at 9.1 million, with stronger internet subscribers and ARPU at RM31.

Resilient service revenue supported by strong postpaid and prepaid internet growth

Service revenue remained resilient at RM1,475 million fuelled by strong postpaid growth and stronger internet uptake from prepaid although challenged by intense data price competition and continued decline from prepaid legacy services.



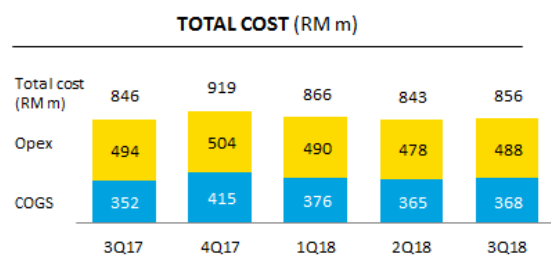
Internet revenue climbed 18.4% year-on-year and 1.5% quarter-on-quarter to RM817 million or 55.4% of service revenue backed by higher smartphone adoption to 77.4% and encouraging increase in upsell transactions to 21.9 million on MyDigi.

Subscriber base strengthened to 11.8 million coupled with higher internet penetration of 76.3% while ARPU resilient at RM41.

Device and other revenue for the quarter increased 3.2% year-on-year to RM97 million underpinned by strong demand for the new postpaid plans with device bundles.



Continued focus on efficiency with Y-Y Opex reduction



Cost of goods sold (COGS) increased 4.5% year-on-year and 0.8% quarter-on-quarter mainly due to higher device cost arising from postpaid device bundles and substantially cushioned by moderated traffic cost from legacy services.

Although gross profit improved from higher internet contribution during the quarter, higher device cost to support postpaid device bundles acquisitions trimmed gross profit 1.1% year-on-year to RM1,204 million.

Meanwhile, our continued focus on operational efficiencies contributed to 1.2% year-on-year Opex reduction to 33.1% Opex to service revenue as Digi continued to invest in network upgrades and expansion nationwide to support our customers' growing data demand.

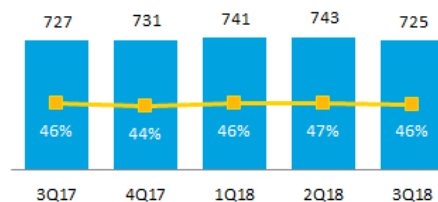
We continued to execute well on structural OE initiatives in sales and marketing activities including commissions rationalization aided by digitization capabilities as well as optimized network operations.

We remained committed to deliver financial resilience and flexibility to invest in new capabilities and service innovations to connecting our customers to what matters most for them.

Robust EBITDA and PAT as a flow through from resilient revenue and efficient operations

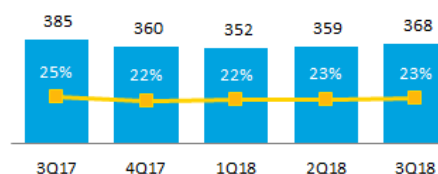
EBITDA remained robust at RM725 million or 46% margin, although 2.4% lower sequentially underpinned by investment into stronger postpaid growth and efficient cost management.

EBITDA AND MARGIN (RM m and %)



Profit before tax (PBT) remained healthy at RM504 million, 2.4% higher when compared to prior quarter due to non-recurring network operating model transition cost of RM40 million in 2Q 2018 while depreciation cost relatively modest at RM194 million.

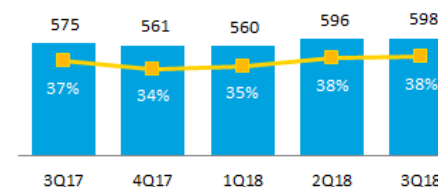
PAT AND MARGIN (RM m and %)



Profit after tax (PAT) remained steady at 23% margin, up 2.5% quarter-on-quarter to RM368 million, although 4.4% lower when compared to a year ago.

Excluding impact from fair value changes on derivatives, PBT would be 1.2% higher year-on-year while PAT moderated marginally by 1.1% year-on-year as Digi transitioned towards more sustainable internet growth and stronger postpaid subscribers.

OPS CASH FLOW AND MARGIN (RM m and %)



As a flow through from healthy EBITDA and relatively efficient capex spend this quarter, ops cash flow increased 4.0% year-on-year and flat quarter-on-quarter to RM598 million or 38% margin.



During the quarter, Digi invested RM127 million Capex or 8.6% of service revenue, while efficiently delivered 4G-LTE and LTE-A network coverage expansion to 89% and 61% of population supported by 8,300km of fiber network nationwide.

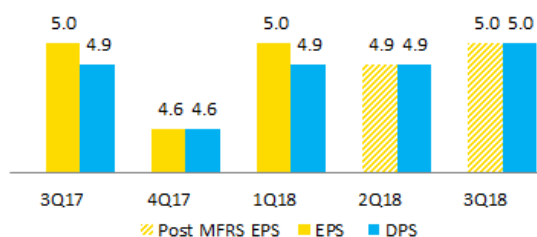
We remained focus on continuous network upgrades and optimisation, efficient spectrum deployment and stronger IT capabilities to support quality and affordable internet services for our increasing internet subscriber base.

Healthy shareholders return and strong balance sheet

Earnings for the quarter after accounting for impact from MFRS 15 and 9 summed up to RM393 million or earnings per share (EPS) of 5.0 sen.

Consistent with current quarter’s financial performance, the Board of Directors declared 3rd interim dividend of 5.0 sen per share equivalent to RM389 million, payable to shareholders on 20 December 2018.

EPS AND DPS (sen)



Total assets strengthened to RM6.20 billion, up 5.7% year-on-year and 2.8% quarter-on-quarter mainly due to higher cash and cash equivalent balance for the quarter.

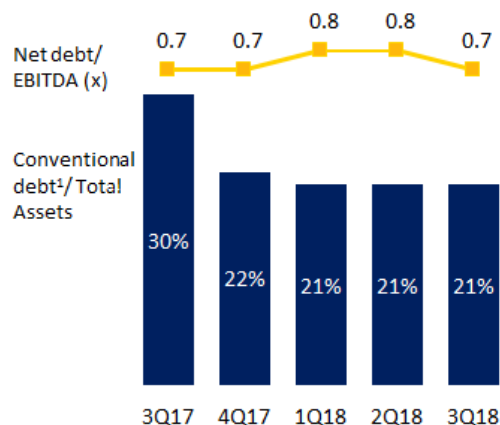
	3Q17	4Q17	1Q18	2Q18	3Q18
Total Assets	5,869	5,834	6,027	6,035	6,202
Total Equity	540	519	669	673	684
Interest-bearing debts	1,802	1,305	1,302	1,300	1,297
Islamic debts	899	1,399	1,398	1,397	1,398
Cash & cash equivalents	661	575	461	428	565

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 0.7 times while conventional debt over total assets steady at 21%, well-within the Shariah threshold.

DEBT RATIOS



OTHER UPDATES

Impact of MFRS changes on 3Q 2018

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

In 3Q 2018, the accounting of MFRS 15 provided an uplift of RM25 million to the PAT via:

- Reduction in service revenue – RM37 million
- Increase in device revenue – RM65 million
- Increase in Opex – RM3 million

RM m	3Q 2018			%
	(Pre-MFRS Δ)	(Post-MFRS Δ)	Delta	
Service revenue	1,475	1,438	(37)	-2.5%
Total revenue	1,572	1,600	28	1.8%
Opex	488	491	3	0.6%
EBITDA	725	750	25	3.4%
Margin	46.1%	46.9%	0.8	0.8
Profit before tax	504	529	25	5.0%
Profit after tax	368	393	25	6.8%
Capex	127	127	-	0.0%
Ops cash flow	598	623	25	4.2%
Margin	38.0%	38.9%	0.9	0.9
EPS (sen)	4.7	5.1	0.3	6.8%
DPS (sen)	5.0			



The YTD 3Q 2018 impact on income statement post MFRS 15 adoption can be summarised as follows:

- Reduction in service revenue – RM89 million
- Increase in device revenue - RM185 million
- Increase in Opex – RM12 million

GOING BEYOND THE CORE

To be a customer-first digital company, we first need to understand what matters most to our customers

This year, we celebrated Customer Engagement Day themed *#Digination Freedom To Connect* with our customers in conjunction with Merdeka and Malaysia Day celebrations.

Digi management team together with Digizens were mobilised nationwide to engage and understand better our customers' current and future needs so that we can empower our customers the true freedom to connect and share.



As part of our Sustainability commitment on *SDG10 Reduce Inequality*, we established Digi Yellow Heart program - focusing on building presence via impact and reach to drive Digital Resilience and Digital Inclusion. Some of the recent initiatives include:

Freedom To Be Safe (Digital Resilience)

- YouthTALK townhall to bring youth's voices and concerns on online violence to key influencers – YB Nurul Izzah and P. Prabakaran
- Yellow Heart educational videos for schools in partnership with Ministry of Education

Freedom To Be Equal (Digital Inclusion)

- Digi Academy - digital skills training programme for marginalised communities, with 20 fully equipped Digi Internet Centres located in urban poor and rural communities

Strengthening proposition to be the trusted digital partner for small businesses in Malaysia

During the quarter, we continued to innovate new digital solutions leveraging on our connectivity and network infrastructure to offer affordably priced, advanced digital solutions for SMEs to grow their business.

We launched Omni, an enterprise-level virtual phone system for SMEs, an affordable alternative to complicated and expensive office phone systems. Omni offers the convenience of turning any smartphone into a virtual phone system, simply controlled by an app on the smartphone and a web dashboard.



Together with iFleet and vcash digital solutions, the recently launched Omni virtual phone system and Industrial Valet, an e-commerce platform designed for businesses will further strengthen our proposition to be the trusted digital partner for small businesses in Malaysia.

2018 OUTLOOK AND PRIORITIES

Continue to drive performance resilience alongside efficient operations and digital transformation

In the first 9 months of 2018, we have delivered resilient performance and a sharper focus anchored on connecting our customers to what matters most, we will continue to drive sustainable growth to deliver value for our customers and shareholders.

Our focus for the final quarter in 2018 will be to step up on growth and efficiencies by:

- Strong execution of strategies in focus areas of growth across postpaid and prepaid;
- Leveraging on data driven-insights and customer segmentation; and
- Delivering on cost agenda on a platform of sustainable and efficient cost structure.

We will intensify our digital transformation pace to ensure future growth and customer experience alongside with building new digital revenue streams beyond the core.

We believe our sharper focus on excellent execution will continue to drive Digi's versatility and resilience in delivering sustainable growth while empowering more Malaysians to enjoy affordable and quality internet services and the benefits of digital connectivity.

Albeit with the market challenges ahead, Digi will continue to aim towards improving 2018 service revenue growth development, sustaining EBITDA margin around 46% - 47% and delivering efficient Capex between 11% - 12% of service revenue.

	2018 Updated Guidance¹	YTD 3Q 2018
Service revenue growth	Flat	0.9%
EBITDA margin	46% - 47%	46.4%
Capex to service revenue ratio	11% - 12%	9.6%

¹ FY 2018 Guidance based on old accounting principles

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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, 2018 result.

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